GINSMS INC.

Annual Consolidated Financial Statements

(Audited)

Years ended March 31, 2012 and 2011

Management's Responsibility

To the Shareholders of GINSMS Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is composed of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

July 25, 2012

/s/ "Kwok Kin, Suen"	*/s/ "Lam Koon Fai"*
Chief Executive Officer	Chief Financial Officer

MNP SENCRL srl / LLP

INDEPENDENT AUDITORS' REPORT

*To the Shareholders of **GINSMS Inc.***

Report on the consolidated financial statements: We have audited the accompanying consolidated financial statements of GINSMS Inc., and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2012 and 2011 and April 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements: Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 the consolidated financial statements present fairly, in all material respects, the financial position of GINSMS Inc., and its subsidiaries as at March 31, 2012 and 2011 and April 1, 2010 and their financial performance and their cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

MNP SENCRL, srl [1]

Montreal, Quebec
July 25, 2012

1 CPA auditor, CA permit No. A104493

GINSMS INC.

Consolidated Statements of Financial Position

As at,		**March 31, 2012**		**March 31, 2011 (note 15)**		April 1, 2010 (note 15)
Assets						
Current						
Cash	**$**	**548,752**	**$**	**422,871**	$	444,271
Accounts receivable and other (note 11)		**146,238**		**148,277**		317,196
Prepaid expenses		**69,659**		**33,952**		103,739
Deposit		**-**		**436,894**		-
		764,649		**1,041,994**		865,206
Non-current						
Deposit		**-**		**-**		464,130
Property and equipment (note 4)		**119,303**		**214,574**		323,548
	$	**883,952**	**$**	**1,256,568**	$	1,652,884
Liabilities						
Current						
Accounts payable and accrued liabilities	**$**	**149,742**	**$**	**67,116**	$	258,089
Due to a shareholder (note 5)		**-**		**-**		22,439
Income taxes payable		**-**		**17,535**		35,389
		149,742		**84,651**		315,917
Non-current						
Deferred income tax liability (note 8)		**7,835**		**23,468**		40,436
		157,577		**108,119**		356,353
Shareholders' Equity						
Share capital (note 6)		**929,386**		**929,386**		929,386
Warrants (note 6)		**-**		**385,702**		385,702
Reserves (note 7)		**429,431**		**-**		-
Accumulated comprehensive (loss)		**(23,645)**		**(51,546)**		-
Deficit		**(608,797)**		**(115,093)**		(18,557)
		726,375		**1,148,449**		1,296,531
	$	**883,952**	**$**	**1,256,568**	$	1,652,884

Commitments (note 9)

On behalf of the Board:

(Signed) "Jonathan Lai", Director

(Signed) "Raymond Richard", Director

GINSMS INC.

Consolidated Statements of Comprehensive Loss

For the years ended March 31,		2012		2011
Revenue	**$**	**686,934**	$	785,615
Cost of sales		**(268,454)**		(347,184)
		418,480		438,431
Expenses				
Salaries and wages (note 10)		**137,573**		127,409
Professional fees (note 10)		**405,877**		122,679
Consultancy fees (note 10)		**154,305**		89,339
General and administrative		**66,073**		83,157
Share-based compensation (note 7)		**43,729**		-
Amortization		**103,077**		105,906
		910,634		528,490
(Loss) before income taxes		**(492,154)**		(90,059)
Income tax expense (recovery)				
Current		**17,747**		44,786
Deferred		**(16,197)**		(38,309)
		1,550		6,477
Net (loss) for the year		**(493,704)**		(96,536)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment		**27,901**		(51,546)
Comprehensive (loss)	**$**	**(465,803)**	$	(148,082)
Net (loss) per share				
Basic	**$**	**(0.01)**	$	(0.00)
Diluted		**(0.01)**		(0.00)
Weighted average number of shares outstanding				
Basic		**43,337,499**		43,337,499
Diluted		**43,337,499**		43,337,499

GINSMS INC.

Consolidated Statements of Equity

For the years ended		Share capital		Warrants		Reserves		Accumulated comprehensive income (loss)		(Deficit)		Total equity
Balance at March 31, 2011	$	929,386	$	385,702	$	-	$	(51,546)	$	(115,093)	$	1,148,449
Net loss for the year		-		-		-		-		(493,704)		(493,704)
Share-based compensation		-		-		43,729		-		-		43,729
Transfer on expiry of warrants		-		(385,702)		385,702		-		-		-
Total comprehensive income		-		-		-		27,901		-		27,901
Balance at March 31, 2012	$	929,386	$	-	$	429,431	$	(23,645)	$	(608,797)	$	726,375
Balance at April 1, 2010 (1)	$	929,386	$	385,702	$	-	$	-	$	(18,557)	$	1,296,531
Net loss for the year		-		-		-		-		(96,536)		(96,536)
Total comprehensive loss		-		-		-		(51,546)		-		(51,546)
Balance at March 31, 2011	$	929,386	$	385,702	$	-	$	(51,546)	$	(115,093)	$	1,148,449

(1) Given the effect to all changes in accounting policies upon adoption of IFRS (see note 15 – Adoption of IFRS)

GINSMS INC.

Consolidated Statements of Cash Flows

For the years ended March 31,		2012		2011
Operating activities				
Net (loss) for the year	**$**	**(493,704)**	$	(96,536)
Items not affecting cash				
Deferred income tax (recovery)		**(16,197)**		(38,309)
Share-based compensation		**43,729**		-
Amortization		**103,077**		105,906
		(363,095)		(28,939)
Changes in non-cash working capital				
Accounts receivable and other		**6,565**		161,721
Prepaid expenses and deposit		**(34,389)**		74,497
Accounts payable and accrued liabilities		**81,819**		(190,000)
Deposit		**435,415**		-
Income taxes payable		**(17,846)**		(17,004)
		108,469		275
Financing activity				
Repayment to shareholder		**-**		(22,661)
Investing activity				
Property and equipment		**(1,385)**		(7,287)
Effect of exchange rate changes on cash		**18,797**		8,273
Increase (decrease) in cash		**125,881**		(21,400)
Cash, beginning of year		**422,871**		444,271
Cash, end of year	**$**	**548,752**	$	422,871
Supplemental cash flow information				
Cash interest received	**$**	**-**	$	-
Cash taxes paid		**47,947**		63,995

1. Description of business and continuing operations

GINSMS Inc. (the "Corporation") was incorporated in Alberta under the Canada Business Corporations Act on March 20, 2009. On June 9, 2009, the Corporation acquired 100% of the issued and outstanding common shares of Global Edge Technology Limited (Global) and continues operations through its subsidiary Global. The Corporation's head office is located at 14/F Hang Lung House, 184-192 Queen's Road Central, Hong Kong where its operations are conducted. The address of the Corporation's registered office is 1900, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3. The Corporation's shares trade on the TSX Venture Exchange.

Global is a private limited company incorporated in the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is 14/F., Hang Lung House, 184-192 Queen's Road Central, Hong Kong.

The principal activity of the Corporation is the provision of inter-operator short message services (SMS) in Hong Kong.

2. Basis of presentation and adoption of IFRS

Basis of presentation

The Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Subject to certain transition elections disclosed in note 15, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended March 31, 2011 prepared under previous Canadian GAAP. Comparative figures for 2011 have been restated to give effect to these changes.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of July 25, 2012, the date the Board of Directors approved the statements.

Amounts are reported in Canadian dollars unless otherwise indicated.

2. Basis of presentation and adoption of IFRS (continued)

Measurement uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period on a regular basis and with the information available. Management reviews its estimates including: financial instruments; useful life of property and equipment, recoverability of its accounts receivable and valuation of deferred income tax assets and fair value of options and warrants.

Actual results could differ from these estimates.

In determining the amount of the provisions where applicable, assumptions and estimates are made in relation to discount rates, the expected costs and the expected timing of the costs.

Deferred tax assets relating to certain temporary differences are recognized when management considers it is probable that future taxable income will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimate is changed.

The Corporation's management determines the estimated useful lives and related depreciation charges for its property and equipment based on the historical experience of the actual useful lives of property and equipment of similar nature and function. Management will increase the depreciation charge where useful lives are less than previously estimated amounts.

The estimated fair value of the Corporation's financial assets and liabilities, are by their very nature, subject to measurement uncertainty.

Assumptions used in the determination of the fair value of stock options and warrants issued are based on the estimates of the volatility of the Corporation's stock price, expected lives of the options and warrants, excepted dividends and other relevant assumptions.

(a) Principles of consolidation

The consolidated financial statements as at March 31, 2012, March 31, 2011 and April 1, 2010, include the accounts of the Corporation, includes its 100% owned subsidiary, Global Edge Technology Limited and its 100% owned subsidiary Redstone Resources Limited and its 100% owned subsidiary GIN International Limited and its 100% owned subsidiary Guangzhou Tai Eng Information Technology Limited in the People's Republic of China, together referred to as the "Corporation".

All intercompany balances and transactions have been eliminated upon consolidation.

3. Summary of significant accounting policies

(b) Cash and cash equivalents

Cash and cash equivalents consists of cash held in a commercial bank account, bank overdraft, and short-term investments with maturity, at the time of purchase, of less than three months.

(c) Revenue recognition

Provided it is probable that the economic benefits will flow to the Corporation and the revenue can be measured reliably, revenue is recognized in the statement of comprehensive loss as follows:

- Service fee income is recognized when services are rendered and all significant risks are transferred to the customers.
- Sales incentives or other considerations given to customers are recorded as a reduction of sales in the year that they are incurred.
- Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

(d) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and assets that have indefinite lives or that are not yet available for use are tested for impairment annually and reviewed for impairment at each reporting date.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. The recoverable amount is determined for an individual asset; unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such case, the recoverable amount is determined for the CGU the asset belongs to.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset and or the CGU. For the purposes of impairment testing, the goodwill acquired in a business combination is allocated to CGUs, which generally corresponds to its operating segments or one level below, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. Summary of significant accounting policies (continued)

An impairment loss is recognized if the carrying amount of an asset of its CGU exceeds its estimated recoverable amount. Where the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is impaired. Any remaining amount of impairment exceeding the impaired goodwill is recognized on a pro rata basis of the carrying amount of each asset in the respective CGU. Impairment losses are recognized in income.

The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals at each reporting date. An impairment loss is reversed if there is any indication that the loss has decreased or no longer exists due to changes 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. Such reversal is recognized in income.

(e) Property and equipment

Property and equipment are recorded at cost less any accumulated depreciation and any accumulated net impairment losses. Costs include expenditures that are directly attributable to the acquisition or manufacturing of the item. The cost of an item of property and equipment that is initially recognized includes, when applicable, the initial present value estimate of the costs required to dismantle and remove the asset and restore the site on which it is located at the end of its useful life. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits are present and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in income as incurred.

A loss on disposal is recognized in income when the carrying value of a replaced item is derecognized, unless the item is transferred to inventories. If it is not practicable to determine the carrying value, the cost of the replacement and the accumulated depreciation calculated by reference to that cost will be used to derecognize the replaced part. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with its carrying amount, and are recognized net within other gains and losses.

The different components of property and equipment are recognized separately when their useful lives are materially different and each such component is depreciated separately in income. Leased assets are depreciated over the shorter of the lease term and their useful lives. If it is reasonably certain that the Corporation will obtain ownership by the end of the lease term, the leased asset is depreciated over its useful life. Land is not depreciated. Amortization is provided at rates and periods designed to amortize the costs of the assets over their estimated useful lives using the straight-line method, at the following rates per annum:

		Residual value
Leasehold improvements	25%	Nil
Computer equipment and software	25%	Nil
Furniture and fixtures	25%	Nil

Depreciation methods, useful lives and residual values, when applicable, are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

3. Summary of significant accounting policies (continued)

(f) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost to the Corporation of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Corporation. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Corporation operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of operations as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Corporation in an independently administered fund. The Corporation's employer contributions vest fully with the employees when contributed into the MPF scheme.

(g) Foreign currency translation

Functional and presentation currency

The functional currency of the Corporation's subsidiaries is the Hong Kong Dollar (HKD) and the HKD is freely convertible into foreign currencies. Accordingly, for financial statement purposes, the consolidated financial statements of the Corporation which are prepared using the functional currency have been translated into Canadian dollars, the presentation currency of the Corporation. Assets and liabilities are translated at exchange rates at the statement of financial position dates, revenue and expenses are translated at the average exchange rates and capital and statutory capital reserve are translated at historical exchange rates. Any resulting translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of shareholders' equity.

The exchange rates adopted are as follows:

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
End of year exchange rate	7.7712	8.0111	7.6462
Average exchange rate	7.8321	7.6520	7.1562

Transactions in foreign currencies

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances are translated at year-end exchange rates for monetary items and at historical rates for non-monetary items. Revenues and expenses are translated using average exchange rates prevailing at the time of the transaction. All exchange gains and losses are charged to earnings.

3. Summary of significant accounting policies (continued)

(h) Capital disclosures

The Corporation is required to disclose information about its capital and how it is managed. These standards require an entity to disclose the following:

- Its objectives, policies and processes for managing capital;
- Summary quantitative data about what it manages as capital;
- Whether during the period it complied with any externally imposed capital requirements to which it is subject;
- When the entity has not complied with such requirements, the consequences of such non-compliance.

(i) Valuation of equity units issued in private placements

The Corporation uses the Black-Scholes method to value any warrants and broker warrants issued in private placements. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. The fair value assigned to broker warrants is recorded as share issue costs and an increase to warrants. Upon expiry, the value of the warrants and broker warrants are transferred to reserves.

(j) Share capital

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Corporation becomes a party to contractual provisions of the instrument. On initial recognition, all financial instruments must be measured at fair value.

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When there is a difference between the fair value of the consideration given or received at initial recognition and the amount determined using a valuation technique, such difference is recognized immediately in income unless it qualifies for recognition as some other type of asset or liability. Subsequent measurement of the financial instruments is based on their classification as described below. Financial assets and financial liabilities are classified into one of these five categories: fair value through profit and loss, held-to-maturity investments, loans and receivables, other financial liabilities and available-for-sale. The determination of the classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to the initial recognition.

3. Summary of significant accounting policies (continued)

Financial instruments at fair value through profit and loss

Financial instruments classified at fair value through profit and loss (FVTPL) are carried at fair value at each reporting date with the change in fair value recorded in income. The FVTPL classification is applied when a financial instrument: is a derivative, including embedded derivatives accounted for separately from the host contract, but excluding those derivatives designated as effective hedging instruments; Has been acquired or incurred principally for the purpose of selling or repurchasing in the near future; Is part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or Has been irrevocably designated as such by the Corporation (fair value option).

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the preceding categories. Financial assets classified as available-for-sale are carried at fair value at each reporting date. Unrealized gains and losses, including changes in foreign exchange rates, are recognized in other comprehensive income (loss) (OCI) in the period in which the changes arise and are transferred to income when the assets are derecognized or an other than temporary impairment occurs. If objective evidence of impairment exists these changes are recognized in income in the period incurred. Also, any changes in the initial fair value resulting from currency fluctuation are recognized in income in the period incurred. If a reliable estimate of the fair value of an unquoted equity instrument cannot be made, this instrument is measured at cost, less any impairment losses. Dividends are recognized in income when the right of payment has been established.

Held-to-maturity investments, loans and receivable and other financial liabilities

Financial instruments classified as held-to-maturity investments, loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in income in the period.

As a result, the following classifications were determined:

- Cash is classified as FVTPL;
- Accounts receivable and others are classified as loans and receivables (“L&R”);
- Accounts payable and accrued liabilities and due to a shareholder are classified as other financial liabilities which are measured at amortized cost using the effective interest rate method;
- To date, the Corporation has not classified any financial asset as held-to-maturity or available for sale.

Transaction costs

Transaction costs that are directly related to the acquisition or issuance of financial assets and financial liabilities (other than those classified as FVTPL) are included in the fair value initially recognized for those financial instruments. These costs are amortized to income using the effective interest rate method.

3. Summary of significant accounting policies (continued)

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Corporation has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Corporation has not offset any financial assets or liabilities in the consolidated statement of financial position.

Impairment of financial assets

At each reporting date, the carrying amounts of the financial assets other than those to be measured at FVTPL are assessed to determine whether there is objective evidence of impairment. Impairment losses on financial assets carried at cost are reversed in subsequent periods if the amount of loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(l) Share-based compensation

The Corporation has a stock option plan as described in Note 7. Awards of share options to employees and non-employees are accounted for in accordance with the fair value method of accounting for share-based compensation. Awards of share based payments to non-employees are recorded for an amount equivalent to the fair value of the services provided. The fair value of share options is determined using the Black-Scholes option-pricing model. Under the fair value method, the amount to be recognized as expense is determined at the time the options are issued and is deferred and recognized in earnings over the vesting period of the options with a corresponding increase in reserves. Each tranche in an award is considered a separate grant with its own vesting period and grant date fair value. Consideration paid by directors, officers and key employees and consultants on the exercise of share options is credited to share capital together with the amount previously recognized in reserves. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(m) Earnings per share

Earnings per share is calculated by dividing the net income for the period attributable to the common shareholders of the Corporation by the weighted average number of common shares outstanding. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of the stock options. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon the exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The Corporation has one category of dilutive potential common shares which are share warrants.

3. Summary of significant accounting policies (continued)

(n) Income taxes

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 not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. 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 reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference 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.

(o) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized separately in the statement of financial position when the Corporation has a legal, equitable or constructive obligation to make a future outflow of economic benefits to others as a result of past transactions or past events, if it is probable that a future outflow of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date using a discounted cash flow methodology. Provisions are not recognized for future operating losses. The Corporation has no provisions recognized in the consolidated statement of financial position.

3. Summary of significant accounting policies (continued)

(p) Business combinations

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Corporation at the date control is obtained. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share and debt issue costs, are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the consideration transferred over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration classified as provision is measured at fair value, with subsequent changes herein recognized in income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date will be accounted for as an adjustment to goodwill; otherwise, it will be recognized in income.

The Corporation treats transactions with non-controlling interests as transactions with equity owners of the Corporation. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

3. Summary of significant accounting policies (continued)

(q) Recent accounting pronouncements

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated financial statements.

(a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

(b) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) IFRS 11 – Joint Arrangements requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(d) IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

(f) IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements

(g) IAS 28 – Investments in Associates and Joint Ventures has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(h) IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

(i) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

4. Property and equipment

2012 **Cost**	**Leasehold improvements**	**Computer equipment and software**	**Furniture and fixtures**	**Total**
Balance, beginning of year	**$ 79,101**	**$ 516,523**	**$ 2,171**	**$ 597,795**
Exchange differences	**2,442**	**15,742**	**67**	**18,251**
Additions	**-**	**1,385**	**-**	**1,385**
Balance, end of year	**$ 81,543**	**$ 533,650**	**$ 2,238**	**$ 617,431**

2012 **Accumulated depreciation**	**Leasehold improvements**	**Computer equipment and software**	**Furniture and fixtures**	**Total**
Balance, beginning of year	**$ 26,874**	**$ 354,176**	**$ 2,171**	**$ 383,221**
Exchange differences	**830**	**10,933**	**67**	**11,830**
Amortization for the year	**19,336**	**83,741**	**-**	**103,077**
Balance, end of year	**47,040**	**448,850**	**2,238**	**498,128**
Net book value, end of year	**$ 34,503**	**$ 84,800**	**$ -**	**$ 119,303**

2011 Cost	Leasehold improvements	Computer equipment and software	Furniture and fixtures	Total
Balance, beginning of year	$ 82,876	$ 528,946	$ 2,275	$ 614,097
Exchange differences	(3,775)	(19,710)	(104)	(23,589)
Additions	-	7,287	-	7,287
Balance, end of year	$ 79,101	$ 516,523	$ 2,171	$ 597,795

2011 Accumulated depreciation	Leasehold improvements	Computer equipment and software	Furniture and fixtures	Total
Balance, beginning of year	$ 7,898	$ 280,376	$ 2,275	$ 290,549
Exchange differences	(360)	(12,770)	(104)	(13,234)
Amortization for the year	19,336	86,570	-	105,906
Balance, end of year	26,874	354,176	2,171	383,221
Net book value, beginning of year	$ 74,978	$ 248,570	$ -	$ 323,548
Net book value, end of year	$ 52,227	$ 162,347	$ -	$ 214,574

5. Due to a shareholder

The due to a shareholder as of March 31, 2012 and 2011 in the amount of $nil HKD ($nil CDN) – (April 1, 2010 – $165,870 HKD ($22,439 CDN)) is unsecured, non-interest bearing and had no fixed terms of repayment.

6. Share capital

Authorized:

Unlimited common shares
Unlimited preferred shares, non-voting, non-participating, non-cumulative dividends, redeemable and retractable at the amount paid thereon

Issued:

		2012		2011
	Shares	**Amount**	Shares	Amount
Balance, beginning and end of year	**43,337,499**	**$ 929,386**	43,337,499	$ 929,386

Escrow

The Corporation has 8,586,998 common shares subject to an escrow agreement whereby an additional 15% of the escrowed common shares will be released on each six month anniversary of the listing date of December 18, 2009 unless otherwise permitted by the Exchange.

Share purchase warrants

A summary of warrants as at March 31, 2012 and 2011, and the changes during the years then ended is as follows:

	2012	2011
Balance, beginning of the year	**$ 385,702**	$ 385,702
Transfer to reserves on expiry of warrants	**(385,702)**	-
Balance, end of year	**$ -**	$ 385,702

During the year ended March 31, 2012, 5,668,750 share purchase warrants exercisable into common shares at a price of $0.20 per share and 907,000 broker warrants exercisable into common shares at a price of $0.15 per share expired unexercised.

For the years ended March 31, 2012 and 2011, all outstanding warrants and options to purchase common shares that were outstanding during the respective periods were not included in the calculations of the weighted average number of shares outstanding as they were anti-dilutive.

7. Reserves

The Corporation has adopted a stock-option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation and its subsidiaries, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Corporation, for a period of up to ten years from the date of the grant. It is at the discretion of the Board of Directors of the Corporation to determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least twelve months with no more than ¼ of the options vesting in any three month period. The number of common shares reserved for issuance to any individual director or officer of the Corporation will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding common shares.

If an optionee ceases to be a director, officer, or technical consultant of the Corporation for any reason other than death, the optionee may exercise options at the date of the cessation of the optionee's position or arrangement with the Corporation, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During the year ended March 31, 2012, the Corporation granted 1,375,000 options at $0.10 per share to directors and officers of the Corporation exercisable for a period of 10 years.

On January 5, 2012, the Corporation passed a resolution making all 1,375,000 outstanding directors and officers options immediately vested and exercisable. All other terms of the options remained unchanged from the original grant. There was no material effect to the fair value of the options resulting from this change.

The total estimated fair value of these options as calculated using the Black-Scholes option pricing model is $43,729, which has been charged to operations for the year ended March 31, 2012.

				2012
	Exercise Price	Number of options		Fair value recorded
Balance, beginning of year		-	$	-
Granted to directors and officers	$ 0.10	1,375,000		43,729
Transfer on expiry of warrants		-		385,702
Balance, end of year		**1,375,000**	**$**	**429,431**

As of March 31, 2012, the remaining contractual life for the 1,375,000 options outstanding to directors and officers is 9.3 years with all options being fully exercisable.

The following weighted average assumptions were used for valuing options granted during the year:

	Directors and Officers
Risk-free interest rate (based on five years Bank of Canada bond yield)	2.20%
Expected volatility (based on expected volatility)	120%
Dividend yield (based on management 's expectations over the next year)	0%
Forfeiture rate (Based on management's expectation over the contract terms)	0%
Expected life of each option granted (based on contract terms)	6 years

8. Income taxes

a) Provision for income taxes

The provision for income taxes differs from the combined Canadian and foreign rates as follows:

						2012
		Canadian		**Foreign**		**Combined**
(Loss) before income taxes	**$**	**(484,426)**	**$**	**(7,728)**	**$**	**(492,154)**
Income tax rates		**26.13%**		**16.50%**		**26.0%**
Computed income tax (recovery) expense		**(126,500)**		**(1,250)**		**(127,750)**
Increase (decrease) resulting from:						
Non-deductible expenses		**79,500**		**(1,000)**		**10,500**
Non-taxable income		**-**		**17,000**		**17,000**
Impact of change in effective tax rate		**500**		**(1,200)**		**(700)**
Change in unrecognized temporary differences		**46,500**		**(12,000)**		**102,500**
Income taxes	**$**	**-**	**$**	**1,550**	**$**	**1,550**

						2011
		Canadian		Foreign		Combined
Income (loss) before income taxes	$	(158,048)	$	67,989	$	(90,059)
Income tax rates		27.60%		16.50%		36.0%
Computed income tax (recovery) expense		(43,600)		11,200		(32,400)
Increase (decrease) resulting from:						
Non-deductible expenses						
Non-taxable income		-		33,300		33,300
Deductible expenses		-		(1,500)		(1,500)
Other		30,464		(1,100)		29,364
De-recognition of non-capital losses		13,136		(28,623)		(15,487)
Net non capital loss carried forward		-		(1,200)		(1,200)
Adjustment from prior years		-		(5,600)		(5,600)
Income taxes	$	-	$	6,477	$	6,477

8. Income taxes (continued)

b) Deferred income tax assets and liabilities

The Corporation has operating losses and other costs which are being carried forward and which may be utilized to reduce future taxable income. The components of the net deferred income tax assets (liabilities) were as follows:

						2012
		Canadian		**Foreign**		**Combined**
Long-term deferred tax assets:						
Non-capital loss carried forward	**$**	**247,000**	**$**	**-**	**$**	**247,000**
Issue costs		**89,000**		**-**		**89,000**
Unrealized foreign exchange gain		**(10,000)**		**-**		**(10,000)**
Less: Unrecognized temporary differences		**(326,000)**		**-**		**(326,000)**
	$	**-**	**$**	**-**	**$**	**-**
Long-term deferred tax liability:						
Property and equipment	**$**	**-**	**$**	**7,835**	**$**	**7,835**

						2011
		Canadian		Foreign		Combined
Long-term deferred tax assets:						
Non-capital loss carried forward	$	156,000	$	-	$	156,000
Issue costs		133,500		-		133,500
Unrealized foreign exchange gain		(10,000)		-		(10,000)
Less: Unrecognized temporary differences		(279,500)		-		(279,500)
	$	-	$	-	$	-
Long-term deferred tax liability:						
Property and equipment	$	-	$	23,468	$	23,468

						2010
		Canadian		Foreign		Combined
Long-term deferred tax assets:						
Non-capital loss carried forward	$	78,712	$	-	$	78,712
Issue costs		198,506		-		198,506
Unrealized foreign exchange gain		(10,854)		-		(10,854)
Less: Unrecognized temporary differences		(266,364)		-		(266,364)
	$	-	$	-	$	-
Long-term deferred tax liability:						
Property and equipment	$	-	$	40,436	$	40,436

8. Income taxes (continued)

(b) Deferred income tax assets and liabilities

As at March 31, 2012, the Corporation had income tax losses of $939,000, which arose from the Canadian operation and which will expire as follows; $271,000 in 2030, $329,000 in 2031 and $339,000 in 2032. The income tax benefits of these losses have not been recognized on the consolidated financial statements.

9. Commitments

a) The Corporation entered into a lease agreement with a company owned by a family member of a director of the Corporation for its premises on January 1, 2011 for a period of two years with future commitments as follows:

April 1, 2012 – December 31, 2012	HKD $180,000	CDN $22,500

b) The Corporation entered into a lease agreement for rental of premises commencing May 1, 2011 for a period of one year with monthly rental payments of HKD $5,400 CDN $670 and a deposit paid in advance of HKD $10,400 CDN $1,300.

10. Related party transactions

The Corporation had the following related party transactions that have been recorded at their exchange amounts for the years ended March 31, 2012 and 2011:

	2012	2011
Consulting fees paid to a company controlled by a director or a shareholder	**$ 84,671**	$ 63,390
Consulting fees paid to directors	**43,747**	16,466
Management salaries paid to an officer	**58,670**	16,466
Rent charged by a family member of a director	**30,610**	31,365

Included in accounts payable and accrued liabilities is an amount of $4,959 (March 31, 2011 - $nil) owed to a company controlled by a director.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Financial risk management

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Corporation's capital, are managed.

a) Market risk

Cash flow and fair value interest rate risk.

As the Corporation has no significant interest-bearing assets, its earnings and operating cash flows are substantially independent of change in market interest rates.

The Corporation's interest rate risk would arise from borrowings, issued at variable rates and expose the Corporation to cash flow interest rate risk. Borrowings issued at a fixed rate expose the Corporation to fair value interest rate risk. The Corporation is not exposed to such risk.

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions.

Credit risk also results from the possibility that a loss may occur from the failure of another party to adhere to payment terms. To lower this risk, the Corporation's extension of credit is based on an evaluation of each customer's financial condition. Management reviews the ageing of trade accounts receivable and other factors relating to the risk that customer accounts may not be paid in full and, when appropriate, reduces the carrying value to provide for possible loss. No loss has been charged to income in the current year.

The following table summarizes the accounts receivable overdue:

	Total	Due in 30 days	30 days to 90 days overdue	Over 90 days overdue
2012	$ 146,238	$ 146,238	$ -	$ -
2011	148,277	60,851	87,280	146

Of significant individual accounts receivable as at March 31, 2012 approximately 74 percent was owed from the largest four customers (2011 – 80 percent was owed from four customers).

The carrying amount of cash and accounts receivable represents the Corporation's maximum credit exposure.

11. Financial risk management (continued)

c) Liquidity risk

The Corporation manages its risk of not meeting its financial obligations through management of its capital structure, and annual budgeting of its revenues, expenditures and cash flows.

Accounts payable arise in the normal course of business, and all amounts are due within three months or less of the statement of financial position date except for $9,932 as of March 31, 2012 (2011 - $9,655) which are due between three and twelve months of the statement of financial position date. Income taxes payable are due within twelve months of the statement of financial position date.

The Corporation believes it has adequate working capital and cash flows to discharge its financial obligations.

d) Fair values

At March 31, 2012, the fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values given the expected short-term to maturity of these instruments.

The Corporation has classified the financial instruments measured at fair value in accordance with a three level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair values of the financial assets and liabilities. The fair value hierarchy has the following levels:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. At March 31, 2012, the Corporation's cash has been assessed at level 1 based on the fair value hierarchy above.

11. Financial risk management (continued)

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

			2012			2011
	Carrying value		**Fair value**	Carrying value		Fair value
	FVTPL	**L&R**	**Total**	FVTPL	L&R	Total
Financial assets						
Cash	**$ 548,752**	**$ -**	**$ 548,752**	$ 422,871	$ -	$ 422,871
Accounts receivable	**-**	**146,238**	**146,238**	-	148,277	148,277
	$ 548,752	**$ 146,238**	**$ 694,990**	$ 422,871	$ 148,277	$ 571,148

			2012			2011
	Carrying value		**Fair value**	Carrying value		Fair value
	FVTPL	**Other liability**	**Total**	FVTPL	Other liability	Total
Financial liabilities						
Accounts payable	**$ -**	**$ 149,742**	**$ 149,742**	$ -	$ 67,116	$ 67,116

e) Capital management

Capital is comprised of share capital, warrants, reserves, accumulated other comprehensive loss and deficit on the statement of financial position. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders. The Corporation's sources of additional capital and policies for distribution of excess capital may also be affected by the Corporation's capital management objectives.

The Corporation manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. The capital is generally used for defraying the administrative expenses in promoting the objectives of the Corporation. The Corporation is not subject to either internally or externally imposed capital requirements.

f) Currency risk

Foreign currency risk is defined as the Corporation's exposure to a gain or a loss in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Corporation is exposed to foreign currency rate variability primarily in relation to certain debt denominated in a foreign currency.

As well, most of its foreign operations are self-sustaining and these foreign operations' functional currencies are in HKD. The Corporation's related exposure to the foreign currency rates is primarily through cash and other working capital elements of these foreign operations.

The Corporation also mitigates foreign currency risks, within each segment, by transacting in their functional currency for material procurement, sales contracts and financing activities.

11. Financial risk management (continued)

The following presents the financial instruments that are exposed to foreign exchange volatility:

	2012			2011
	Hong Kong Dollars	**Cdn Equivalent**	Hong Kong Dollars	Cdn Equivalent
Cash	**$ 3,911,245**	**$ 503,300**	$ 3,337,384	$ 416,595
Accounts receivable and other	**1,136,447**	**146,238**	1,157,106	144,438
Accounts payable and accrued liabilities	**(372,847)**	**(49,978)**	(151,960)	(18,969)

12. Segmented information

The Corporation's reportable segments are (1) a business holding an investment in Canada; (2) provision of inter-operator short message services in Hong Kong.

The revenues are all generated in Hong Kong. Four major customers have contributed to sales revenue for the years ended March 31, 2012 and 2011 as indicated in the following table:

	2012	2011
Customer A	**$ 173,550**	$ 178,099
Next three top customers		
Customer B	**132,495**	110,523
Customer C	**107,061**	209,425
Customer D	**102,644**	93,136
All other customers	**171,184**	194,432
Sales revenue	**$ 686,934**	$ 785,615

	Investment	**SMS**	**2012 Total**	Investment	SMS	2011 Total
Sales	**$ -**	**$ 686,934**	**$ 686,934**	$ -	$ 785,615	$ 785,615
Amortization of property and equipment	**-**	**(103,077)**	**(103,077)**	-	(105,906)	(105,906)
Share based compensation	**(43,729)**	**-**	**(43,729)**	-	-	-
Provision for income taxes	**-**	**(1,550)**	**(1,550)**	-	(6,477)	(6,477)
Net income (loss)	**$ (484,426)**	**$ (9,278)**	**$ (493,704)**	$ (158,048)	$ 61,512	$ (96,536)
Segment assets, total	**$ 68,811**	**$ 815,141**	**$ 883,952**	$ 23,633	$ 1,232,935	$ 1,256,568
Total expenditures for additions to property and equipment	**$ -**	**$ 1,385**	**$ 1,385**	$ -	$ 7,287	$ 7,287

13. Business acquisition transaction

Share purchase agreement

The Corporation has announced that it has entered into an arm's length share purchase agreement with Inphosoft Pte. Ltd. ("Inphosoft"), a private corporation governed by the laws of Singapore, to acquire all of the issued and outstanding shares of Inphosoft's wholly owned subsidiary, Inphosoft Group Pte. Ltd., for a total consideration of $11.3 million. The purchase consideration consists of $0.4 million in cash (payable at closing), $0.4 million as a non-interest bearing promissory note (payable after the first anniversary date of closing) and the issuance of non-interest-bearing convertible debentures in the principal amount of $10.5 million (due three years after closing). This transaction will be accounted for as a business combination applying the acquisition method in which the net assets will be measured at their fair value at the date of acquisition and any excess of the purchase price over the fair value of the net assets acquired will be recognized as goodwill. The closing of the transaction is subject to a number of closing conditions.

Each debenture shall be issued for a term of three years and may not be converted at any time if as a result the debenture holder will hold more than 10% of the issued and outstanding shares or with any person or group acting jointly or in concert will hold more than 20% of the issued and outstanding common shares of the Corporation.

In addition, debentures in the principal amount of $4,000,000 will be deposited at closing in escrow and will be released upon the achievement of certain established profit levels over the next two years.

Consulting agreement

A director of the Corporation, Mr. Raymond Richard, has entered on July 12, 2012 into a consulting agreement with the Company (the "**Consulting Agreement**") for the purposes of providing consultancy services with respect to finalizing and supervising the documentation and regulatory filings required for the Closing of the Transaction. Under the Consulting Agreement, the Corporation has paid Mr. Richard a fee of $15,000 on July 31, 2012 and has agreed to pay Mr. Richard a monthly fee of $4,000 during the term of the Agreement. In addition, under the Consulting Agreement, Mr. Richard will be entitled to receive a one-time payment of $35,000 upon the Closing of the Transaction. The Corporation also agreed to pay a termination payment of $48,000 should the Corporation decide to terminate the Consulting Agreement

14. Comparative financial statements

Certain prior years' comparative figures have been restated to conform to the current year's presentation.

15. Effect of transition to IFRS

The financial statements for the year ended March 31, 2012 are the Corporation's financial statements prepared under IFRS. For all accounting periods prior to March 31, 2011, the Corporation prepared its financial statements under Canadian GAAP. In accordance with IFRS 1 'First time adoption of IFRS', certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of presentation in note 2.

The following exception is mandatory under IFRS 1 and is applicable to the Company as follows:

- Estimates under IFRS 1 as at April 1, 2010 should be consistent with estimates made for the same date under Canadian GAAP, unless there is evidence that those estimates were in error. The Corporation estimates under IFRS as at April 1, 2010 were consistent with those made under Canadian GAAP in accordance with IFRS 1.

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Corporation has taken the following exemptions:

a. Business combinations

IFRS 1 allows for the guidance under IFRS 3 – Business Combinations, to be applied either retrospectively or prospectively. The Corporation has elected to adopt IFRS 3 prospectively; accordingly, all business combinations on or after April 1, 2010 will be accounted for in accordance with IFRS 3.

b. Cumulative translation differences

IAS 21, The Effects of Changes in Foreign Exchange Rates, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows an option exemption to deem the cumulative translation differences for all foreign operations to be deemed $nil at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Corporation has elected to apply this exemption and has adjusted the cumulative translation amount to $nil at April 1, 2010.

This resulted in a decrease to accumulated other comprehensive loss of $165,732 and a corresponding decrease to retained earnings (deficit) in the same amount as of April 1, 2010, and March 31, 2011.

c. Share-based payments

Under IFRS 1, the Corporation can elect not to apply IFRS 2 – Share-based Payment Transactions, to certain equity instruments including share purchase options issued and vested prior to transition. The application of IFRS 2 requires the revaluation of these instruments and therefore the Corporation has elected to maintain the historical accounting under Canadian GAAP.

Other than the information presented above and below, there were no other changes to the statement of financial position, statement of comprehensive income and statement of cash flows as previously presented under Canadian GAAP as of April 1, 2010, March 31, 2011 and for the year ended March 31, 2011.

15. Effect of transition to IFRS (continued)

		March 31, 2011			April 1, 2010		
	Note	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
Assets							
Current							
Cash		$ 422,871	$ -	$ 422,871	$ 444,271	$ -	$ 444,271
Accounts receivable and other		148,277	-	148,277	317,196	-	317,196
Prepaid expenses		33,952	-	33,952	103,739	-	103,739
Deposit		436,894	-	436,894	-	-	-
		1,041,994	-	1,041,994	865,206	-	865,206
Deposit		-	-	-	464,130	-	464,130
Property and equipment		214,574	-	214,574	323,548	-	323,548
		$ 1,256,568	$ -	$ 1,256,568	$ 1,652,884	$ -	$ 1,652,884
Liabilities							
Current							
Accounts payable and accrued liabilities		$ 67,116	$ -	$ 67,116	$ 258,089	$ -	$ 258,089
Due to a shareholder		-	-	-	22,439	-	22,439
Income taxes payable		17,535	-	17,535	35,389	-	35,389
		84,651	-	84,651	315,917	-	315,917
Future income tax liability		23,468	-	23,468	40,436	-	40,436
		108,119	-	108,119	356,353	-	356,353
Shareholders' equity							
Share capital		929,386	-	929,386	929,386	-	929,386
Warrants		385,702	-	385,702	385,702	-	385,702
Accumulated comprehensive loss	b	(217,278)	165,732	(51,546)	(165,732)	165,732	-
Retained earnings (deficit)	b	50,639	(165,732)	(115,093)	147,175	(165,732)	(18,557)
		1,148,449	-	1,148,449	1,296,531	-	1,296,531
		$ 1,256,568	$ -	$ 1,256,568	$ 1,652,884	$ -	$ 1,652,884