

**CANADIAN DATA PRESERVE INC.**

Financial Statements  
For the nine month period ended February 28, 2011

**Canadian Data Preserve Inc.**  
501 – 535 THURLOW STREET,  
VANCOUVER, BC V6E 3L2

**NOTICE TO READER**

**NO Auditor Review of the Interim  
Financial Statements**

The accompanying unaudited interim financial statements of Canadian Data Preserve Inc. (“the Company”), for the nine month period ended February 28, 2011 have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

*Canadian Data Preserve Inc.*

Vancouver, British Columbia  
April 27, 2011

CANADIAN DATA PRESERVE INC.  
Unaudited Balance Sheet  
As at February 28, 2011

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<b>Assets</b>		
Current Assets:		
Cash	\$	-
HST receivable		2,126
<b>Total Assets</b>	<b>\$</b>	<b>2,126</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 7(b), 7(c) & 7(d))	\$	8,363
<b>Total Liabilities</b>		<b>8,363</b>
Shareholders' equity:		
Capital stock (Note 3)		15,000
Deficit		(21,237)
<b>Shareholders' Equity</b>		<b>(6,237)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>2,126</b>

**Nature and Continuance of Operations (Note 1)**

**Commitments (Note 6)**

**Subsequent Events (Note 8)**

**On behalf of the Board:**

"Donald Gordon"  
Donald Gordon - Director

"Brian Peterson"  
Brian Peterson - Director

The accompanying notes are an integral part of these Interim Financial Statements

## CANADIAN DATA PRESERVE INC.

## Unaudited Statement of Operations, Comprehensive Loss and Deficit

	Three months ended February 28, 2011		From Incorporation on June 11, 2010 to February 28, 2011	
Bank charges	\$	12	\$	20
Consulting fees (Note 7(b))		-		18,500
Transfer agent and filing fees		2,717		2,717
<b>Loss and comprehensive loss for the period</b>	<b>\$</b>	<b>2,729</b>	<b>\$</b>	<b>21,237</b>
<b>Deficit, beginning of the period</b>	<b>\$</b>	<b>18,508</b>	<b>\$</b>	<b>-</b>
<b>Deficit, end of the period</b>	<b>\$</b>	<b>21,237</b>	<b>\$</b>	<b>21,237</b>
<b>Basic and diluted loss per common share</b>	<b>\$</b>	<b>0.00</b>	<b>\$</b>	<b>0.01</b>
<b>Weighted average number of common shares outstanding</b>		<b>6,038,667</b>		<b>2,719,705</b>

The accompanying notes are an integral part of these Interim Financial Statements

CANADIAN DATA PRESERVE INC.  
Unaudited Statement of Cash Flows

	Three months ended February 28, 2011		From Incorporation on June 11, 2010 to February 28, 2011	
<b>Cash (used in) /provided by:</b>				
Operating Activities:				
Loss for the period	\$	(2,729)	\$	(21,237)
Changes in non-cash working capital items				
HST receivable		(326)		(2,126)
Accounts payable and accrued liabilities		3,043		8,363
		(12)		(15,000)
Financing Activity:				
Share issuance in accordance with Plan of Arrangement		-		15,000
		-		15,000
<b>Change in cash</b>		<b>(12)</b>		<b>-</b>
<b>Cash, beginning of period</b>		<b>12</b>		<b>-</b>
<b>Cash, end of period</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
<b>Cash paid during the period for interest expense</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
<b>Cash paid during the period for income taxes</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

The accompanying notes are an integral part of these Interim Financial Statements

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Canadian Data Preserve Inc. (the "Company") was incorporated on June 11, 2010 and, pursuant to a Plan of Arrangement between the Company and Tulox Resources Inc. ("Tulox") dated June 14, 2010, it will acquire the Data Preserve Licensing Agreement ("Licensing Agreement") and \$15,000 in cash from Tulox as part of the Arrangement, and will commence operations as a company providing online backup, data storage and archival services to protect small and medium businesses from the disaster of data loss. The \$15,000 coming from Tulox as part of the Arrangement should provide the Company with the capital necessary to fulfill its short-term needs. As consideration for this asset, the Company will issue 5,393,667 common shares, multiplied by the Conversion Factor, as defined in the Plan of Arrangement, which shares will be distributed to the Tulox Shareholders who hold Tulox Shares on the Share Distribution Record Date. Tulox transferred \$15,000 cash and assigned the Data Preserve Licensing Agreement to the Company on November 1, 2010 and the Company completed the share distribution on November 1, 2010 and issued 6,038,667 common shares to Tulox. On January 12, 2011, the Company then re-distributed these shares to the shareholders of Tulox as of record date August 6, 2010. The Company's principal business following the Arrangement will be the development of the Data Preserve Licensing Agreement and it may also acquire additional distribution agreements. Accordingly, the Company's financial success may be dependent upon the extent to which it can develop the licensing agreement and the economic viability of developing any such additional agreements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 intends to commence an in-house feasibility study regarding the development of the Licensing Agreement. The feasibility study will consider the distributor's duties and obligations and how to best achieve them. The Company is a start-up distribution 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, its ability to conduct operations, including the development of the Licensing Agreement or the evaluation and acquisition of additional distribution agreements, 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. Thus, 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.

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**

### **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.

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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 which 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 period ended February 28, 2011, and no opening or closing balances for accumulated other comprehensive income or loss. As a result, these financial statements do not include a statement of Accumulated Other Comprehensive Income.

e. New accounting pronouncements adopted

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

e. New accounting pronouncements adopted *(continued)*

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 these interim financial statements.

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 interim financial statements.



**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

e. New accounting pronouncements adopted *(continued)*

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.

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 these interim financial statements 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 interim financial statements (See Note 5).

f. 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.

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

f. Future accounting changes *(continued)*

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

f. Future accounting changes *(continued)*

iv. International financial reporting standards *(continued)*:

accounting policies under IFRS as well as potential IFRS 1 (“First Time Adoption of IFRS”) exemptions. The Company continues to monitor and assess the impact of these convergence efforts.

g. 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.

h. Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary related party transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are recorded at the carrying value.

### 3. CAPITAL STOCK

- a. Authorized:                    unlimited common shares without par value  
   unlimited preferred shares without par value

- b. Issued and Outstanding:

	<b>Number of Shares</b>		<b>Amount</b>
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
<b>Balance as at February 28, 2011</b>	<b>6,038,667</b>	<b>\$</b>	<b>15,000</b>

- c. Stock Options:

In pursuant to resolutions for a special meeting together with Tulox Resources Inc. and its subsidiaries, including the Company, 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 and during the period ended February 28, 2011, no options had been granted or remain outstanding pursuant to the stock option plan.

### 4. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers the items included in shareholders' equity, debt financing and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debentures, sell assets to settle liabilities or return capital to its shareholders. Cash will consist of cash at a major Canadian chartered bank and is insured by the Canadian Deposit Insurance Corporation (CDIC). The Company is not subject to any capital requirements imposed by a regulator.

## 5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, HST receivable, accounts payable and accrued liabilities; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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 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 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 28, 2011, the Company had a cash balance of \$Nil and \$8,363 current liabilities to settle. The Company is planning to complete a private placement for minimum gross proceeds of \$100,000. The Company will use the funds from this private placement for general and administrative expenses and for working capital purposes. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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 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.

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The Company use level 1 inputs to value all of its financial instruments which requires fair value measurements as of February 28, 2011.

## 6. COMMITMENTS

### Licensing Agreement

In May 2010, Tulox Resources Inc. ("Tulox"), the parent company, entered into an exclusive agreement (the "Licensing Agreement") with an Arizona private company from USA to provide online backup, data storage and archiving services to protect small and medium business from the disaster of data loss in Canada using the brand "DP Pro" with Tulox as a licensee. The objectives of Tulox's management is to drive new vertical niches in the market for data retention, expand marketing methods, and to identify and acquire additional licensing opportunities in Canada. On November 1, 2010, Tulox assigned its interest in the Licensing Agreement to the Company.

### Plan of Arrangement

The Company entered into an Arrangement Agreement with Tulox Resources Inc. ("Tulox"), the parent company, dated June 14, 2010 to proceed with a corporate restructuring by way of statutory plan of arrangement to transfer all of Tulox's interest in the above mentioned Licensing Agreement to market online backup, data storage and archiving services under the brand "DP Pro" in Canada, in exchange for 5,393,667 common shares of the Company, multiplied by the Conversion Factor, as defined in the Plan of Arrangement. As part of the Arrangement Agreement, all Share Commitments issued by Tulox and outstanding as of the date of closing would entitle the holders to receive one common share of Tulox and one common share of the Company upon exercise of these commitments by the holders. In return, the Company shall be entitled to receive its portion of the exercise price based on the percentage of the fair market value of the assets transferred out of the fair market value of all of assets of Tulox prior to the completion of the Plan of Arrangement. As at November 30, 2010, Tulox had 265,000 stock options outstanding that would be considered as Share Commitments of Tulox on the completion date. The Arrangement Agreement was filed in the Supreme Court of British Columbia as file No. S-104569 on August 6, 2010 and the Company's application for a Final Order of the Plan of Arrangement was approved pursuant to section 291 (4) of the BCBCA. Tulox transferred \$15,000 cash and assigned the Licensing Agreement to the Company on November 1, 2010 and the Company completed the share distribution on November 1, 2010 and issued 6,038,667 common shares to Tulox. On January 12, 2011, the Company then re-distributed these shares to the shareholders of Tulox as of record date August 6, 2010. Holders of Tulox Share Commitments as of November 1, 2010 had agreed to waive their rights to receive their shares of the Company should they exercise their Tulox's stock options.

### Letter of Intent

The Company has entered into a Letter of Intent with DataPreserve, dated September 2, 2010, whereby the Company sets out its intent to consolidate its issued and outstanding share capital on a 2:1 basis, such that the total number of common shares of the Company will be reduced from 6,038,667 common shares to 3,019,333 common shares. Initially, the Company will acquire 3,047,500 common shares of DataPreserve in exchange for 3,019,333 common shares of the Company, representing 50% of the issued and outstanding common shares of the Company at that time, with an option to acquire the remaining issued and outstanding shares of DataPreserve in exchange for an additional 25,700,000 common shares of the Company. If, as, and when the Company acquires the remaining common shares of DataPreserve, the principals of Data Preserve will own and control 28,750,000 common shares of the Company, representing 74% of the issued and outstanding common shares of the Company.

## **7. RELATED PARTY TRANSACTIONS**

- a. The Plan of Arrangement provides for the transfer of the Licensing Agreement from Tulox to the Company, as a wholly-owned subsidiary, and the immediate distribution of a controlling interest in the common shares of the Company to the current shareholders of Tulox. The shareholders of Tulox at the time of the Plan of Arrangement will continue to collectively own the Licensing Agreement, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of the Licensing Agreement at the time that it is assigned to the Company, the transfer must be recorded under Canadian generally accepted accounting principles using the historical carrying values of the Licensing Agreement in the accounts of Tulox which was \$Nil at the time of the transfer.
- 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 28, 2011, the Company still owes Tulox \$1,800 with respect to this service.
- c. As of February 28, 2011, 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 February 28, 2011, the Company accrued \$3,500 as accrued liabilities to an officer of the Company with respect to accounting services provided.

## **8. SUBSEQUENT EVENTS**

- a. The Company obtained conditional approval to have the Company's common shares to be listed for trading on Canadian National Stock Exchange (CNSX). The Company's common shares have not yet commenced trading on CNSX.
- b. On March 30, 2011, the Company granted 1,000,000 stock options to a consultant, pursuant to a consulting agreement, at an exercise price of \$0.05 per share within one year.