Financial Statements of

PDT TECHNOLOGIES INC.

March 31, 2015

DAVIDSON & COMPANY LLP —— Chartered Accountants —— A Partnership of Incorporated Professionals

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 March 31, 2015 and August 31, 2014 and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the seven month period ended March 31, 2015, 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 March 31, 2015 and August 31, 2014 and its financial performance and its cash flows for the seven month period ended March 31, 2015 is 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.

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Other Matters

The comparative statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the seven month period ended March 31, 2014 are unaudited.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

June 18, 2015

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

ASSETS	Note	March 31, 2015	August 31, 2014
Current			
Cash		$ 26,480	$ -
Receivables		20,669	18,116
Prepaid expenses and deposits		2,799	2,369
Total current assets		49,948	20,485
Equipment	5	4,692	2,722
Total assets		$ 54,640	$ 23,207
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Bank indebtedness		$ -	$ 2,574
Accounts payable and accrued liabilities		998,059	519,105
Loan payable	6	175,000	-
Convertible loan payable	7	190,522	-
Derivative liability	7	107,499	-
Advances from affiliate	8	80,744	77,403
Total liabilities		1,551,824	599,082
SHAREHOLDERS' DEFICIENCY			
Share capital	9	329,160	187,960
Share subscriptions received	9	60,580	51,853
Deficit		(1,886,924)	(815,688)
Shareholders' deficiency		(1,497,184)	(575,875)
Total liabilities and shareholders' deficiency		$ 54,640	$ 23,207

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

See accompanying notes to these financial statements

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

	Note	Seven months ended March 31, 2015	Seven months ended March 31, 2014 (Unaudited)
Revenue		$ 776	$ 61,150
Selling expenses		427	13,589
		349	47,561
Expenses			
Accretion expense on convertible debt	7	6,177	-
Advertising and promotion		70,265	24,774
Consulting fees		545,344	195,100
Depreciation	5	1,266	378
Foreign exchange gain		(384)	-
Gain on derivative liability	7	(4,741)	-
Insurance		1,045	615
Interest on loans	6, 8	15,480	3,086
Office and general		30,150	12,876
Professional fees		232,364	98,595
Recovery of professional fees	2	(47,889)	-
Rent and utilities		22,165	4,125
Salaries and wages		131,633	116,928
Transaction costs	7	6,919	-
Travel		61,791	26,858
		1,071,585	483,335
Loss for the period		$ (1,071,236)	$ (435,774)
Loss per share			
- basic and diluted		$ (0.02)	$ (0.01)
Weighted average number of shares outstanding			
- basic and diluted		48,600,428	46,992,877

See accompanying notes to these financial statements

PDT TECHNOLOGIES INC.
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share Subscriptions Received	Accumulated Deficit	Total
Balance as at August 31, 2013 (Unaudited)		46,000,000	460	-	-	460
Issuance of shares	9 (b)	1,887,500	172,500	-	-	172,500
Loss for the period		-	-	-	(435,774)	(435,774)
Balance as at March 31, 2014 (Unaudited)		**47,887,500**	**$ 172,960**	**$ -**	**$ (435,774)**	**$ (262,814)**
Issuance of shares	9 (b)	150,000	15,000	-	-	15,000
Share subscriptions received	9 (c)	-		51,853	-	51,853
Loss for the period		-		-	(379,914)	(379,914)
Balance as at August 31, 2014		**48,037,500**	**$ 187,960**	**$ 51,853**	**$ (815,688)**	**(575,875)**
Issuance of shares	9 (b)	1,357,000	141,200	(51,853)	-	89,347
Share subscriptions received	9 (c)		-	60,580	-	60,580
Loss for the period		-	-	-	(1,071,236)	(1,071,236)
Balance as at March 31, 2015		**49,394,500**	**$ 329,160**	**$ 60,580**	**$ (1,886,924)**	**$ (1,497,184)**

See accompanying notes to these financial statements

PDT TECHNOLOGIES INC.
Statements of Cash Flows
(Expressed in Canadian dollars)

		Seven months ended March 31, 2015		Seven months ended March 31, 2014 (Unaudited)
Cash provided by (used for) the following activities:				
Cash flows utilized by operating activities				
Loss for the period	$	(1,071,236)	$	(435,774)
Add back non-cash items:				
Depreciation		1,266		378
Gain on derivative liability		(4,741)		-
Accretion expense on convertible debt		6,177		-
Foreign exchange gain		(384)		-
Interest on loans		15,480		3,086
		(1,053,438)		(432,310)
Changes in non-cash working capital				
Increase in receivables		(2,553)		(54,685)
Increase in prepaid expenses and deposit		(430)		(2,860)
Increase in deferred revenue		-		4,000
Increase in accounts payable and accrued liabilities		478,954		250,607
		(577,467)		(235,248)
Cash flows from financing activities				
Issuance of shares		90,200		169,462
Share subscriptions received		60,580		-
Proceeds from issuance of convertible debt		315,103		-
Transaction costs of convertible debt		(18,987)		-
Proceeds from issuance of debt		250,000		-
Repayment of debt		(75,000)		-
Repayment of interest on debt		(12,139)		-
Advances from affiliate		-		71,905
		609,757		241,367
Cash flows utilized by investing activities				
Purchase of equipment		(3,236)		(3,629)
Net increase in cash		29,054		2,490
Bank indebtedness, beginning of period		(2,574)		-
Cash, end of period	$	26,480	$	2,490

Supplemental disclosure with respect to cash flows (Note 13).

See accompanying notes to these financial statements

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.

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 March31, 2015, the Company has a working capital deficit of $1,501,876 and accumulated deficit of $1,886,924. 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.

2. Arrangement agreement

The Company entered into entered into an arrangement agreement with Gorilla Minerals Corp. ("Gorilla") and Whole New Home Technologies Inc. ("WNH") dated September 26, 2014 which included a plan of arrangement whereby PDT would become a subsidiary of WNH and would apply for a listing on the Canadian Securities Exchange. In April 2015, the Company formally terminated this proposed transaction.

In March 2015, the Company entered into an agreement with Magnolia Resources Limited ("Magnolia"), an Australian Securities Exchange ("ASX") listed company to enter into a share sale agreement ("SSA") with the major shareholders of PDT to purchase their equity interests in the Company (the "Transaction"). The Transaction is conditional upon signing a binding agreement and on the shareholders of PDT agreeing to sell their shares of PDT to Magnolia. On signing of the agreement, the Company received $47,889 (AUD$50,000) as a due diligence fee from Magnolia.

Subsequent to March 31, 2015, the Company's key shareholders signed a SSA which proposes to sell 100% of the share capital of PDT for the following consideration:

1. 54,100,629 fully paid ordinary shares Magnolia, consisting of:
    a. 38,576,819 shares to shareholders of PDT and their nominees; and
    b. 15,523,810 shares to various lenders who have provided working capital loans to PDT.

2. 4,057,547 common shares to corporate advisors of PDT who introduced and facilitated the Transaction; and

3. 36,130,492 performance shares which will automatically convert into shares upon satisfaction of certain milestones (subject to ASX approval).

2. Arrangement agreement (continued)

The SSA includes standard conditions precedent to completion. Such conditions precedent include completion of satisfactory due diligence, both parties obtaining any necessary shareholder and regulatory approvals required for completion of the Transaction (including the agreement of all PDT shareholders for the sale of their interests in PDT), the execution of service agreements with key executives and the Company meeting relevant re-compliance requirements pursuant to Chapters 1 and 2 of the ASX Listing Rules.

In addition, it is contemplated that Magnolia will, subject to shareholders approving the Transaction, advance loan funds to PDT of up to 750,000 Australian dollars ("AUD").

Upon completion of the Transaction and prior to relisting on the ASX, Magnolia has engaged a third party to undertake an equity raising of a minimum of AUD $5,000,000 through the issuance of common shares of Magnolia.

Upon completion of the Transaction, Magnolia will seek approval to change its name to Whole New Home Limited in conjunction with the Transaction.

3. 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 June 18, 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.

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 loss and comprehensive loss; and
- the recognition and recoverability of the Company's deferred tax assets.

4. 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	50% 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.

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

4. Significant accounting policies (continued)

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 cash, bank indebtedness and derivative liability are stated at fair value with any gains or losses arising on re-measurement recognized in profit or loss.

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.

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, loan payable, convertible loan payable and advances from affiliate.

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.

4. Significant accounting policies (continued)

iii. 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.

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.

4. Significant accounting policies (continued)

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

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.

4. Significant accounting policies (continued)

(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.

(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.

(Expressed in Canadian dollars)

4. 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.

5. Equipment

		Computer Equipment
Cost		
Balance at August 31, 2013	$	-
Additions		3,629
Balance at August 31, 2014	$	3,629
Additions		3,236
Balance at March 31, 2015	$	6,865
Accumulated depreciation		
Balance at August 31, 2013	$	-
Depreciation expense		907
Balance at August 31, 2014	$	907
Depreciation expense		1,266
Balance at March 31, 2015	$	2,173
Carrying Amount		
August 31, 2014	$	2,722
March 31, 2015	$	4,692

6. Loan payable

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, and;
ii. 950,000 bonus shares of the Company

At March 31, 2015, the Company had repaid $75,000 of principal and all accrued interest to date of $12,139. Subsequent to March 31, 2015, the remainder of the loan was repaid in full. The amount assigned to the conversion option feature was determined to be immaterial.

7. Convertible loan payable

In March 2015, the Company entered into convertible debt agreements to issue convertible notes ("**Notes**") through two tranches of AUD$200,000 and AUD$420,000 maturing on March 16, 2016. As of March 31, 2015 the Company had issued all Notes associated with the first tranche and AUD$125,000 in relation to the second tranche (Note 15). The Notes bear no interest and are convertible at the option of the holder at a price that is the lesser of: i) $0.10 per share; ii) 50% of the issuance price of share under a capital raising of a minimum of $1,500,000; or iii) 65% of the issuance price of stock issued in the public markets if the Company is part of transaction to go public. As per Note 2, subsequent to March 31, 2015, the Company signed an agreement with Magnolia to gain a public listing, thus the conversion price will be 65% of the offering price once the transaction is completed.

As the Notes are denominated in Australian dollars, the conversion feature is considered an embedded derivative and, collectively, the Notes and conversion feature are considered a hybrid instrument. The embedded derivative is recorded at fair value and re-measured each period with movements being recorded as a gain or loss on the statement of loss and comprehensive loss. The difference between the fair value of the derivative and the face value of the debt is allocated to the Notes. As a result, the recorded liability to repay the Notes is lower than their face value. Using the effective interest rate method the Notes are accreted up to their face value over the term of the Notes. The effective interest rate of the Notes ranges from 57.40% to 59.70% for the two tranches. The Company recorded accretion expense of $6,177 for the period ended March 31, 2015.The change in the fair value of the derivative liability will be recognized as a gain on the statement of loss and comprehensive loss.

Upon initial recognition, the fair value of the derivative was determined to be $112,240 using the Black-Scholes option pricing model. This amount must be revalued at period end. At period end, the fair value was $107,499 determined using the Black-Scholes model with the following assumptions:

	March 31, 2015
Share Price	$0.10
Exercise Price	$0.10
Risk-free interest rate	0.51%
Expected life	0.93 years
Expected volatility	93.42%

PDT TECHNOLOGIES INC.
Notes to the Financial Statements
For the period ended March 31, 2015
(Expressed in Canadian dollars)

7. Convertible loan payable (continued)

Under a capital raising agreement entered into with a third party the Company is required to pay a 6% commission as a finders' fee on the total face value of the debt. The total commission on the debt received as at March 31, 2015 is $18,986 which has been allocated on a pro-rated basis between the convertible debt and the derivative liability based on the amounts recorded at the date of issue. The total amount allocated to the debt component was $12,067 which is amortized over the term of the Notes. As at period end, $581 has been amortization to transaction costs. The total amount allocated to the derivative liability component was $6,919 which was expensed on the issuance date and recorded as transaction costs on the statement of loss and comprehensive loss.

During the period ended March 31, 2015 the change in the convertible debt is summarized below:

	Convertible debt
Amount at date of issue	$ 195,943
Transaction costs allocated	(12,067)
Accretion expense	6,177
Foreign exchange	469
Balance at March 31, 2015	$ 190,522

8. 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 March 31, 2015, the balance of principal payments outstanding is $71,906 (August 31, 2014 - $71,906) and accrued interest of $8,838 (August 31, 2014- $5,497).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.

9. Share capital

(a) Authorized

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

(b) Issued

i. 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.

ii. 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.

iii. 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 subsequent to August 31, 2014.

iv. On December 1, 2014, the Company issued 877,000 common shares at $0.10 per share for gross proceeds of $87,700, and;

v. On January 16, 2015, the Company issued 480,000 common shares at prices between $0.10 and $0.15per share for gross proceeds of $53,500.

(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 included in the shares issued by the Company on December 1, 2014 and January 16, 2015.

ii. During the period ended March 31, 2015, the Company received $60,580 in subscriptions toward the issuance of 432,319 common shares at prices between $0.10 and $0.15, of which 123,480 shares were issued by the Company subsequent to March 31, 2015 (Note 15).

10. 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, accounts payable and accrued liabilities, loan payable, convertible loan payable and advances from affiliate 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's derivative liability is a Level 3 financial liability.

10. Financial instruments and risk (continued)

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

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 March31, 2015, the Company is exposed to foreign currency risk through the Company's convertible loan payable which is denominated in AUD. A 10% appreciation (depreciation) of the Canadian dollar against the AUD, with all other variables held constant, would result in approximately a $30,000 decrease (increase) in the Company's loss and comprehensive loss for the period.

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 March31, 2015, 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 March31, 2015, 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.

11. 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' 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.

(Expressed in Canadian dollars)

12. 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 period ended March31, 2015, the Company paid or accrued consulting fees of $171,250 (March 31, 2014 - $85,389) to directors and officers of the Company and companies controlled by directors and officers of the Company.

At March31, 2015, the Company owed $224,751 (August 31, 2014 - $178,150) to directors and officers of the Company, which is included in accounts payable and accrued liabilities.

At March31, 2015, the Company had secured promissory notes outstanding, including accrued interest, of $80,744 (August 31, 2014 - $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 8).

13. Supplemental disclosure with respect to cash flows

Significant non-cash transactions for the period ended March 31, 2015 included:

a) Issuance of 483,530 shares for proceeds of $51,853 that were received during the year ended August 31, 2014.

14. Income taxes

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

		March 31, 2015		March 31, 2014
Loss for the period	$	(1,071,236)	$	(435,774)
Expected income tax (recovery)	$	(279,000)	$	(113,000)
Change in statutory rates and other		(1,000)		-
Permanent difference		1,000		-
Change in unrecognized deductible temporary differences		279,000		113,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		March 31, 2015	Expiry Date Range
Temporary Differences			
Property and equipment	$	2,000	No expiry date
Non-capital losses	$	1,865,000	2034-2035

15. Subsequent events

Subsequent to March31, 2015, the following events occurred:

(a) The Company issued:

- *(i)* 600,000 common shares in relation to services rendered;
- *(ii)* 123,480 common shares at $0.15per share for gross proceeds of $84,200, and;
- *(iii)* 15,800,000 common shares were returned to treasury by related parties of the Company for nominal value and as required by the SSA signed in Note 2.

(b) The Company received $278,536 (AUD$295,000) of net proceeds through the further issuance of Notes (Note 7).

(c) The Company entered into an agreement to issue a second series of convertible notes ("**Second Notes**") maturing on May22, 2016. The Second Notes bear no interest and are convertible at the option of the holder at a price that is the lesser of: i) $0.10 per share; ii) 60% of the issuance price of share under a capital raising of a minimum of $1,500,000; or iii) 40% of the issuance price of stock issued in the public markets if the Company is part of transaction to go public. As per Note 2, subsequent to March 31, 2015, the Company signed an agreement with Magnolia to gain a public listing, thus the conversion price will be 40% of the offering price once the transaction is completed. The Company received $686,571 (AUD$726,000) of net proceeds through the issuance of Second Notes.