

Financial Statements of

# **PDT TECHNOLOGIES INC.**

August 31, 2014 and 2013

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
PDT Technologies Inc.

We have audited the accompanying financial statements of PDT Technologies Inc., which comprise the statements of financial position as at August 31, 2014 and 2013 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended August 31, 2014 and the period from incorporation as at August 23, 2013 to August 31, 2013, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of PDT Technologies Inc. as at August 31, 2014 and 2013 and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about PDT Technologies Inc.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

January 16, 2015

**PDT TECHNOLOGIES INC.**  
**Statements of Financial Position**  
(Expressed in Canadian dollars)

<b>ASSETS</b>	<b>Note</b>	<b>August 31, 2014</b>	<b>August 31, 2013</b>
<b>Current</b>			
Receivables		\$ 18,116	460
Prepaid expenses and deposits		2,369	-
<b>Total current assets</b>		<b>20,485</b>	<b>460</b>
<b>Equipment</b>	<b>4</b>	<b>2,722</b>	<b>-</b>
<b>Total assets</b>		<b>\$ 23,207</b>	<b>\$ 460</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>			
Bank indebtedness		\$ 2,574	\$ -
Accounts payable and accrued liabilities	9	519,105	-
Advances from affiliate	5	77,403	-
<b>Total liabilities</b>		<b>599,082</b>	<b>-</b>

**SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Share capital</b>	<b>6</b>	<b>187,960</b>	<b>460</b>
<b>Share subscriptions received</b>	<b>6</b>	<b>51,853</b>	<b>-</b>
<b>Deficit</b>		<b>(815,688)</b>	<b>-</b>
<b>Shareholders' equity (deficiency)</b>		<b>(575,875)</b>	<b>460</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 23,207</b>	<b>\$ 460</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 12)

Approved on behalf of the Board of Directors:

***“Neil Patel”***

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Neil Patel, Director

See accompanying notes to these financial statements

**PDT TECHNOLOGIES INC.**  
**Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

	Note	For the year ended August 31, 2014
<b>Revenue</b>		\$ 61,447
<b>Selling expenses</b>		13,624
		<hr/> 47,823
<b>Expenses</b>		
Advertising and promotion		24,767
Consulting fees		348,815
Depreciation	4	907
Insurance		1,106
Interest on loans	5	5,497
Office and general		17,984
Professional fees		206,547
Rent and utilities		17,565
Salaries and wages		198,144
Share-based compensation	6	15,998
Travel		26,181
		<hr/> 863,511
<b>Loss and comprehensive loss</b>		<hr/> (815,688)
<b>Loss per share</b>		
- basic and diluted		\$ (0.02)
<b>Weighted average number of shares outstanding</b>		
- basic and diluted		<hr/> 47,243,699

A statement of loss and comprehensive loss for the period from inception on August 23, 2103 to August 31, 2013 has not been presented as there was no operating activity.

See accompanying notes to these financial statements

# PDT TECHNOLOGIES INC.

## Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share Subscriptions Received	Accumulated Deficit	Total
Balance as at August 23, 2013		-	\$ -	\$ -	-	\$ -
Issuance of shares	6 (b)	46,000,000	460	-	-	460
Balance as at August 31, 2013		46,000,000	460	-	-	460
Issuance of shares	6 (b)	2,037,500	187,500	-	-	187,500
Share subscriptions received	6 (c)	-	-	51,853	-	51,853
Loss for the year		-	-	-	(815,688)	(815,688)
<b>Balance as at August 31, 2014</b>		<b>48,037,500</b>	<b>\$ 187,960</b>	<b>\$ 51,853</b>	<b>\$ (815,688)</b>	<b>\$ (575,875)</b>

See accompanying notes to these financial statements

# PDT TECHNOLOGIES INC.

## Statements of Cash Flows

(Expressed in Canadian dollars)

	For the year ended August 31, 2014	For the period from incorporation to August 31, 2013
<b>Cash provided by (used for) the following activities:</b>		
<b>Cash flows utilized by operating activities</b>		
Loss	\$ (815,688)	\$ -
Add back non-cash items:		
Amortization	907	-
Share-based compensation	15,998	-
Interest on loans	5,497	-
	(793,286)	-
<b>Changes in non-cash working capital</b>		
Increase in receivables	(2,656)	-
Increase in prepaid expenses and deposit	(2,369)	-
Increase in accounts payable and accrued liabilities	519,105	-
	(279,206)	-
<b>Cash flows from financing activities</b>		
Issuance of shares	156,502	-
Share subscriptions received	51,853	-
Advances from affiliate	71,906	-
	280,261	-
<b>Cash flows utilized by investing activities</b>		
Purchase of equipment	(3,629)	-
<b>Net decrease in cash</b>	(2,574)	-
<b>Cash, beginning of period</b>	-	-
<b>Cash (bank indebtedness), end of period</b>	\$ (2,574)	\$ -

Supplemental disclosure with respect to cash flows (Note 10)

See accompanying notes to these financial statements

# **PDT TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the year and period ended August 31, 2014 and 2013**

**(Expressed in Canadian dollars)**

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### **1. Nature and continuance of operations**

PDT Technologies Inc. ("PDT" or "the Company") was incorporated on August 23, 2013 under the *Business Corporation Act* of the Province of British Columbia.

PDT creates proprietary web-based software-as-a-service (SAAS) software that connects consumers to local property goods and service providers in local markets across North America. PDT leverages interior designers to inspire homeowners to add beauty and value to their homes, driving e-commerce transactions in home décor, repair and renovation.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. As at August 31, 2014, the Company has a working capital deficit of \$578,597 and accumulated deficit of \$815,688. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. The Company has not yet generated positive earnings from operations and will require additional financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. No provision has been made in these financial statements for any adjustments to the net recoverable value of assets should the Company not be able to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

The Company's registered office is Suite #2, 683 Dease Road Kelowna, British Columbia, V1X 4A4.

These financial statements were authorized for issue by the Board of Directors on January 16, 2015.

### **2. Basis of presentation**

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

These financial statements were authorized for issue by the Board of Directors on January 16, 2015.

#### *Basis of measurement and use of estimates and judgements*

The financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value, and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of these 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 statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



# **PDT TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the year and period ended August 31, 2014 and 2013**

**(Expressed in Canadian dollars)**

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### **2. Basis of presentation (continued)**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date 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:

- the inputs used in accounting for share-based compensation in the statement of operations; and
- the recognition and recoverability of the Company's deferred tax assets.

### **3. Significant accounting policies**

#### *(a) Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the assets' cost less residual value is recognized over the estimated useful life of assets, based on, the following annual rates:

Computer equipment      30% declining balance

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgement; therefore the resulting depreciation is subject to estimation uncertainty.

Items of property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

#### *(b) Financial Instruments*

##### *i. Initial recognition and measurement*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss when incurred.

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *ii. Classification and subsequent measurement*

The Company classifies its financial instruments into one of the following categories at initial recognition based on the nature and purpose of the instrument:

##### *Assets*

- fair value through profit or loss
- held-to-maturity
- loans and receivables
- available for sale

##### *Liabilities*

- fair value through profit or loss
- other liabilities

#### Fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss when the financial asset or liability is held for trading or is designated as fair value through profit or loss upon initial recognition.

A financial asset or liability is classified as held for trading if:

- it has been acquired or incurred principally for the purpose of selling or repurchasing in the near future;
- it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and liabilities classified as fair value through profit or loss, which includes bank indebtedness are stated at fair value with any gains or losses arising on re-measurement recognized in profit or loss.

#### *iii. Classification and subsequent measurement*

#### Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified in any of the other asset categories. The Company has no assets classified as available for sale.

Available for sale financial assets are stated at fair value. Changes in the fair value of monetary available for sale assets resulting from foreign exchange gains and losses, interest income calculated using the effective interest method and dividends are all recognized in profit or loss; all other changes in fair value are recognized in other comprehensive income. When an available for sale asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### Held-to-maturity, loans and receivables, and other liabilities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the intent and ability to hold to maturity; the Company currently has no held-to-maturity assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and includes receivables. Other financial liabilities includes accounts payable and accrued liabilities.

Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method less any impairment. The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees, transaction costs and other premiums or discounts that form an integral part of the effective interest rate) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *iv. Derecognition*

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership to another entity.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

#### *(c) Impairment*

##### *i. Non-financial assets*

The Company's equipment is reviewed for indicators of potential impairment at the end of each reporting period. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows or for which it is not possible to estimate the recoverable amount, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable transactions, present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions. When calculating an assets 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 for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company has no goodwill balance for any of the reporting periods presented.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

#### *ii. Financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. The determination of whether such indicators exist requires significant judgment.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty
- default or delinquency in interest or principal payments
- it has become probable that the borrower will enter bankruptcy or financial reorganization
- the disappearance of an active market for the security
- significant or prolonged decline in the fair value of an available for sale equity instrument below its cost

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is directly reduced by the impairment loss with the exception of trade receivables. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses in equity, to profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. Impairment losses recognized in profit or loss on available for sale equity instruments cannot be reversed.

#### (d) *Revenue recognition*

Revenue from rendering services is measured at the fair value of consideration received or receivable for the sale of services in the ordinary course of the Company's activities.

Revenue is earned primarily from subscriptions received from the websites members. Revenues for memberships are paid in advance and will be deferred and recognized as revenue over the subscription period.

#### (e) *Website Development Costs*

Website development costs consist of costs incurred to develop the Company's website to promote, advertise and earn revenue with respect to the Company's business operations. All costs are expensed as incurred unless they meet the specific criteria under IFRS for capitalization.

#### (f) *Earnings (loss) per share*

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. No potentially dilutive securities were issued during the periods presented.

# **PDT TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the year and period ended August 31, 2014 and 2013**

**(Expressed in Canadian dollars)**

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### **3. Significant accounting policies (continued)**

#### *(g) Income taxes*

Income tax expense comprises current and deferred tax.

Current income tax is the amount expected to be recovered from or paid to the taxation authorities based on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

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.

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### (h) Recent accounting pronouncements issued, but not yet adopted

The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the financial statements upon adoption of this new and revised accounting pronouncement.

- IFRS 9 – Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.
- IFRS 15 – Revenue from Contracts with Customers (effective January 1, 2017) is a new standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

### 4. Equipment

		Computer Equipment
<b>Cost</b>		
Balance at August 23, 2013 and August 31, 2013	\$	-
Additions		3,629
Balance at August 31, 2014	\$	3,629
<b>Accumulated depreciation</b>		
Balance at August 23, 2013 and August 31, 2013	\$	-
Depreciation expense		907
Balance at August 31, 2014	\$	907
<b>Carrying Amount</b>		
August 31, 2013	\$	-
August 31, 2014	\$	2,722

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### 5. Advances from affiliate

The Company has received a series of short-term loans from a company owned by a director and officer of the Company. These loans accrue interest at 8% per annum, compounded annually. As at August 31, 2014, the balance of principal payments outstanding is \$71,906 (2013 - nil) and accrued interest of \$5,497 (2013 - nil). The loan was originally due June 30, 2014, but subsequently was extended to June 30, 2015. The Company has provided a general security agreement over its assets to the lender.

### 6. Share capital

#### (a) Authorized

The Company has an unlimited number of authorized common shares with no par value.

#### (b) Issued

- i. On August 23, 2013, the Company issued 46,000,000 common shares at \$0.00001 per share for gross proceeds of \$460. The proceeds were included in receivables at August 31, 2013.
- ii. On February 21, 2014, the Company issued 1,727,500 common shares at prices between \$0.08 and \$0.13 per share for gross proceeds of \$156,500.
- iii. On February 21, 2014, the Company issued 160,000 common shares at \$0.00001 per share for gross proceeds of \$2. The Company recorded share-based compensation of \$15,998 to account for the difference between fair value and share price at the date of issuance.
- iv. On August 30, 2014, the Company issued 150,000 common shares at \$0.10 per share for gross proceeds of \$15,000. The proceeds were included in receivables at August 31, 2014 and received subsequently.

#### (c) Share subscriptions received

- i. During the year ended August 31, 2014, the Company received \$51,853 in subscriptions toward the issuance of 475,000 common shares at prices between \$0.10 and \$0.125. These shares were issued by the Company subsequent to year-end.

### 7. Financial instruments and risk

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying values due to their short-term nature. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

### 7. Financial instruments and risk (continued)



# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

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### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at August 31, 2014, the Company has minimal foreign exchange exposure.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at August 31, 2014, the Company is not exposed to any significant credit risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at August 31, 2014, the Company is not exposed to any significant interest rate risk.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk and interest rate risk.

## **8. Capital management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of shareholders' equity (deficiency).

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

# **PDT TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the year and period ended August 31, 2014 and 2013**

**(Expressed in Canadian dollars)**

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### **9. Related parties**

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

During the year ended August 31, 2014, the Company paid or accrued consulting fees of \$184,455 to directors and officers of the Company and companies controlled by directors and officers of the Company.

During the year ended August 31, 2014, the Company paid or accrued professional fees of \$67,714 to a director of the Company.

At August 31, 2014, the Company owed \$178,150 to directors and officers of the Company, which is included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

At August 31, 2014, the Company had secured promissory notes outstanding, including accrued interest, of \$77,403 owing to a company controlled by an officer and director of the Company. The secured promissory notes bear interest at 8% per annum, and are due on demand (Note 5).

### **10. Supplemental disclosure with respect to cash flows**

Significant non-cash transactions for the year ended August 31, 2014 included:

- (a) \$15,000 in subscriptions receivable included in receivables relating to the issuance of 150,000 common shares issued during the year.

Significant non-cash transactions for the period ended August 31, 2013 included:

- (a) \$460 in subscriptions receivable included in receivables relating to the issuance of 46,000,000 common shares issued during the period.

# PDT TECHNOLOGIES INC.

## Notes to the Financial Statements

For the year and period ended August 31, 2014 and 2013

(Expressed in Canadian dollars)

### 11. Income taxes

A reconciliation of income taxes at the statutory rates with the reported income taxes are as follows:

		2014	2013
Loss for the year	\$	(815,688)	\$ -
Expected income tax (recovery)	\$	(212,000)	\$ -
Permanent difference		5,000	-
Change in unrecognized deductible temporary differences		207,000	-
<b>Total income tax expense (recovery)</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2014	Expiry Date Range
<b>Temporary Differences</b>		
Property and equipment	\$ 1,000	No expiry date
Non-capital losses available for future period	\$ 796,000	2034

### 12. Subsequent events

Subsequent to August 31, 2014, the following events occurred:

- (a) The Company entered into an arrangement agreement with Gorilla Minerals Corp. ("Gorilla") and Whole New Home Technologies Inc. ("WNH") dated September 26, 2014 which includes a statutory plan of arrangement (the "Plan of Arrangement") with WNH and PDT.

Pursuant to the Plan of Arrangement:

- PDT will purchase all the issued and outstanding common shares of WNH from Gorilla (the "Purchase Shares") for the purchase price of \$10,000 of which a \$5,000 deposit was paid,
- WNH will acquire all the outstanding common shares of PDT from all the PDT shareholders through a share exchange based on one WNH share for every two PDT shares held,
- Gorilla will issue 1,000 of its common shares to WNH (the "Exchange Shares") and receive in exchange 500,000 common shares of WNH (the "Distribution Shares"),
- the Distribution Shares will then be distributed to the shareholders of Gorilla as of its record date on a pro-rated basis as a stock dividend, with certain shareholders of Gorilla agreeing to exclude certain of their Gorilla shares from the calculation of the portion of the Distribution Shares to which they would otherwise be entitled; and
- the Exchange Shares and the Purchase Shares will then be cancelled.

# **PDT TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the year and period ended August 31, 2014 and 2013**

**(Expressed in Canadian dollars)**

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### **12. Subsequent events (continued)**

Upon completion of the above, WNH will own PDT and will apply for listing on the Canadian Securities Exchange ("CSE").

The proposed Plan of Arrangement is subject to approval by the PDT shareholders and the Supreme Court of British Columbia. Closing of the Plan of Arrangement is also subject to the conditions, among others, that: (1) PDT will have completed a financing to raise a minimum of \$750,000 and (2) the CSE will have conditionally approved listing of WNH's common shares.

On December 12, 2014, the shareholders of PDT approved the Plan of Arrangement. On January 7, 2015, the Supreme Court of British Columbia provided an approval of the Plan of Arrangement.

- (b) The Company received \$250,000 of loan financing from a third party. The loan bears interest of 1% per month and matures March 18, 2015, but the Company has agreed to a principal repayment of \$100,000 to \$150,000 depending on the level of equity financing the Company may receive prior to the maturity date. The loan is secured by a pledge of shares of the Company held by certain directors and officers of the Company. In addition the loan has the following terms:

- (i) convertible in whole or in part at the option of the lender at a price of \$0.10 per share
- (ii) 900,000 bonus shares of the Company
- (iii) 50,000 share purchase warrants

Neither the bonus shares nor the share purchase warrants have been issued at present.

- (c) The Company issued:
- (i) 475,000 common shares in relation to the \$51,853 received in subscriptions during the year (Note 6c);
  - (ii) 842,000 common shares at \$0.10 per share for gross proceeds of \$84,200, and;
  - (iii) 40,000 common shares at \$0.15 per share for gross proceeds of \$6,000.