# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FEBRUARY 29, 2012

## FORM 51-102F1

### Date and Subject of Report

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Canadian Data Preserve Inc. ("CDP" or the "Company") for the three months ending February 29, 2012 The MD&A should be read in conjunction with the unaudited financial statements for the period ending February 29, 2012. This MD&A has been prepared effective April 27, 2012.

## SCOPE OF ANALYSIS

The following is a discussion and analysis of Canadian Data Preserve Inc. (the "Company"), which was incorporated on June 11, 2010, under the laws of the Province of British Columbia. The Company's head office is located at 1140- 1185 West Georgia Street, Vancouver, BC. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. As a result of a Plan of Arrangement, it acquired a 10% equity interest in DataPreserve, Inc of Scottsdale Arizona with an option to acquire the remaining 90% of DataPreserve, Inc. The Company has no present intentions to complete the acquisition.

On January 16, 2012, the Company announced the following proposed material transactions;

a) Subject to receipt of shareholder and regulatory approval, the Company has agreed to consolidate its share capital on a 10:1 basis such that there will be 1,563,867 common shares outstanding after the consolidation becomes effective.

b) Subject to receipt of shareholder, court and regulatory approval, the Company proposes to enter into a plan of arrangement with seven wholly-owned subsidiaries. Each shareholder of the Company will, pursuant to the plan of arrangement, receive one common share of each subsidiary for every 8 common shares of the Company held. Each of the subsidiaries will then engage in specified business undertakings and, subject to meeting minimum distribution and listing requirements, apply for listing on the Canadian National Stock Exchange.

c) The Company has also entered into a Letter of Intent to acquire 100% of Spheric Technologies (Canada) Inc. ("SCI") for and in consideration of 16,500,000 common shares of the Company and the assumption of financial obligations incurred by SCI in its purchase of the assets of Spheric Technologies, Inc. of

Phoenix, Arizona. SCI's obligations pursuant to the asset purchase agreement will be as follows;

i) Payment of $1,000,000 USD cash in four instalments of $250,000. The first payment was due on closing being March 31, 2102 and the remaining payments were due in three equal instalments of $250,000 on April 30, 2012, June 30, 2012 and September 31, 2012, respectively.
ii) The assumption of $1,000,000 in principals' debt in Spheric Technologies Inc. to be paid on an agreed retirement basis in cash and or common shares of the Company
iii) $500,000 payable by way of the conversion of this sum into 10,000,000 common shares of the Company at any time after closing.
iv) Closing was set in the letter of intent as March 31, 2012. Given constraints associated with seeking shareholder approval, the Company did not successfully achieve the estimated closing date and did not make the required initial payment. Further the second instalment of $250,000 due on April 30,2012 will not be made.
v) Accordingly, at the date of this MD&A, the letter of intent has expired. Management has requested that Spheric Technologies, Inc confirm their intentions with respect to the letter of intent. Management has been advised that the Board of Directors of Spheric Technologies Inc. is prepared to negotiate an extension of the closing date and revised payment terms, which will be more consistent with obtaining regulatory approval. Management cannot assure that there will be a successful resolution of this matter but includes the Spheric Technlogies Inc. business model herein for consistency..

d) Assuming the timing associated with closing the acquisition is resolved and an amended letter of intent is executed, the Company will, upon shareholder and regulatory approval, change its name to Spheric Microwave Technologies Inc. and propose a new slate of directors at the meeting, comprising of directors from the Company, SCI and Spheric Technologies, Inc.

The proposed transactions may constitute a fundamental change pursuant to the policies of the Canadian National Stock Exchange. Shareholder and regulatory approvals are required with respect to each of the above-contemplated transactions. The Company will call a special meeting of shareholders and present a detailed information circular disclosing each transaction.

The Company has set the date for the shareholder meeting as July 18, 2012.

The Company's Board has reserved the right to set all applicable share distribution record dates and all voting record dates pursuant to the plan of arrangement. These dates may determine the eligibility of participation in these transactions by current shareholders of the Company.

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During the reporting period ending February 29, 2012, the Company entered into one additional letter of intent as follows;

The Letter of Intent is between Wylie's View LLC and the Company providing for a joint venture project between both companies. The objective of the joint venture is to commercially extract gold from a tailings pile owned by Wylie's View LLC, located in Prescott, Arizona. Pursuant to the terms of the Letter of Intent, the company will pay the costs of extraction, milling and refinement of the ore and first receive recovery of its costs. Wylie's View LLC will secondarily receive a recovery of up to $150,000 in prior out of pocket costs. Thereafter the parties will share the revenue generated from the gold recovery on a 50/50 basis. There is an estimated 40,000 ounces of gold located in the tailings pile consisting of over 60,000 tons of ore. Closing of the transaction is to occur as soon as practical after sources of capital have been identified to fund the operating costs associated with extraction estimated at $55,000 per month for a period of 4 months. All environmental considerations and approvals are in place for the property.

## FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. Canadian Data Preserve Inc. has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

### General

The Company was incorporated on June 11, 2010. The Company was a British Columbia company and a wholly-owned subsidiary of Tulox Resources Inc. ("TUX"), a reporting issuer listed for trading on CNSX, until August 6, 2010. The Company has not yet commenced commercial operations as of August 31, 2011.

On November 1, 2010, the Company acquired the Option Agreement and $15,000 from TUX as part of the Plan of Arrangement. On September 2, 2010, the Company acquired a license to market and sell the back up and data recovery services of DataPreserve, Inc. (DataPreserve) of Scottsdale, Arizona; in Canada. On May 5, 2011, the Company acquired a 10% equity interest in DataPreserve, by issuing 8,000,000 common shares of the Company to acquire 4,500,000 common shares of DataPreserve. The Company has the right to acquire the remaining 90% of DataPreserve but has elected not to pursue the acquisition at the date of this MD&A.

On April 28, 2011, the Company completed a private placement of 1,600,000 common shares at a price of $.0625, generating a total of $100,000.

The Company previously disclosed its intention to consolidate its capital on a 2:1 basis. The Company has elected instead to complete a 10:1 consolidation of its capital upon which there will be 1,563,867 common shares outstanding prior to the acquisition referred to above.

The Company also intends that subject to receipt of shareholder, court and regulatory approval, to enter into a plan of arrangement with up to seven wholly-owned subsidiaries. Each shareholder of the Company will, pursuant to the plan of arrangement, receive one common share of each subsidiary for every 8 common shares of the Company held. Each of the subsidiaries will then engage in specified business undertakings and, subject to meeting minimum distribution and listing requirements, apply for listing on the Canadian National Stock Exchange. Each of the shells will initially have a total of 195,483 common shares outstanding. It is further contemplated that each of the shells will conduct a pre-listing private placement of $15,000 at a price of $.02 per share resulting in the issuance of 750,000 additional common shares issued. This private placement will provide for the necessary shareholder distribution.

**CDP's Business**

The Company originally intended to acquire the remaining 90% of DataPreserve Inc. however as at the date of this MD&A, it is not the Company's intention to complete this acquisition or to engage directly, in business activities in the data storage and backup industry.

The Company alternatively has elected to purchase 100% of Spheric Technologies (Canada) Inc. and with that engage in the design, development and commercialization of technologies founded in the use of high temperature microwave heating to industrial applications.

**Spheric Technologies (Canada) Inc.**

Spheric Technologies,(Canada) Inc of Vancouver, British Columbia has entered into an agreement to acquire 100% of the assets of Spheric Technologies Inc. (Spheric) of Phoenix, Arizona. Spheric is the leading application provider, integrator and developer

of “High Temperature Microwave Industrial Technology” for processing of advanced ceramics, powder metals and other high-tech materials.

Current Environment The $ 5 Billion “Powder Metals Industry” and the $8 billion “Advanced Ceramics Industry” use conventional natural gas or electric high temperature (1000° C+) furnaces in their manufacturing process. These conventional furnaces are energy inefficient, have long cycle times, and often produce combustion pollutants creating regulatory expense for the user along with unfriendly effects on the environment.

Spheric Opportunity – Recent advances in “High Temperature Microwave Furnaces” for industrial applications have shown significant reductions in energy consumption and processing/cycle time by up to 80%, while yielding products with superior qualities such as greater strength and higher density.

Services & Products – Spheric provides Re-Engineering Solutions based upon Microwave Technology and Microwave Furnace application, both designed to significantly reduce production time and energy costs while increasing product quality. Spheric drives revenue through Re-Engineering Services, Furnace Sales and Service Contracts. By retaining Intellectual Property rights associated with Re-Engineered Solutions the Company adds to its Intellectual Property asset base.

Marketplace – Spheric has demonstrated its research and technology capability by establishing Strategic Partnerships in the Mining, Oil & Gas and Semi Conductor Industries. The Company has developed and filed patents on high temperature microwave chemical synthesis processes for high speed production of lithium battery materials and developed a microwave furnace for sintering zirconia dental components that is now being sold into the dental lab industry. These and several other high potential market projects have created significant revenue and income opportunities for the company. Spheric continues to identify “Low Hanging Fruit” opportunities where solutions utilizing High Temperature Microwave Technology produce significant reduction in cost, time and energy consumption… thus positively impacting the customer’s bottom line and providing a measurable Return on Investment.

Microwave heats much faster, uses far less energy and neither heats nor pollutes its surroundings as conventional ovens do.

Similarly, large-scale, computer-controlled, fully automated high temperature microwave furnaces produce significant reductions in energy consumption and process time. Such units are now available exclusively from Spheric Technologies for industrial sintering of powder metals, ceramics and other powder materials, as well as for high temperature chemical synthesis representing a $15+ Billion Dollar Industry

Microwave sintering or processing involves up to 80% shorter times and a corresponding 80% decrease in energy consumption, when compared with conventional methods. Microwave processes, in most cases, also yield improved product quality with finer grain, greater density, increased corrosion resistance and greater strength of

finished parts. These advantages are obtained in a wide range of powder metals (such as titanium and steels), ceramics and “hard metals” like tungsten carbide.

## Ore Roasting – The Initial Application of Spheric High Temperature Microwave Heating:

### The Problem:

The problem lies in the mineral nature of much of the world’s gold reserves – small particles are locked up chemically or structurally so recovery is harder now than it has been through recorded history**.** Gold deposits that can be mined by simple gravity and hydrological techniques are becoming rarer, with many gold deposits linked with other elements in a combination known as *refractory gold ore.*

Refractory gold ore is a mineral complex containing very small gold particles held in a combination with sulfur, arsenic, organic carbon and/or other compounds. These refractory ores require pre-treatment in order for the common cyanide leach process to be effective in recovery of the gold. Pre-treatment options for refractory ores include “roasting” with conventional combustion furnaces, bio-oxidation by bacteria, pressure oxidation in an autoclave with heat, and ultrafine grinding, depending upon the particular ore. These options are expensive and sometimes inefficient – recovery may be less than 80% for some refractory ores - when compared with free milling gold ores, where recovery may be 98%+ using gravity or straight leach processes.

World gold production has been declining since 2001, with 2009 recoveries being near 83 million ounces. Much of the reason for declining production appears to be the exhaustion of easily mined deposits. For production to increase, or even be maintained at current levels, techniques to increase recovery from known deposits must be developed.

Currently used technologies in the recovery of refractory gold ores include:

- Heating to over 1000° F with fuel furnaces, or ‘roasting,’ used on sulfide ores– converts sulfides binding gold to oxides. This process is energy intensive, has long process times, and gases from both the ore and combustion cause environmental concerns. Equipment costs include the roaster itself, off-gas capture and fuel.

- Pressure oxidation, with combined thermal/pressure treatment and added oxygen in an ‘autoclave,’ – converts both sulfides and carbons to oxides. The process is very energy intensive, very long process times are necessary, and the equipment cost is relatively high due to the pressure vessel and the ‘batch’ approach required by the high pressure levels

- Ultra-fine grinding of ores to more than 800 mesh - extremely expensive, as each increase in mesh size category adds 19% to the energy burden for grinding,

already the most energy intensive portion of the ore milling process, and does not remove carbon which may prevent later recovery of gold in the leach process ('preg robbing'), equipment costs include additional grinding mills, media and energy.

- Bacterial 'bio-oxidation' of carbons and sulfides, where ores are inoculated with species of bacteria that digest sulfurs or carbon. Costs for this process are similar to roasting, there are minimal environmental issues, and equipment costs include holding tanks for digestion process.

**The Spheric Opportunity**

The opportunity is based on the worldwide increase in demand for gold, driving current prices over $1700 US per ounce. Increasing populations that value gold for aesthetic reasons, the use of gold as a hedge against inflation or economic collapse and the increasing use of gold in electronics all combine to support continued strength in the gold markets. Future recovery, then, has to include sources such as *refractory gold ores.*

Over 20% of current known world gold reserves may exist in these refractory ores – with ever increasing gold prices, refractory ores are of increasing interest to mining companies. In addition, widely disseminated gold values from ores that are not 'refractory' but may be bound up in some other way are also of increased interest as mining companies explore multiple new technologies to try and keep up with demand. In the event of a downturn in the gold markets, additional pressures to lower costs of production will affect the market. The opportunity becomes not only the recovery of this refractory gold at lower cost than current methods, but also to <u>increase the amount of gold recovered</u> when compared with other technologies.

The market, based on the number of gold mining and exploration companies, is over 2,000 entities worldwide. Spheric management has identified more than 235 million ounces of proven reserves that could benefit from its technology in more than 35 mine/mill properties operated by mining companies plus discoveries by many smaller exploration companies. In addition to sales of a technology/equipment package, additional opportunity exists for participation in direct gold revenue by the mining company based on increased recovery.

**The Spheric Solution**

In late 2010, Spheric scientists, in association with Penn State University researchers and a U.S. gold mining company, ran laboratory-scale experiments on refractory gold ore samples containing a high percentage of sulfides and other compounds. Results from these experiments show gold recovery increased by up to 50% over the

conventionally roasted controls. Increased recovery, joined with substantially lower energy costs and decreased process times, has been confirmed by other researchers at institutions throughout the world over the last several years. The physical mechanism is a rapid *differential* heating of the gold particle and the rest of the ore, with metal particles becoming hotter than the bulk of the mass. In addition, the elements (carbon and sulfur) that need to be removed from refractory ores to liberate the gold absorb microwave energy very well, and have very fast reaction rates.

At the time these experiments began, there was no microwave furnace for multiple ton production at the temperature needed (1000° F+) for the mining industry. Such a furnace would have to evenly energize the ore, be durable in harsh environments, simple in design, act as test-bed for further scale-up, and be economically productive in its pilot build. In late 2010 Spheric and a cooperator developed a concept that combines all these attributes and is the solution to the refractory gold ore problem. The development of microwave technology that can be used on ultra-large volumes of materials, as in mining, is new but is based on sound science and deep experience, and can provide not only decreased costs but greater recovery.

## The Spheric Product

Our product is a durable microwave rotary furnace that will handle multiple tons of moderately ground ore per day; *plus* a technology license for the intellectual property covering the furnace and process; *plus* the technical support to develop, build and operate the furnace for each particular process facility. Spheric believes that this is the world's <u>only</u> microwave furnace designed specifically for the refractory gold ore roasting application.

This rotary furnace will be placed in the gold milling process at the same location as current 'roasters' or other refractory ore treatments. Furnace features include:

- Economical, due to energy inputs with energy use as low as 20% as that of conventional processes and greater throughput due to faster process times.
- Compatible with current mining processes, with no special handling needed for incoming or outgoing materials, and integratable with the current leach process
- Durable, as it is lined with a ceramic material that resists abrasion of the ore, is sealed against dust and vibration, and constructed of steel
- Productive, as microwave roasting creates the potential for greater recovery near the actual gold content of the ore

A strong portion of the technology solution is the intellectual property surrounding the equipment and process. US provisional patent and international patent applications have been filed on the furnace design by M-Wave Consulting, and the process is supported by a portion of the large patent portfolio licensed by Spheric from the Penn State Research Foundation. M-Wave has exclusively licensed its patents to Spheric for this application, and the principle is a full time consultant to Spheric.

The initial production of this furnace will be in a standardized ‘pilot’ configuration, with an expected output of plus-or-minus 10 tons per day dependent upon ore density, a footprint of roughly 20 feet long by 2 feet in diameter, and have microwave power of 10 kW. The pilot configuration would be useful in determining precise production parameters and inputs necessary for scale-up, and could be used as feasibility or demonstration device. The initial furnace has been built and is ready for testing. Initial heating trials of an inert mineral will take place at the manufacturing facility, followed by testing at a mine site.

Scale-up of this furnace concept will be necessary for most mills, which typically process hundreds or even thousands of tons per day. A very rough estimate would indicate that a microwave rotary furnace that could process 100 tons per day at 1000° F would be up to 60 feet long. While the pilot scale furnace is a standardized design, the production scale device would be designed specifically for each project to create the greatest potential for increased recovery and lowest operating cost. Additional engineering and materials resources will be required in the scale-up stages to maximize the system. Scale-up tasks will include measurement of ore density, chemistry and dielectric properties (its ability to absorb microwave energy); furnace dimensions (microwave energy is a waveform that requires specific dimensions for its operating space to achieve maximum efficiency); and determination of power inputs based on the material properties and furnace dimensions.

As an added incentive for adoption, microwave processing appears to be much less energy intensive for ‘roasting’, due to the volumetric heating and the tendency for many reactions, such as sulfur oxidation, to begin at lower temperatures than in conventional heating equipment (800 °F versus 1000° F in conventional systems).

Additional development work beyond scale-up of the furnace itself will be undertaken to increase the value of the ‘roasting’ product and create additional products as well. These will include:

1. Development of the pilot-scale rotary furnace to regenerate activated carbon as used in the gold leach cycle.
2. Research and development of a microwave-driven leaching process where leaching speed and efficiency is enhanced by the use of microwave energy. Laboratory tests indicate strong results in this area, but further experimental work is required before developmental work.
3. Research and development of microwave for off-gas control of the roasting processes. Spheric researchers want to explore the use of microwave, due to its different reactivity when compared with conventional heating, in the production and capture of these gases and the possible synthesis of arsenic sulfide, a valuable glass additive.
4. Microwave roasting of other metal ores, such as silver, and possibly copper as a concentrate.

## General Development of CDP's Business

The Company was incorporated on June 11, 2010 and has not as of February 29, 2012 commenced commercial operations. During the period ended May 31, 2011, Tulox Resources Inc. **("Tulox")** (CDP's former parent company) completed a plan of arrangement (the **"Arrangement")** pursuant to Division 5 of Part 9 of the Act with its wholly-owned subsidiary CDP. Under the Arrangement, CDP acquired $15,000 and all of Tulox's interest in the Data Preserve Licensing Agreement, in exchange for common shares (the **"CDP Shares")** of CDP, which CDP Shares have been distributed to Tulox shareholders pursuant to the Arrangement. On closing of the Arrangement, each Tulox shareholder, as of the share distribution record date, set out in the agreement governing the Arrangement, received one new common share in the capital of Tulox (the **"New Tulox Shares")** and its *pro-rata* share of the CDP Shares were distributed under the Arrangement for each Tulox common share (the **"Tulox Shares")** held by such person at the share distribution record date determined to be as of August 9, 2010.

On completion of the Arrangement, the Company became a reporting issuer, the shareholders of which are the holders of Tulox Shares on the share distribution record date.

## CDP's Business History

The Board of Tulox determined that it would be in the best interests of Tulox to continue to focus its business efforts on its principal business activities, being the exploration and development of its mineral claims in British Columbia, Canada, and transfer its interest in the Data Preserve Licensing Agreement to a newly-formed subsidiary company, being the Company, pursuant to a plan of arrangement, in exchange for the Company's Shares that would be distributed to the Tulox Shareholders.

Pursuant to the Arrangement, Tulox transferred to the Company all of Tulox's interest in the Data Preserve Licensing Agreement in exchange for 6,038,667 of the Company's shares. In January of 2011, these shares were then re-distributed to the Tulox Shareholders who held Tulox Shares on the Share Distribution Record Date.

The Company then acquired 4,500,000 common shares of DataPreserve, representing 10% of the issued and outstanding shares of DataPreserve in exchange for 8,000,000 common shares of the Company.

## RESULTS OF OPERATIONS

Results of operations are reported in a comparative format with the comparative six months of ending February 29, 2012.

The Company did not earn any income during the three months ended February 29, 2012.

For the three months ended February 29, 2012, the Company recorded an operating loss of $30,443, comprised of $22,500 in consulting fees, $5,317 in professional fees and $2,283 in transfer agent fees and miscellaneous charges of $343.

The fully diluted loss per share outstanding as of February 29, 2012 was $.00per share, calculated on 15,638,667 shares outstanding.

**FINANCIAL POSTION**

The financial position as at February 29, 2012 is reported on a comparative basis with the year ended May 31, 2011.

As at February 29, 2012, the Company had a working capital deficiency of $62,561 represented by accounts receivable of $12,000 and an HST tax receivable of $2,378, less accounts payable and accruals totaling $76,939.

The Company recorded its initial investment in DataPreserve based upon the issuance of 8,000,000 common shares at a deemed price of $.0625per share or $500,000. The issuance of shares was recorded at a cost of $.02 per share with the difference being $.0425 per share or 340,000 being credited to contribute surplus.

During the year ended May 31, 2011, the Company issued an additional 1,600,000 common shares at a price of $.0625 per share netting a total of $100,000.

No options granted or exercised during the three months ended February 29, 2012.

**SELECTED ANNUAL INFORMATION**

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's financial statements. These sums are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

| | Year ended | | |
|---|---|---|---|
| | May 31, 2011 | May 31, 2010 | May 31, 2009 |
| Total Revenue | $ -- | $ -- | $ -- |
| Interest income | -- | -- | -- |
| Expenses | $136,788 | -- | -- |
| Net loss | ($136,788) | -- | -- |

| | | | |
|---|---|---|---|
| Total assets | $510,732 | -- | -- |
| Total long-term liabilities | -- | -- | -- |
| Net loss per share (basic and diluted) | ($.02) | -- | -- |

**SELECTED QUARTERLY INFORMATION**

The following table summarized the results of operations for the four most recent quarters as the Company was only incorporated since June 11, 2010.

| | Three months ended | | | |
|---|---|---|---|---|
| | February 29 2012 | November 30 2011 | August 31 2011 | February 28 2011 |
| Total Revenue | $ -- | $ -- | $ -- | $ - |
| Interest income | -- | -- | -- | $ - |
| Expenses | $30,443 | $20,768 | $10,679 | $ - |
| Net loss | ($30,443) | ($20,768) | ($10,679) | $ - |
| Net loss per share and diluted loss per share | $.00 | $.00 | $.00 | $ .00 |

**LIQUIDITY**

(a) In connection with the Plan of Arrangement and pursuant to the terms thereof, Tulox transferred $15,000 to the Company during the year ending May 31, 2011, which was utilized to finance its short term needs. The Company is a start-up company and therefore has no regular source of income, other than interest income it may earn on funds invested in short-term deposits. As a result, it's ability to conduct operations, including the development of DataPreserve Licensing Agreement, is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so.

(b) Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.

(c) The Company does not currently have any liquidity risks associated with financial instruments.

(d) The Company expects to have a working capital deficiency until it is able to finance its operations. Additional working capital will be required in the future, the Company expects to meet such need through additional equity financing(s).

(e) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.

(f) The Company does not presently have any subsidiaries however upon completion of the transactions contemplated herein, the Company will have one wholly-owned subsidiary, Spheric Technologies (Canada) Inc.

(g) There are currently no defaults or arrears by the Company on: dividend payments, lease payments, interest or principal payment on debt; debt covenants; and redemption or retraction or sinking fund payments.

## CAPITAL RESOURCES

a) Upon completion of the acquisition referred to above. The Company will require additional working capital to complete the acquisition of Spheric Technologies (Canada) Inc. and to fund the Spheric Canada's asset purchase agreement from Spheric Technologies Inc. and to fund the consulting agreement with Milt Mathis and to fund the joint venture with Wylie's View, LLC.

(b) There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.

(c) The Company proposes to conduct several private placements totaling approximately $4mm to fund its capital requirements over the following twenty four months.

## OFF BALANCE SHEET ARRANGEMENTS

As at April 27, 2012, the Company had no off-balance sheet arrangements.

**PROPOSED TRANSACTIONS**

The proposed transactions are summarized as follows;

- Subject to receipt of shareholder and regulatory approval, the Company has agreed to consolidate its share capital on a 10:1 basis such that there will be 1,563,867 common shares outstanding after the consolidation becomes effective.

- Subject to receipt of shareholder, court and regulatory approval, the Company proposes to enter into a plan of arrangement with seven wholly-owned subsidiaries. Each shareholder of the Company will, pursuant to the plan of arrangement, receive one common share of each subsidiary for every 8 common shares of the Company held. Each of the subsidiaries will then engage in specified business undertakings and, subject to meeting minimum distribution and listing requirements, apply for listing on the Canadian National Stock Exchange.

- The Company has also entered into a Letter of Intent to acquire 100% of Spheric Technologies (Canada) Inc. ("SCI") for and in consideration of 16,500,000 common shares of the Company and the assumption of financial obligations incurred by SCI in its purchase of the assets of Spheric Technologies, Inc. of Phoenix, Arizona. SCI's obligations pursuant to the asset purchase agreement will be as follows;

- Payment of $1,000,000 USD cash in four instalments of $250,000. The first payment is due on closing and the remaining payments are payable in three equal instalments of $250,000 on April 30, 2012, June 30, 2012 and September 31, 2012, respectively.
- The assumption of $1,000,000 in principals' debt in Spheric Technologies Inc. to be paid on an agreed retirement basis in cash and or common shares of the Company.
- $500,000 payable by way of the conversion of this sum into 10,000,000 common shares of the Company at any time after closing.

- The Company will, upon shareholder and regulatory approval, change its name to Spheric Microwave Technologies Inc. and propose a new slate of directors at the meeting, comprising of directors from the Company, SCI and Spheric Technologies, Inc.

- Closing was set in the letter of intent as March 31, 2012. Given constraints associated with seeking shareholder approval, the Company did not successfully achieve the estimated closing date and did not make the required initial payment. Further the second instalment of $250,000 due on April 30,2012 will not be made.

- Accordingly, at the date of this MD&A, the letter of intent has expired. Management has requested that Spheric Technologies, Inc confirm their intentions with respect to the letter of intent. Management has been advised that the Board of Directors of Spheric Technologies Inc. is prepared to negotiate an extension of the closing date and revised payment terms, which will be more consistent with obtaining regulatory approval. Management cannot assure that there will be a successful resolution of this matter but includes the Spheric Technlogies Inc. business model herein for consistency..

The proposed transactions may constitute a fundamental change pursuant to the policies of the Canadian National Stock Exchange. Shareholder and regulatory approvals are required with respect to each of the above-contemplated transactions. The Company will call a special meeting of shareholders and present a detailed information circular disclosing each transaction.

The Company has set the date for the shareholder meeting as July 18, 2012.

The Company's Board has reserved the right to set all applicable share distribution record dates and all voting record dates pursuant to the plan of arrangement. These dates may determine the eligibility of participation in these transactions by current shareholders of the Company.

Closing of the transaction between SCI and Spheric Technologies Inc. was set for March 31, 2012. Insofar as it was impractical to establish a shareholder meeting date prior to that date, the closing date for the acquisition of the assets of Spheric Technologies, Inc. has been set for August 31, 2012.

During the reporting period ending February 29, 2012, the Company entered an additional letter of intent as follows;

- The Letter of Intent is between Wylie's View LLC and the Company providing for a joint venture project between both companies. The objective of the joint venture is to commercially extract gold from a tailings pile owned by Wylie's View LLC, located in Prescott, Arizona. Pursuant to the terms of the Letter of Intent, the company will pay the costs of extraction, milling and refinement of the ore and first receive recovery of its costs. Wylie's View LLC will secondarily receive a recovery of up to $150,000 in prior out of pocket costs. Thereafter the parties will share the revenue generated from the gold recovery on a 50/50 basis. There is an estimated 40,000 ounces of gold located in the tailings pile consisting of over 100,000 tons of ore. Closing of the transaction is to occur as soon as practical after sources of capital have been identified to fund the operating costs associated with extraction estimated at $55,000 per month for a period of 4 months. All environmental considerations and approvals are in place for the property.

**TRANSACTIONS WITH RELATED PARTIES**

a. The Company paid consulting fees to directors and officers totalling $22,500 during the three months ended February 29, 2012.

b. After the completion of the Plan of Arrangement Agreement, the Company paid and accrued a consulting fees of $15,000 plus taxes to Tulox for services provided in spinning off Tulox's interest in the Licensing Agreement to a separate entity. As of February 29, 2012, the Company still owes Tulox $1,800 with respect to this service.

c. As of February 29, 2012, the Company owes $20 to Tulox with respect to funds advanced in order to cover monthly bank charges. The loan is non-interest bearing and has no fixed term of repayment.

d. During the period ended November 30, 2011 the Company accrued $3,500 as accrued liabilities to a former officer of the Company with respect to accounting services provided and paid $2,000 of this amount.

**OUSTANDING SHARE DATA**

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 |
| Cancellation of incorporator share | (1) | | (1) |
| Issuance of shares in pursuant of Plan of Arrangement | 6,038,667 | | 15,000 |
| Issued to acquire 10% of DataPreserve | 8,000,000 | | |
| $500,000 | 1.600,000 | | |

| Issued for cash | | |
|---|---|---|
| $100,000 | | |
| Balance as at February 29, 2012 | 15,636,667 | $2 75, ,00 0 |

As at date of this discussion, the Company has 15,636,667 common shares outstanding.

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Stock Options:

At a special meeting of shareholders of Tulox Resources Inc. and its subsidiaries, including the Company, held on August 5, 2010, the Company received shareholders' approval to adopt an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with CNSX requirements, grant to directors, officers, employees, management companies, and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

As at February 29, 2012, the Company had 1,000,000 options outstanding exercisable at a price of $.05 per share for a period of one year from May 31, 2011.

**CONTINGENCIES**

Except for the commitments mentioned in Liquidity subsection (b), there are no other contingencies outstanding as of date of this discussion.

**SUBSEQUENT EVENTS**

The Company has issued a press release announcing several material events as noted above. There are no other subsequent events as at April 27, 2011.

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

The Chief Financial Officer,is responsible for establishing and maintaining effective disclosure controls and procedures for the Company as defined in National Instrument 52-109 *Certification of Disclosure in Annual and Interim Filings.* Management has concluded that as of November 30, 2010, discussion of disclosure controls and procedures is preemptive; however, once operations begin, such controls will be effective enough to provide reasonable assurance that material information relating to the Company would be known to them, particularly during the period in which reports are being prepared.

### Internal Control over Financial Reporting

The Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting as defined in National Instrument 52-109. Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has concluded that internal control over financial reporting will be effective. The design and operation of internal control over financial reporting will provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

Internal control over financial reporting will include those policies and procedures that establish the following: maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets; reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets.

Management will design internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

### Segregation of Duties

Currently duties have not been segregated due to the small number of individuals involved in this start-up. This lack of segregation of duties has not resulted in any material misstatement to the financial statements.

As the Company incurs future growth, management plans to expand the number of individuals involved in the accounting and finance functions. At the present time, the Chief Executive Officer and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee of the Company reviews on a quarterly basis the interim financial statements and key risks and will query management about significant transactions.

### Complex and Non-Routine Transactions

The Company may be required to record complex and non-routine transactions. These sometimes will be extremely technical in nature and require an in-depth understanding of Canadian GAAP. Finance staff will consult with their third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee for its review and approval.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

### Statement of Adoption:

The consolidated financial statements of the Company for the year ending May 31, 2011 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed interim financial statements for the three month period ended February 29, 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2011.

The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Notes 11 and 12. The condensed interim financial statements were authorized for issue by the Board of Directors on April 27, 2012.

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover date of the Company will be June 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. The Company is assessing the impact on accounting policies, data systems, internal controls over financial reporting and business activities and compensation arrangements during the period leading up to the transition date.

**FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company's consolidated financial statements for the year ending May 31, 2012 will be the first annual financial statements to be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was June 1, 2011 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be May 31, 2012.

Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre changeover Canadian GAAP.

The Company has determined that none of the mandatory exceptions listed in IFS 1, Appendix B, item B1 were applicable and accordingly none of the mandatory exceptions were applied.

One optional exemption was applied.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first time adopters certain exemptions from the retrospective application of certain IFRS.

The Company applied the following exemption:

Share-based Payment Transactions

The exemption directs that a first-time adopter is encouraged, but not required, to Apply IFRS 2 Share-based payment transactions to equity instruments that were granted on or before November 7, 2002. This exemption has been taken, since it restricts the time period for share-based payment review to November 7, 2002 forward.

Under a second exemption, options granted subsequent to November 7, 2002 which vested prior to the transition date require no further review. The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Options unvested at the transition date would be subject to review. At the transition date, the Company had no unvested options. The Company expensed the vested portion of these options during the period options were granted prior to the transition date. No adjustment is required upon transition.

**RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP FOR THE STATEMENTS OF FINANCIAL POSITION, STATEMENTS OF COMPREHENSIVE LOSS/INCOME AND STATEMENTS OF CASH FLOW TO IFRS**

IFRS 1 requires an entity to reconcile the statements of financial position, comprehensive loss /income and cash flows for prior periods from GAAP to IFRS. Upon review of the financial statements, there have been no material changes to the statement of financial position, statement of comprehensive income and the statements of cash flows. Accordingly, no reconciliations of the above statements have been provided.

The Company has begun developing its detailed IFRS conversion plan, including commencement of an education process for management and the board of directors, and evaluating the effect of the new standards on its financial statements.

The Company has identified five major areas to date that will impact the statements under IFRS, including:

- Foreign currency translation,
- Reporting expenses either by nature or by function on the statement of operations,

- Revenue recognition,
- Stock based compensation, and
- First time adoption of IFRS (IFRS 1).

It is not practically possible at this time to quantify the impact of these differences.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

a. Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from these estimates.

b. 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.

c. Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

d. Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities that are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading and receivables as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company had no "other comprehensive income or loss" transactions during the quarter ended February 29, 2012, and no opening or closing balances for accumulated other comprehensive income or loss. As a result, the unaudited financial statements as of February 29, 2012 do not include a statement of Accumulated Other Comprehensive Income.

e. Impairment of long-lived assets

Equipment and other long-lived assets are regularly reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the sum of undiscounted cash flows expected from its use and disposal. If such assets are considered impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to operations during the year.

## RISK FACTORS

### Strategic and operational risks

Strategic and operational risks are risks that arise if the Company fails to develop the licensing agreement and the economic viability of developing any such additional agreements and/or to raise sufficient equity and/or debt financing in financing the development of such agreements. These strategic opportunities or threats arise from a range of factors, which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The Company’s other receivable balance may consist of amounts outstanding on Harmonized Sales Tax Credits from Canada Revenue Agency. Therefore, the Company believes that there is minimal exposure to credit risk.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 29, 2012, the Company had a cash balance of $nil and $76,939 current liabilities to settle.

**Interest risk**

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

**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 holds no financial instruments that are denominated in a currency other than Canadian dollar. Cash and accrued liabilities are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

**RECENTLY ANNOUNCED PRONOUNCEMENTS**

Credit risk EIC 173

On January 20, 2009, the CICA issued Emerging Issues Committee Abstract 173, *'Credit Risk and the Fair Value of Financial Assets and Financial Liabilities'* ("EIC 173"), to apply without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements. EIC 173 requires the Company to consider the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. For entities that do not apply Section 3855, Financial Instruments, may defer application of this EIC 173 to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2010. The Company adopted EIC 173 from inception of incorporation, which in management's opinion does not have a material impact on the Company's financial position or operation.

Goodwill and intangible assets

The Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This section

applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company adopted these sections from inception of incorporation, which in management's opinion does not have a material impact on the Company's financial position or operation.

Financial instruments

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extend of risks arising from financial instruments which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges. The Company adopted these standards from inception of incorporation and has included the required disclosure in note 5 of the unaudited financial statements as at February 29, 2012.

The AcSB issued CICA Handbook Section 3863, Financial Instruments – Presentation, which is to enhance statements users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of elected interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company adopted these standards from inception of incorporation and the adoption of this policy has no significant impact to the Company's unaudited financial statements as at February 29, 2012.

Capital disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy has been included in note 4 of the unaudited financial statements as at February 29, 2012.

Going-concern

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of a company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The Company adopted this standard from inception of operation. Refer to note 1 to the unaudited financial statements as at February 29, 2012 for disclosure relating to this section.

Financial instruments

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. Additional disclosure has been included in the Company’s financial statements (See Note 5 to the unaudited financial statements as of February 29, 2012.)

Future accounting changes

i. Business combinations, Section 1582:

This Section, which replaces the former Business Combinations, Section 1581, establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations”.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. This Section will not impact the Company as it presently operates, however the Section will be effective if the Company undertakes a business combination in the future.

ii. Consolidated financial statements, Section 1601:

This Section, which, together with new Section 1602, replaces the former Consolidated Financial Statements, Section 1600, establishes standards for the preparation of consolidated financial statements.

The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1602, Non-Controlling Interests. This Section will not impact the Company as it presently operates, however the Section will be effective if the Company undertakes a business combination in the future.

iii. Non-controlling interests:

This new Section establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements".

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1601, Consolidated Financial Statements. This Section will not impact the Company as it presently operates, however the Section will be effective if the Company undertakes a business combination in the future.

iv. International financial reporting standards:

The Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period.

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements. The Company has not completed development of its IFRS changeover plan, which will include project structure governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 ("First Time Adoption of IFRS") exemptions. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## RISKS AND UNCERTAINTIES

### Risk Factors

In evaluating an investment in the Company's shares, in addition to the other information contained or incorporated by reference herein, investors should consider the following risk factors. These risk factors are not **a** definitive list of all risk factors associated with the Company and its business.

*General and Industry Risks*

The Company's business objectives in the next 12 months are to complete the acquisition of DataPreserve and to adopt the business objectives of DataPreserve.

As at February 29, 2012, the Company's working capital deficiency was $62,561 Moreover, DataPreserve will not utilize any of the proceeds of the Company's financing to retire trade accounts payable.

*Securities and Dilution*

The purpose of the concurrent financing is to raise funds to carry out the Company's business objectives with the ultimate objective of establishing a software company providing unique Web-based solutions to the small and medium-sized business enterprises. The only source of future funds presently available to the Company is through the sale of equity capital or the assumption of debt. There is no assurance that such sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders.

*Competition*

The computer software backup/recovery industry is intensely competitive in all of its phases, and the Company will compete with many companies possessing greater financial resources and technical facilities than the Company.

*Conflicts of Interest*

Certain of the Company's proposed directors and senior officers are directors or hold positions in other public companies. If any disputes arise between these organizations and the Company, or if certain of these organizations undertake transactions with the Company's competitors, there exists the possibility for such persons to be in a position of conflict. Any decision or recommendation made by these persons involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other organizations. In addition, as applicable, such directors and officers will abstain from voting on any matter in which they have a conflict of interest.

*No History of Earnings or Dividends*

As a newly formed company, the Company has no history of earnings, and there is no assurance that the Company will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends for the foreseeable future.

*Potential Profitability Depends Upon Factors Beyond the Control of CDP*

The potential profitability of the Company is dependent upon many factors beyond the Company's control. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, regulatory compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, events which cause worldwide economic uncertainty may make raising of funds for development difficult. These changes and events may materially affect the financial performance of the Company.

*Dependency on a Small Number of Management Personnel*

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company and its business operations.

**Officers and Directors**

| | |
|---|---|
| Van Potter | President and CEO, Director |
| Brian Cameron | CFO and Director |
| Charles Bowen | Director |
| Jim Walker | Director |

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