

CANADIAN DATA PRESERVE INC.

Financial Statements

For the Period Ended May 31, 2011

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AUDITORS' REPORT

To The Shareholders of Canadian Data Preserve Inc.:

We have audited the accompanying financial statements of Canadian Data Preserve, Inc., which comprise the consolidated balance sheets as at May 31, 2011, and the consolidated statements of operations, deficit and comprehensive loss, and cash flows for the year ended May 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Data Preserve, Inc. as at May 31, 2011 and the results of its operations and its cash flows for the year ended May 31, 2011 in accordance with Canadian Generally Accepted Accounting Principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company incurred accumulated losses of \$136,788 since inception and is expected to incur further losses in the development of its business. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that casts substantial doubt upon the Company's ability to continue as a going concern.

Vancouver, British Columbia
September 21, 2011

"Buckley Dodds"
Chartered Accountants

CANADIAN DATA PRESERVE INC.

Balance Sheet

May 31, 2011

ASSETS

CURRENT

Cash	8,606
Taxes receivable	2,126

10,732

INVESTMENT

500,000

\$ 510,732

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT

Accounts payable and accrued liabilities	11,403
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SHAREHOLDERS' DEFICIENCY

Share capital (<i>Note 7</i>)	275,000
Contributed surplus	361,117
Deficit	<u>(136,788)</u>

499,329

\$ 510,732

ON BEHALF OF THE BOARD

<u>"Brian Cameron"</u>	Director
<u>"Charles Bowen"</u>	Director

CANADIAN DATA PRESERVE INC.

Statement of Deficit

May 31, 2011

DEFICIT - BEGINNING OF YEAR	\$ -
NET LOSS FOR THE YEAR	(136,788)
DEFICIT - END OF YEAR	<u>\$ (136,788)</u>

ON BEHALF OF THE BOARD

"Brian Cameron" Director

"Charles Bowen" Director

CANADIAN DATA PRESERVE INC.

Income Statement

May 31, 2011

EXPENSES	
Bank charges	\$ 120
Consulting fees	67,520
Foreign exchange loss	2,465
Professional fees	43,961
Transfer agent and filing fees	<u>22,723</u>
TOTAL EXPENSES	<u>136,788</u>
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ 136,788</u>
Basic and diluted loss per share	<u>\$ 0.01</u>
Weighted average number of shares outstanding	<u>15,638,667</u>

ON BEHALF OF THE BOARD

"Brian Cameron" Director
"Charles Bowen" Director

CANADIAN DATA PRESERVE INC.

Statement of Cash Flow

May 31, 2011

OPERATING ACTIVITIES	
Net loss for the year	\$ (136,788)
Items not affecting cash:	
Consulting	21,118
Changes in non-cash working capital	
Taxes receivable	(2,126)
Payables and accruals	<u>26,402</u>
Cash flow from (used) by operating activities	<u>(91,394)</u>
FINANCING ACTIVITIES	
Share capital	<u>100,000</u>
Cash flow from financing activities	<u>100,000</u>
INCREASE (DECREASE) IN CASH FLOW	8,606
CASH - Beginning of year	<u>-</u>
CASH - End of year	<u><u>\$ 8,606</u></u>
Cash paid for:	
Interest paid	<u>\$ -</u>
Income taxes	<u>\$ -</u>

ON BEHALF OF THE BOARD

"Brian Cameron" Director
"Charles Bowen" Director

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

1. NATURE OF OPERATION AND ABILITY TO CONTINUE AS A GOING CONCERN

Canadian Data Preserve, Inc. (the "Company") was incorporated on June 11, 2010. The Company's common shares trade on the Canadian National Stock Exchange (CNSX).

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$136,788 since inception, and has a working capital deficiency of \$671 and expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned backup programs, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There is no assurance that the Company will be successful in securing financing in the future and accordingly these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements

Use of Estimates

The presentation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include estimates of accounts payable and accrued liabilities and the determination of the valuation allowance for future income tax assets. Actual results may differ from those estimates and these differences could have a significant impact on the financial statements.

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Earnings Per Share

Basic and diluted earnings per share amounts are computed using the weighted average number of common shares outstanding during the 5 month period ended.

Basic earnings per share are calculated by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. This method assumes that common shares are issued for the exercise of warrants and options and that the assumed proceeds from the exercise of warrants and options are used to purchase common shares at the average market price during the period. The difference between the numbers of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards, and future income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. To the extent that the Company does not consider it more likely than not that a future tax assets will be recovered, it provides a valuation allowance against the excess.

Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. The adoption of this section had no impact upon the Company's financial statements.

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

All financial instruments are classified into one of these 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 on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed. The Company's financial assets and liabilities are initially recorded at fair value and subsequently measured based on their assigned classifications as follows:

Asset/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivables	Loans and receivables	Amortized cost
Notes payable	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to shareholders	Other liabilities	Amortized cost

Furthermore, all financial instruments must be classified into one of the following three level hierarchy that reflects the significance of the inputs used in making the fair value measurement:

Level 1 – observable inputs such as quoted price in active markets;

Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly or indirectly;

Level 3 – unobservable inputs for the assets or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

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 May 31, 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.

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

3. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

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.

4. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the proprietary technologies and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the credit markets and by the status of the Company's technologies in relation to these markets, and its ability to compete for investor support of its technologies. The Company is not subject to any externally imposed capital requirement.

5. FINANCIAL INSTRUMENTS AND RISKS

As at May 31, 2011, the Company's financial instruments recognized on the balance sheet consist of cash, notes payable, accounts payable and accrued liabilities and due to shareholders.

In accordance with CICA Section 3862, the Company has classified fair value measurement using three-level hierarchies. As at May 31, 2011, the Company does not have Level 2 and Level 3 financial instruments and Cash as shown on the balance sheet are measured using level 1 inputs.

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

5. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

The fair value of the Company's cash, notes payable, accounts payable and accrued liabilities and due to shareholders approximates the carrying amounts due to their short-term nature.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk arises from the potential that a debtor will fail to perform its obligations. The Company is exposed to credit risk primarily from accounts receivable. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. As there is a zero balance of accounts receivable, the credit risk exposure is considered to be minimal.

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 United States Dollars. Cash and accrued liabilities are denominated in United States currency. Therefore, the Company's exposure to currency risk is minimal.

Liquidity Risk

Liquidity risk is the risk the Company may not be able to meet its contractual obligations and financial liabilities as they become due. As at May 31, 2011, the Company has cash and cash equivalent of \$8,606 and current liabilities of \$11,403. The Company plans to secure the necessary financing through the combination of renewal of existing credit facilities and issuance of new equity. There can be no assurance that these initiatives will be successful.

Interest Rate Risk

Interest rate risk is the risk that the Company's earnings that would arise from the fluctuations in interest rates and would depend on the volatility of these rates. The Company's sensitivity to interest rates is currently immaterial. However, fluctuation in the interest rate will impact the cost of financing in the future.

CANADIAN DATA PRESERVE INC.
Notes to Financial Statements
May 31, 2011

6. CAPITAL STOCK

a) Common stock

Authorized

Unlimited common shares without par value
 Unlimited preferred shares without par value

	Number of Shares	Amount
Issuance of shares in pursuant of Plan of Arrangement	6,038,667	15,000
Common shares issued for:		
Cash - \$0.0625	1,600,000	100,000
Investment - \$0.02	8,000,000	160,000
Balance as at May 31, 2011	15,638,667	275,000

Issued and Outstanding

During the year ended May 31, 2011, the Company:

- i) On November 12, 2010, the Company issued 6,038,667 shares with a value of \$15,000 pursuant to a plan of arrangement.
- ii) On April 28, 2011, the Company issued 1,600,000 shares at \$0.0625 in the amount of \$100,000
- i) On May 5, 2011, the Company issued 8,000,000 common shares at \$0.02 for the purpose of acquiring a 10% interest in a related Company in the amount of \$200,000;

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

7. STOCK OPTIONS

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Aggregate intrinsic value \$
Outstanding, June 11, 2010	-	-		
Granted	1,000,000	0.05		
Expired/cancelled	-	-		
Outstanding and exercisable, May 31, 2011	1,000,000	0.05	1.0	-

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	Year ended May, 2011
Risk-free Interest rate	1.50%
Expected life (in years)	1.0
Expected volatility	111.36

The weighted average fair value of the stock options granted during the year ended May 31, 2011 was \$0.05 per option.

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

8. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, June 11, 2010	-	-
Issued	3,200,000	0.23
Expired	-	-
Balance, May 31, 2011	3,200,000	0.23

As at May 31, 2011, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
3,200,000	0.23	March 31, 2012

9. INVESTMENT

The investment is valued at cost. The amount consists of a 10% share of Advantive Information Management, Inc (a related company). The Company issued 8,000,000 shares at \$0.02. However, the fair value of these shares at the time of issuance was \$0.0625. Therefore, the difference was charged to contributed surplus.

10. INCOME TAXES

	2011
Statutory tax rate	34.12%
Net loss before income tax	(136,788)
Expected income tax recovery	(46,672)
Increase (reduction) in income taxes	-
Non-deductible expenses	-
Net change in valuation allowance	46,672
Total income taxes (recovery)	\$ -

CANADIAN DATA PRESERVE INC.

Notes to Financial Statements

May 31, 2011

10. INCOME TAXES (CONTINUED)

Due to the uncertainty of future taxable income, all future income tax assets have been offset by a full valuation allowance. The Company evaluates its valuation allowance requirements at the period end.

Accumulated losses in the year which can be carried forward for Canadian Tax purposes total \$95,873 which will expire in the year 2031.

11. 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 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, the transfer was 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. During the year ended May 31, 2011, the Company accrued \$3,500 as accrued liabilities to an officer of the Company with respect to accounting services provided. Of this amount \$2,000 is still in accounts payable.
- c. During the year ended May 31, 2011, the Company paid consulting fees to its directors and officers totalling \$27,902.