

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE PERIOD ENDED FEBRUARY 28, 2011**

**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 period ended February 28, 2011. The MD&A should be read in conjunction with the unaudited interim financial statements for the period from incorporation on June 11, 2010 to February 28, 2011. The MD&A has been prepared effective April 29, 2011.

**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 501-535 Thurlow Street, Vancouver, BC. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. As a result of a recently completed Plan of Arrangement, it acquired Data Preserve Licensing Agreement for all of Canada.

**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 February 28, 2011.

On November 1, 2010, the Company acquired the Option Agreement and \$15,000 from TUX as part of the Plan of Arrangement. The Company has not commenced any commercial operations other than acquiring the Option Agreement from TUX.

The Company will commence its business as a company providing online backup, data storage and archiving services to protect small and medium business from the disaster of data loss. The objectives of the Company's management will be to drive new vertical niches in the market for data retention, expand marketing methods, and to identify and acquire additional licensing opportunities.

During the period ended February 28, 2011, the Company 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 slightly less than 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. The company intends to raise working capital on closing the initial share transaction within a minimum and maximum range of \$250,000 to \$500,000. 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.

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.

### **CDP's Business**

Following completion of the Arrangement, the Company intends to implement a threefold marketing strategy of direct sales for Data Preserve's eArchive product, direct Web marketing for online backup services, and targeting existing resellers for online backup and eArchive products and services.

### **Trends**

Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### **General Development of CDP's Business**

The Company was incorporated on June 11, 2010 and has not yet commenced commercial

operations as of February 28, 2011. During the period ended February 28, 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 has 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 funds received by the Company pursuant to the Plan of Arrangement should provide the Company with sufficient working capital until it completes another private placement financing prior to its listing on a stock exchange. Initially, the Company will acquire 3,047,500 common shares of DataPreserve in exchange for 3,019,333 common shares of the Company, representing slightly less than 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. The company intends to raise working capital on closing the initial share transaction within a minimum and maximum range of \$250,000 to \$500,000.

### **RESULTS OF OPERATIONS**

As at February 28, 2011, the Company was no longer a wholly-owned subsidiary of Tulox and the Plan of Arrangement had been completed after the Company issued 6,038,667 of its common shares to Tulox. There was no operation for its third quarter ended February 28, 2011.

### **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.

|   | Quarter ended<br>February 28,<br>2011 | Year ended<br>May 31, 2010 | May 31, 2009 |
|---|---------------------------------------|----------------------------|--------------|
| Total Revenue                             | \$ --                                 | \$ --                      | \$ --        |
| Interest income                           | --                                    | --                         | --           |
| Expenses                                  | 21,237                                | --                         | --           |
| Net loss                                  | (21,237)                              | --                         | --           |
| Total assets                              | 2,126                                 | --                         | --           |
| Total long-term liabilities               | --                                    | --                         | --           |
| Net loss per share<br>(basic and diluted) | (0.01)                                | --                         | --           |

## 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.

|  | February 28,<br>2011 | Three months ended<br>November 30<br>2010 | August 31<br>2010 | May 31<br>2010 |
|--|----------------------|---|-------------------|----------------|
| Total Revenue                                    | \$ --                | \$ --                                     | \$ --             | \$ --          |
| Interest income                                  | --                   | --  | --                | --             |
| Expenses   | 2,729                | 18,508                                    | --                | --             |
| Net loss   | (2,729)              | (18,508)                                  | --                | --             |
| Net loss per share and diluted<br>loss per share | (0.00)               | (0.05)                                    | --                | --             |

## LIQUIDITY

- (a) In connection with the Plan of Arrangement and pursuant to the terms thereof, Tulox transferred \$15,000 to the Company during the period ended February 28, 2011, which was utilized to finance its short term needs. The Company will be completing a non-brokered private placement on closing the initial share transaction of DataPreserve within a minimum and maximum range of \$250,000 to \$500,000.

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, its ability to conduct operations, including the development of Data Preserve 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.

The funds received by the Company pursuant to the Plan of Arrangement and the proposed non-brokered private placements on closing the initial share transaction of DataPreserve within a minimum and maximum range of \$250,000 to \$500,000. should provide it with the capital necessary, for general and administrative expenses and for working capital purposes. The Company anticipates that such funds will be sufficient for its working capital requirements for the forthcoming 12 month period.

- (d) The Company does not currently have any liquidity risks associated with financial instruments.
- (e) The Company does not currently expect to have a working capital deficiency. However, if additional working capital is required in the future, the Company expects to meet such need through additional equity financing(s).
- (f) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (g) The Company does not presently have any subsidiaries.
- (h) There are currently no defaults or arrears by the Company on:
  - (i) dividend payments, lease payments, interest or principal payment on debt;
  - (ii) debt covenants; and
  - (iii) redemption or retraction or sinking fund payments.

## **CAPITAL RESOURCES**

- (a) There are no additional expenditures required to meet the Company's planned growth or to fund development activities.
- (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) Other than the \$15,000 payment made to the Company from Tulox in connection with the Plan of Arrangement, the Company does not have any sources of financing that have been arranged and not yet used.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at February 28, 2011, the Company had no off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

Except for the transformation of its Business Plan into a Strategic Plan and a Tactical Plan, the Company does not have any proposed transactions to discuss at this time. The Company did enter into a Letter of Intent with DataPreserve, dated September 2, 2010, whereby the Company will acquire 100% of DataPreserve in 2 steps. Please refer to “General” section from above.

## TRANSACTIONS WITH RELATED PARTIES

- 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.

## OUTSTANDING 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    |
| Balance as at February 28, 2011                       | 6,038,667        | \$ 15,000 |

As at date of this discussion, the Company has 6,038,667 common shares outstanding.

#### 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 and during the period ended February 28, 2011, no options had been granted or remain outstanding under the stock options plan.

### **CONTINGENCIES**

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

### **SUBSEQUENT EVENTS**

Subsequent to quarter ended February 28, 2011,

- 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.

### **CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

The Chief Financial Officer, are 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 February 28, 2011, 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, are 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 review 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)**

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly accountable profit-oriented enterprises to use IFRS, replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will commence reporting in IFRS in the first quarter of the 2011 fiscal year, with comparative figures.

The company will use a four phase approach to ensure successful conversion to IFRS, including:

- diagnostic impact assessment;
- design and planning;
- solution development and;
- implementation.
- 

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 financial 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 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, the interim financial statements as of February 28, 2011 do not include a statement of Accumulated Other Comprehensive Income.

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.

## **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 28, 2011, the Company had a cash balance of \$Nil and \$8,363 current liabilities to settle. The Company will be completing a non-brokered private placements on closing the initial share transaction of DataPreserve within a minimum and maximum range of \$250,000 to \$500,000. 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**

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 interim financial statements as of February 28, 2011.

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 as of February 28, 2011.

#### 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 interim financial statements as of February 28, 2011.

#### 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 interim financial statements as of February 28, 2011 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 interim financial statements as of February 28, 2011).

#### 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. The Company continues to monitor and assess the impact of these convergence efforts.

## **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 28, 2011, the Company’s working capital deficiency was \$(6,237). The Company is not obligated pursuant to the terms of the acquisition to pay any of the obligations of DataPreserve. Moreover, DataPreserve will not utilize any of the proceeds of the Company’s financing to retire trade accounts payable. In the absence of postponement agreements, DataPreserve will make periodic payments to vendors from operation cash flow.

#### *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. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company’s strategic goals and the carrying out of its obligations under the marketing agreement with and/or to complete the acquisition of DataPreserve, Inc.

#### *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**

|                  |                      |
|------------------|----------------------|
| Donald Gordon    | President & Director |
| Brian Peterson   | Director             |
| Francis Reynolds | Director             |
| Anthony Chan     | CFO                  |

### **Contact Address:**

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