

CDN MSOLAR CORP.

FINANCIAL STATEMENTS

**YEAR ENDED MARCH 31, 2014 AND
FOR THE PERIOD FROM INCORPORATION ON
MARCH 15, 2013 TO MARCH 31, 2013**

(Expressed in Canadian dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
CDN MSolar Corp.

We have audited the accompanying financial statements of CDN MSolar Corp. which comprise the statements of financial position as at March 31, 2014 and 2013, and the statements of comprehensive loss, changes in equity and cash flows for the year ended March 31, 2014 and for the period from incorporation on March 15, 2013 to March 31, 2013, and the related notes comprising 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' 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. Those standards require that we comply with ethical requirements and plan and perform the audits 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 our 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, we consider 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 overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits 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 CDN MSolar Corp. as at March 31, 2014 and 2013, and its financial performance and cash flows for the year ended March 31, 2014 and for the period from incorporation on March 15, 2013 to March 31, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of CDN MSolar Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
July 25, 2014

CDN MSOLAR CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2013 and 2014
(Expressed in Canadian Dollars)

	Note	2014	2013
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		343,856	-
GST receivable		10,776	-
Prepaid expense		36	-
		354,668	-
Office equipment, net		436	-
		355,104	-
LIABILITIES			
Current			
Accounts payable and accrued liabilities		4,005	18,840
Shareholder's advance	6	26,292	22,471
		30,297	41,311
SHAREHOLDERS' EQUITY			
Share capital	7	796,092	1
Deficit		(471,285)	(41,312)
		324,807	(41,311)
		355,104	-
Nature and Continuance of Operations	1		
Commitment	11		
Subsequent Event	12		

Approved and authorized for issue by directors on July 25, 2014

"Don Gordon"
Don Gordon, Director

"Samuel Yu"
Samuel Yu, Director

The accompanying notes are an integral part of these financial statements

CDN MSOLAR CORP.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31, 2014 AND
FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
(Expressed in Canadian Dollars)

	Note	2014 \$	Period from Incorporation on March 15, 2013 to March 31, 2013 \$
Operating expenses			
Amortization		219	-
Listing expenses	3	126,444	22,471
Office and miscellaneous		242	-
Professional fees		96,355	18,841
Rent		1,640	-
Salary and benefits		2,924	-
Transfer agent and filing fees		6,023	-
Travel expenses		1,126	-
		(234,973)	(41,312)
Other income (expenses)			
Impairment of intangible assets	5	(195,000)	-
Net loss and comprehensive loss		(429,973)	(41,312)
Basic and diluted loss per common share		(0.02)	(41,312)
Weighted average number of common shares outstanding		17,747,114	1

The accompanying notes are an integral part of these financial statements

CDN MSOLAR CORP.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2014 AND
FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
(Expressed in Canadian Dollars)

	Number of Outstanding Shares	Share Capital	Deficit	Total Shareholder's Equity
		\$	\$	\$
Shares issued on incorporation	1	1	-	1
Comprehensive loss	-	-	(41,312)	(41,312)
Balance, March 31, 2013	1	1	(41,312)	(41,311)
Share redemption	(1)	(1)	-	(1)
Share issued for cash	3,666,667	350,000	-	350,000
Share issued for technology transfer	9,750,000	195,000	-	195,000
Share issued for amalgamation	1,999,997	100,000	-	100,000
Shares issued for debt settlement	6,510,920	151,092	-	151,092
Comprehensive loss	-	-	(429,973)	(429,973)
Balance, March 31, 2014	21,927,584	796,092	(471,285)	324,807

The accompanying notes are an integral part of these financial statements

CDN MSOLAR CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014 AND
FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
(Expressed in Canadian Dollars)

	Note	2014	Period from Incorporation on March 15, 2013 to March 31, 2013
		\$	\$
CASH PROVIDED BY (USED IN):			
Operating activities			
Net loss		(429,973)	(41,312)
Item not affected cash			
Amortization		219	-
Impairment of intangible assets	5	195,000	-
Shares issued for amalgamation	3	100,000	-
Changes in non-cash working capital balances			
GST receivable		(10,776)	-
Prepaid expense		(36)	-
Accounts payable and accrued liabilities		(14,835)	41,311
Cash used in operating activities		(160,401)	(1)
Investing activity			
Acquisition of office equipment		(655)	-
Cash used in investing activity		(655)	-
Financing activities			
Due to related parties		154,912	-
Shares issued for cash		350,000	1
Cash provided by financing activities		504,912	1
CHANGE IN CASH DURING THE PERIOD		343,856	-
CASH, BEGINNING		-	-
CASH, ENDING		343,856	-
Non-cash transactions:			
Shares issued for listing expense	3	100,000	-
Shares issued for debt settlement	6 & 7	151,092	-
Shares issued for technology transfer	5	195,000	-
Supplementary disclosures:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-

The accompanying notes are an integral part of these financial statements

CDN MSOLAR CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014 AND
FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

CDN MSolar Corp. (the "Company" or "CMS") was incorporated on under the laws of British Columbia on March 15, 2013. On September 30, 2013, the Company completed an amalgamation with MN Ventures Ltd. ("MN"), a reporting issuer and continues under the name CDN MSolar Corp. (see Note 3). Effective April 8, 2014, the Company's common shares commenced trading on the Canadian Securities Exchange under the symbol "CMS". The address of the Company's corporate office and its principal place of business are 708 - 1155 West Pender, Vancouver, British Columbia, Canada.

The Company is established to be the exclusive worldwide marketing and business development partner of Dongying Minghui New Energy Science & Technology Co., Ltd. ("Minghui"). Minghui is located in the national economic and technology development zone in the city of Dongying located on the Yellow River delta in the Shandong Province of China. Minghui has developed, created and manufactured certain products and systems that involve proprietary technologies, patents, methodologies, systems and solutions regarding integrated energy saving technology, collectively, the Minghui developments, IP and products (the "Minghui Technology"). Minghui has developed over thirty patents in conjunction with several Chinese universities in China. At its core, Minghui designs, manufactures and sells integrated energy saving technology ("IEST") systems combining its flat-panel solar collector, multi-source heat pump and deep geothermal pump in response to a growing demand for energy-saving solutions designed for residential and commercial buildings. The Company plans to expand Minghui operations from its base in Canada to the international market, with plans to establish research and development, production and sales operations outside China.

For the year ended March 31, 2014, the Company incurred a loss of \$429,973 (2013: \$41,312) and had an accumulated deficit of \$471,285 (2013: \$41,312). These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended is dependent on its ability to obtain necessary financing and raise sufficient capital to cover its marketing and other costs.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to implement the business plan.

The success of the Company is dependent upon certain factors that may be beyond management's control, such as political, currency, and liquidity risk. If the Company is unable to fund its investments or otherwise fails to invest in its business, its financial condition or results of operations could be materially and adversely affected

These financial statements do not include any adjustments relating to the recoverability and classification of recorded liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

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FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
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3. AMALGAMATION TRANSACTION

On September 30, 2013, CMS amalgamated with MN, a reporting issuer in each of the provinces of British Columbia and Alberta, which was spun off from Newlox Gold Ventures Corp. on June 28, 2013. Effective on September 30, 2013, a total of 19,999,997 common shares were allotted to the former shareholders of CMS and MN pursuant to the Amalgamation Agreement. 1,999,997 common shares were issued to the former shareholders of MN based on the conversion factor of 0.14973522 and the number of Newlox's shares as at June 30, 2013. The Company continued under the name of CDN MSolar Corp. following the amalgamation.

This transaction is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since MN does not meet the requirement of a business under IFRS 3. For accounting purposes, the transaction is accounted for in accordance with IFRS 2 *Share-based Payments* whereby CMS is deemed to have issued shares in exchange for obtaining the reporting issuer status of MN and ultimately, a listing on a stock exchange.

The fair value of the 1,999,997 shares issued to the former shareholders of MN was determined to be \$100,000, based on a value of \$0.05 per share realized by the Company in a private placement issued on August 26, 2013. In addition, the Company also incurred other listing expenses of \$26,444 for this amalgamation. As at September 30, 2013, MN did not have any identifiable assets or liabilities, as a result, the total amount of the consideration of \$126,444 given was recorded as listing expense in the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement basis

The financial statements have been prepared on the historical cost convention except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in paragraphs 4n) and o). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Use of estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant accounts that require estimates as the basis for determining the stated amounts include impairment of intangible assets, determination of accrued liabilities, deferred income taxes and listing exposure. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant judgments include the determination of classification of financial assets and financial liabilities identified as financial instruments, and the determination of whether it is likely that future taxable profits will be available to utilize any deferred tax assets.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective assessments based on facts and circumstances. The more significant areas where management judgement has been applied are:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) Amalgamation date

The determination of the date on which the Company amalgamated with MN involves judgement about the date at which management obtained control of the amalgamated company and requires management to consider various factors determining control. Management has determined that the amalgamation date was on September 30, 2013.

(iii) Valuation of shares for debt settlement and amalgamation

The determination of the value of shares issued for debt settlement and to the former shareholders of MN requires both management judgement and estimation. In addition, in management judgement, MN was not considered a business and did not meet the conditions for a business combination. The fair value of the shares issued to the former shareholders of MN and the related costs has been disclosed as listing expenses.

(iv) Valuation of convertible feature of debt settlement

The determination of the value of the convertible feature of the debt requires both management judgement and estimation. The value of this feature was determined by the Black Scholes calculation, which requires management judgement.

d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

e) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment

Non-financial assets

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. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit"). An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. 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 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.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against the financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

g) Share-based payments

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loss per share

The Company presents basic and diluted loss per share data 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.

i) Amortization

Equipment is recorded at cost less accumulated amortization and impairment. Amortization is calculated at the following annual rates:

Office equipment	33% straight line
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Useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably.

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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FOR THE PERIOD FROM INCORPORATION ON MARCH 15, 2013 TO MARCH 31, 2013
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. The Company has not had other comprehensive income since inception.

l) 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 can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As at March 31, 2013 and 2014, the Company has not recorded any provisions.

m) Intangible asset

Intangible asset consists of acquired technologies. Acquired technologies have an infinite useful life. The intangible asset was initially recognized at cost based on the fair value of the shares issued by the Company for the technologies and is subsequently measured at cost less accumulated impairment losses.

For the purpose of impairment testing, the intangible asset is allocated to the Company's cash-generating units that are expected to benefit from the synergies of combination. The cash-generating units are tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the intangible asset and then to the other assets pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognized in profit or loss.

n) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At March 31, 2013 and 2014, the Company has not classified any financial assets as loans and receivables held to maturity, or as available for sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and due to related party are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At March 31, 2013 and 2014, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

p) Newly adopted accounting standards

The mandatory adoption of the following new and revised accounting standards and interpretations on April 1, 2013 had no significant impact on the Company's financial statements for the current year or prior period presented. The following standards were adopted for the year ended March 31, 2014:

- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interest in Other Entities*
- IFRS 13 – *Fair Value Measurement*
- IAS 27 – *Separate Financial Statements*
- IAS 28 – *Investments in Associates and Joint Ventures*
- IAS 1 – *Presentation of Financial Statements*

q) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2014:

IAS 32 – Financial Instruments: Presentation

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendments to IFRS 7.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New accounting standards issued but not yet effective (continued)

IAS 36 – Impairment of Assets

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash-generating unit (“CGU”) for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset’s or a CGU’s recoverable amount is based on fair value less costs of disposal.

IFRIC 21 – Levies

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 27 – *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The following standard will be effective for annual periods beginning on or after January 1, 2016:

IAS 16 – Property, Plant and Equipment and *IAS 38 – Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after January 1, 2017:

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The IASB has tentatively decided that the following standard will be effective for annual periods on or after January 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 includes requirements for recognition and measurement, derecognition and hedge accounting. IFRS 9 was originally issued on November 2009, reissued in October 2010, and then amended in November 2013. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

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5. TECHNOLOGY TRANSFER AGREEMENT

On March 23, 2013, the Company entered into a Letter of Intent (“LOI”) with Minghui to purchase the Minghui Technology as described in Note 1 in exchange for common shares of the Company. On April 15, 2013, the Company signed a Technology Transfer Agreement (the “Agreement”) pursuant to this LOI to purchase the Minghui Technology for \$195,000 in exchange for 9,750,000 common shares valued at \$0.02 per share, which was also the value used to issue shares in a contemporaneous debt settlement.

Pursuant to the Agreement, Minghui granted the Company an irrevocable license to produce, develop market, sell and/or otherwise distribute the Minghui Technology. The license is unlimited to use and exploitation worldwide, with the exception of China.

During the year ended March 31, 2014, management determined to impair the full amount of the technology since there was no imminently foreseeable cash flow from the use of the intangible asset based on the cash flow projections. If there is a change in the estimate of the recoverable amount in the future, the impairment loss will be reversed up to its original carrying value.

	2014	2013
	\$	\$
Opening balance	-	-
Additions (value of the shares issued)	195,000	-
Impairment	(195,000)	-
Ending balance	-	-

6. RELATED PARTY BALANCES AND 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.

During the year ended March 31, 2014, the President of the Company advanced \$52,384 towards working capital with no terms for repayment. The Company subsequently granted a conversion feature to the President, exercisable at his option to convert between \$10,000 and \$26,092 of the debt into common shares at \$0.10 per share. The value related to granting of the conversion feature was estimated using the Black-Scholes option pricing model and was determined to be insignificant based on the following assumptions:

	2014	2013
Exercise price	\$0.10	-
Risk-free interest rate	1.84%	-
Expected life in years	0.50	-
Expected volatility	120%	-
Expected dividend yield	0%	-

On December 19, 2013, the President converted an amount of \$26,092 in exchange for 260,920 common shares. As at March 31, 2014, the balance due to related party was \$26,292 (2013: \$22,471). This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

In addition, the Company issued 4,000,000 shares at \$0.02 per share for \$80,000 to settle an amount owing to a company controlled by the President of the Company for the expenses paid on behalf of the Company during 2013 and 2014 fiscal years.

There was no key management remuneration or payroll paid during the period.

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7. SHARE CAPITAL

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of Shares	Amount \$
Share issued on incorporation	1	1
Balance, March 31, 2013	1	1
Common shares issued for Technology Transfer at \$0.02 per share	9,750,000	195,000
Common shares issued for debt settlement at \$0.02 per share	6,250,000	125,000
Share redemption	(1)	(1)
Common shares issued for cash at \$0.05 per share	2,000,000	100,000
Shares cancelled on amalgamation	(18,000,000)	-
Shares issued on amalgamation	18,000,000	-
Common shares issued on amalgamation to former MN Ventures shareholders	1,999,997	100,000
Common shares issued for debt settlement at \$0.10 per share	260,920	26,092
Common shares issued for cash at \$0.15 per share	1,666,667	250,000
Balance, March 31, 2014	21,927,584	796,092

On April 15, 2013, the Company issued 9,750,000 shares at \$0.02 per share to Dongying Minghui New Energy Science & Technology Co., Ltd. as a part of a technology transfer agreement for the total of \$195,000 (see Note 5).

On May 3, 2013, the Company issued 6,250,000 shares at \$0.02 for debts settlement, of which 4,000,000 shares were issued to a company controlled by the President (see Note 6).

On May 31, 2013, the Company redeemed 1 share which was issued upon incorporation.

On August 26, 2013, the Company issued 2,000,000 shares for cash at \$0.05 per share for total proceeds of \$100,000.

In October 10, 2013, the Company issued 1,999,997 common shares valued at \$0.05 per share for a total value of \$100,000 upon amalgamation with MN Ventures Ltd (see Note 3). In addition, the Company exchanged the original 18,000,000 common shares outstanding under the predecessor, CDN MSolar Corp. for 18,000,000 common shares of CDN MSolar Corp., the amalgamated Company.

In December 19, 2013, the Company has issued 260,920 common shares to the President of the Company at \$0.10 per share as a settlement of an advance made earlier by the President (see Note 6). The fair value of the shares on December 19, 2013 was considered to be \$0.10. Therefore, no gain or loss was recorded in the debt settlement.

On March 2, 2014, the Company issued 1,666,667 shares for cash at \$0.15 per share for total proceeds of \$250,000.

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7. SHARE CAPITAL (continued)

(c) Shares held in escrow

As at March 31, 2014, the company has 18,260,920 common shares held in escrow (2013: nil). These escrow shares are subject to escrow trading restrictions pursuant to the Escrow agreement and are released on a straight basis, with one quarter released on the date the Company's securities are listed on a Canadian exchange (listing date), 1/3 of remaining escrow securities released 6 months after the listing date, one half of remaining escrow securities released 12 months after the listing date and remainder released 18 months after the listing date.

8. INCOME TAXES

The provision for (recovery of) income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory tax rates as follows:

	2014	2013
Statutory tax rate	26.00%	25.00%
Expected income tax expense (recovery)	(111,793)	(10,741)
Effect of changes in effective tax rates	413	-
Permanent differences and other	25,587	-
Deferred tax assets not recognized	85,793	10,741
Income tax expense	-	-

Significant components of the Company's deferred income tax assets are shown below:

	2014	2013
Non-capital loss carry forward	45,777	10,741
Capital assets	57	-
Intangible assets	50,700	-
Deferred tax assets not recognized	(96,534)	(10,741)
Net deferred income tax assets	-	-

The Company has non-capital losses for income tax purposes of \$176,066 (2013: CMS - \$41,312, MN Ventures - \$Nil), which can be applied to reduce future taxes. The non-capital losses expire between 2033 and 2034.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to fund its operations, so that it can provide returns for shareholders and benefits for other stakeholders. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its equity as capital. 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 or dispose of assets or adjust the amount of cash.

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10. FINANCIAL INSTRUMENTS

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The fair value of the Company's financial instruments approximates their carrying value as at March 31, 2013 and 2014 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying values of the Company's financial instruments:

	2014	2013
	\$	\$
FVTPL (i)	343,856	-
Other financial liabilities (ii)	30,297	41,311

(i) Cash

(ii) Accounts payable and due to related party

Financial risk management objectives and policies

The Company's financial instruments consist of cash, accounts payable and due to related party. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar.

(ii) *Interest rate 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.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The credit risk on cash equivalents is limited because the Company has no trade receivables as at March 31, 2013 and 2014. Therefore, the Company is not exposed to significant credit risk.

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10. FINANCIAL INSTRUMENTS (continued)

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at March 31, 2014, the Company had cash of \$343,856 (2013: \$nil) to settle accounts payable and accrued liabilities of \$4,005 (2013: \$18,840) and due to related party of \$26,292 (2013: \$22,471) which fall due for payment within twelve months of the financial position date.

11. COMMITMENT

The Company is committed to an office lease with minimum lease payments of \$580 per month, expiring in June 2014.

12. SUBSEQUENT EVENT

Effective April 8, 2014, the common shares of the Company has commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CMS".