

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE YEAR ENDED MAY 31, 2014**

**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 twelve months ended May 31, 2014. The MD&A should be read in conjunction with the audited financial statements ended May 31, 2014. This MD&A has been prepared effective September 29, 2014.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of Canadian Data Preserve Inc. (the "Company"), which was incorporated on June 11, 2010, under the laws of the Province of British Columbia. The Company's head office is located at 1140- 1185 West Georgia Street, Vancouver, BC. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. As a result of a Plan of Arrangement, it acquired a 10% equity interest in DataPreserve, Inc of Scottsdale Arizona with an option to acquire the remaining 90% of DataPreserve, Inc. Insofar as DataPreserve, Inc., has filed for bankruptcy in the United States, the Company has written off its investment in DataPreserve Inc., as at May 31, 2012 and did not complete the intended purchase of the remaining 90% of DataPreserve, Inc.

In the alternative, the Company held a shareholders meeting on August 8, 2012 and approved an up to 20:1 consolidation of capital and a name change to 49 Capital Corporation. Insofar as the Company has not yet effected the name change and consolidation of capital another shareholder meeting will be called in November 2014 to ratify and approve the previously approved corporate changes. After the consolidation, as contemplated, there will be a total of 781,933 common shares outstanding. The Company will become an investment company and finance investments into viable technologies companies based in North America and worldwide. As at the date of this MD&A, the consolidation has not yet been effected but it remains the intention of the Board of Directors to do so and to appoint additional members to the Board with experience and background in analyzing potential investment opportunities.

**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 operation.

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

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

The Company has previously sought and obtained shareholder approval to a 20:1 consolidation of capital and a name change to 49 Capital Corporation. Since time as elapsed a second shareholder meeting will be called to ratify the consolidation and name change. At the date of this MD&A neither the name change or the consolidation have been effected. It is the Company's intention to reaffirm shareholder approval to the consolidation and name change at the next annual general meeting to be held in late October and to move forward with the stated plans.

## **CDP's Business**

The Company originally intended to acquire the remaining 90% of DataPreserve Inc. The Company is not however going to complete such acquisition. The Company has written off its investment in DataPreserve, Inc. effective May 31, 2012.

On August 8, 2012, the Company held a shareholder's meeting to approve a consolidation of capital on a 20:1 basis and to change its name to 49 Capital

Corporation. At the date of this MD&A neither the name change or the consolidation have been effected.

The Company intends to finance strategic investments in technology enterprises that are positioned to list their shares on public markets in Canada. At the date of this MD&A, management is reviewing several investment opportunities. Concurrent with this change of direction, the Company will appoint key members to its Board of Directors who will be instrumental in identifying investment opportunities.

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

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

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

### **CDP's Business History**

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

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

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

During the year, ended May 31, 2012, the Company wrote off its investment in DataPreserve, Inc. due to the filing of a bankruptcy proceeding in the State of Arizona.

## **RESULTS OF OPERATIONS**

Results of operations are reported in a comparative format with the comparative twelve month statements for the year ended May 31, 2013.

The Company did not earn any income during the twelve months ended May 31, 2014.

For the twelve months ended May 31, 2014, the Company recorded an operating loss of \$120,060, comprised of consulting fees totaling \$92,585, professional fees totaling \$6,125, transfer agent fees totaling \$10,105 and miscellaneous other expenses. The fully diluted loss per share outstanding as of May 31, 2014 was \$.008 per share, calculated on 15,638,667 shares outstanding.

## **FINANCIAL POSITION**

The financial position as at May 31, 2014 is reported on a comparative basis with the year ended May 31, 2013.

As at May 31, 2014, the Company had a working capital deficiency of \$327,768 represented by accounts receivable and cash of \$1,825, less accounts payable and accruals totaling \$52,450 and amounts due to related parties of \$277,143, further comprised of amounts due to former directors totaling \$22,880, and amounts due to two affiliated corporations totaling \$254,263.

During the year ended May 31, 2014, the Company did not issue any additional securities.

No options granted or exercised during the year ended May 31, 2014.

## **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.

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	Year ended		
	May 31, 2014	May31, 2013	May 31, 2012
Total Revenue	\$ --	\$ --	\$ --
Interest income	--	--	--
Expenses	\$120,060	\$111,673	\$595,364
Net loss	(\$120,060)	(\$111,673)	((595,364)
Total assets	\$1,825	\$2,901	\$5,231
Total long-term liabilities	--	--	--
Net loss per share	(\$(.008)	(\$.02)	(\$.02)
(basic and diluted)			

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### **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.

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Three months ended

	May 31, 2014	February 28, 2014	November 30, 2013	August 31, 2013
Total Revenue	\$ --	\$ --	\$ --	\$ -
Interest income	--	--	--	\$ -
Expenses	\$ _62,433____	\$7,513	\$23,680	\$26,434
Net loss	(__\$62,434)	-\$7,513)	(\$23,680)	\$(26,434)
Net loss per share and diluted loss per share	\$ .00	\$ .00	\$ .00	\$ 00

	Three months ended			
	May 31, 2013	February 28, 2013	November 30, 2012	August 31, 2012
Total Revenue	\$ --	\$ --	\$ --	\$ -
Interest income	--	--	--	\$ -
Expenses	\$ 9,621____	\$29,628	\$45,964	\$26,460
Net loss	(__\$9,621)	-\$29,628)	(\$45,964)	\$(26,460)
Net loss per share and diluted loss per share	\$ .00	\$ .00	\$ .00	\$ 00

## **LIQUIDITY**

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

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

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

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

(f) The Company does not presently have any subsidiaries.

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

## **CAPITAL RESOURCES**

(b) Upon completion of the consolidation the Company will commence business as an investment company and accordingly will require significant working capital to fund its operations. There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.

(c) The Company proposes to conduct several private placements to fund its investment activities over the following twelve months.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at September 30, 2014, the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions contemplated at this time.

## **TRANSACTIONS WITH RELATED PARTIES**

a. The following amounts are due to related parties at the date of this MD&A:

Due to former Directors:	\$22,880
Due to an affiliated companies:	\$254,263

Total:	<b>\$277,143</b>
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e) During the year ended May 31, 2014, the Company paid consulting fees to its directors and officers totalling \$92,585 (2013: \$78,500).

## OUTSTANDING SHARE DATA

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

Issued and Outstanding:

	Number Shares	of	Amount
Common share issued on 1 incorporation	1	\$	1
Cancellation of incorporator share	(1)		(1)
Issuance of shares in pursuant of Plan of Arrangement	6,038,667		15,000
Issued to acquire 10% of DataPreserve	8,000,000		
\$500,000	1,600,000		
Issued for cash			
\$100,000			
<b>Balance as at May 31, 2014</b>	<b>15,636,667</b>		<b>\$275,000</b>

As at date of this discussion, the Company has 15,636,667 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 May 31, 2014, there are no stock options outstanding and none were exercised during the year..

## **CONTINGENCIES**

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

## **SUBSEQUENT EVENTS**

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

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

### **Internal Control over Financial Reporting**

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

Management has concluded that internal control over financial reporting will be effective. The design and operation of internal control over financial reporting will

provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

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

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

### **Segregation of Duties**

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

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

### **Complex and Non-Routine Transactions**

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

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

### **Statement of compliance to international financial reporting standards**

These financial statements, including comparatives have been prepared in accordance with

International Accounting Standards (“IAS”) 1, “Presentation of Financial Statements” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these financial statements are in accordance with IFRS.

These financial statements were authorized by the audit committee and board of directors of the Company on September 26, 2014.

### **Use of estimates and judgments**

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) **Recovery of deferred tax assets**

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

ii) **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### **Determination of functional currency**

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the Company is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

### **Foreign exchange**

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are recognized through profit or loss.

### **Financial instruments**

#### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company's receivables are classified as loans and receivables.

### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities:* This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred

tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### **Future accounting pronouncements**

A number of new standards, amendments to standards and interpretations are not yet effective as at May 31, 2014, and have not been applied in preparing these financial statements. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards issued and Effective January 1, 2013

#### Disclosure of involvement with other entities

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interest on its financial position, financial performance and cash flows.

#### Financial instruments

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value

though earnings. If this option is elected, entities would be required to reverse the portion of the fair value due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for annual periods beginning on or after January 1, 2015.

### **Interest-bearing loans and other borrowings**

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

### **Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

### **Revenue recognition**

Contract revenue is recognized when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

## **MANAGEMENT OF CAPITAL**



The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the year ended May 31, 2014.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### *Financial risk management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of receivables, accounts payable and accrued liabilities and due to related parties.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities and due to related parties approximate their book values because of the short-term nature of these instruments.

### *Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

### *Credit risk*

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions

which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of harmonized sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 4. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at May 31, 2014 the Company has no financial assets that are past due or impaired due to credit risk defaults.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar as the Company's head office and operations are in Canada. All of the Company's financial instruments are denominated in Canadian dollars. In management's opinion there is no significant foreign exchange risk to the Company.

#### *Transaction Costs*

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

### **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 May 31, 2014, the Company had a cash balance of \$385 and \$ 329,593 current liabilities to settle.

### **Interest risk**

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

### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. Cash and accrued liabilities are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

## **RECENTLY ANNOUNCED PRONOUNCEMENTS**

### **Credit risk EIC 173**

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

adopted EIC 173 from inception of incorporation, which in management's opinion does not have a material impact on the Company's financial position or operation.

#### Goodwill and intangible assets

The Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company adopted these sections from inception of incorporation, which in management's opinion does not have a material impact on the Company's financial position or operation.

#### Financial instruments

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extend of risks arising from financial instruments which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges. The Company adopted these standards from inception of incorporation and has included the required disclosure in note 5 of the audited financial statements as at May 31, 2014.

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 audited financial statements as at May 31, 2014.

#### 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 audited financial statements as at May 31, 2014.

#### 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 audited financial statements as at May 31, 2014 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 audited financial statements as of May 31, 2014.)

#### Future accounting changes

##### i. Business combinations, Section 1582:

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

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

##### ii. Consolidated financial statements, Section 1601:

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

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

iii. Non-controlling interests:

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

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

iv. International financial reporting standards:

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

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

## **RISKS AND UNCERTAINTIES**

### **Risk Factors**

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

#### General and Industry Risks

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

As at May 31, 2014, the Company's working capital deficiency was \$327,768.

#### Securities and Dilution

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

#### Competition

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

#### Conflicts of Interest

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

### No History of Earnings or Dividends

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

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

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

### Dependency on a Small Number of Management Personnel

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

### **Officers and Directors**

Van Potter	President and CEO, Director
Brian Cameron	CFO and Director
Jack Saltich	Director

### **Contact Address:**

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