

NEOTECK SOLUTIONS INC.
(formerly Neodym Technologies Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED AUGUST 31, 2012
(Unaudited – expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NEOTECK SOLUTIONS INC.
(formerly Neodym Technologies Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – expressed in Canadian dollars)

	Notes	August 31, 2012 \$	February 29, 2012 \$
ASSETS			
CURRENT ASSETS			
Cash		9,276	11,792
Accounts receivable	3	12,227	18,342
Inventory		5,715	-
		27,218	30,134
NON-CURRENT ASSETS			
Equipment	4	845	990
Intangible assets	5	6,360	8,204
		34,423	39,328
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		133,760	56,233
Due to related parties	8	1,010,394	987,259
Loans payable	6	21,504	21,000
		1,165,658	1,064,492
SHAREHOLDERS' DEFICIENCY			
SHARE CAPITAL	7	1,092,985	1,092,985
CONTRIBUTED SURPLUS		24,589	24,589
DEFICIT		(2,248,809)	(2,142,738)
		(1,131,235)	(1,025,164)
TOTAL LIABILITIES AND SHAREHOLDER DEFICIENCY		34,423	39,328

NATURE OF OPERATIONS (Note 1)
COMMITMENTS (Note 7)
SUBSEQUENT EVENTS (Notes 1, 7 and 9)

Approved on behalf of the Board of Directors on October 30, 2012.

“Gunther Roehlig”

Director

“Stephen Pearce”

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NEOTECK SOLUTIONS INC.
(formerly Neodym Technologies Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
LOSS

For the three and six months ended August 31,
(Unaudited – expressed in Canadian dollars)

	Notes	Three months ended August 31,		Six months ended August 31,	
		2012	2011	2012	2011
		\$	\$	\$	\$
REVENUE					
Sales		25,912	52,720	69,758	110,726
Cost of sales	8	(10,634)	(20,031)	(26,382)	(41,250)
Gross profit		15,278	32,689	43,376	69,476
ADMINISTRATIVE EXPENSES					
Advertising and promotion		1,320	249	1,736	781
Amortization		2,717	316	3,029	2,256
Audit		17,450	3,250	17,450	4,100
Bank charges and interest		1,066	1,546	2,327	2,845
Customer service and application support		6,002	5,240	12,056	10,540
Legal		40,000	-	40,000	-
Management fees	8	19,964	18,073	39,463	35,300
Marketing	8	5,507	5,464	11,159	10,821
Office		3,392	2,582	5,821	7,170
Realized foreign exchange loss		836	782	182	768
Regulatory and stock transfer fees		8,265	4,335	10,576	6,239
Rent	8	750	750	1,500	1,500
Research and development	8	950	2,783	2,079	6,135
Telephone		1,721	727	2,069	1,518
		109,940	46,097	149,447	89,973
NET AND COMPREHENSIVE LOSS FOR THE PERIOD		(94,662)	(13,408)	(106,071)	(20,497)
NET LOSS PER SHARE - BASIC AND DILUTED	7	(0.02)	(0.00)	(0.02)	(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (post consolidation)	7	5,075,960	5,075,960	5,075,960	5,075,960

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NEOTECK SOLUTIONS INC.
(formerly Neodym Technologies Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – expressed in Canadian dollars)

	Six Months Ended August 31,	
	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(106,071)	(20,497)
Items not affecting cash:		
Amortization	3,029	2,256
Foreign exchange loss	-	292
	<u>(103,042)</u>	<u>(17,949)</u>
Changes in non-cash working capital items:		
Accounts receivable	6,115	(4,987)
Inventory	(5,715)	3,309
Accounts payable and accrued liabilities	77,527	18,676
Accrued interest payable	504	(2,496)
NET CASH USED IN OPERATING ACTIVITY	<u>(24,611)</u>	<u>(3,447)</u>
NET CASH USED IN INVESTING ACTIVITY³		
Product development	<u>(1,040)</u>	<u>(2,716)</u>
NET CASH GENERATED BY FINANCING ACTIVITIES		
Due to related parties	<u>23,135</u>	<u>13,652</u>
(DECREASE) INCREASE IN CASH DURING THE PERIOD	<u>(2,516)</u>	<u>7,489</u>
CASH – Beginning of period	<u>11,792</u>	<u>14,830</u>
CASH – End of period	<u>9,276</u>	<u>22,319</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	-	3,000
Income tax paid	-	-

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NEOTECK SOLUTIONS INC.

(formerly Neodym Technologies Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – expressed in Canadian dollars)

	COMMON SHARES (adjusted for post- consolidation)		CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	Number	\$	\$	\$	\$
Balance, February 29, 2011	6,075,960	1,092,985			(1,006,988)
Net loss for the period	-	-	24,589	(2,124,562)	(20,497)
Balance, August 31, 2011	6,075,960	1,092,985	24,589	(2,145,059)	(1,027,485)
Net income (loss) for the period	-	-	-	2,321	2,321
Balance, February 29, 2012	6,075,960	1,092,985	24,589	(2,142,738)	(1,025,164)
Net loss for the period	-	-	-	(106,071)	(106,071)
Balance, August 31, 2012	6,075,960	1,092,985	24,589	(2,248,809)	(1,131,235)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NEOTECK SOLUTIONS INC.

(formerly Neodym Technologies Inc.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED AUGUST 31, 2012**

(Unaudited – expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Neoteck Solutions Inc. (formerly Neodym Technologies Inc.) (“the Company”) was incorporated under the Company Act of British Columbia, and changed its name to Neoteck Solutions Inc. on September 10, 2012. Prior to the September 10, 2012 divestiture of its gas detection equipment and operations (Note 9), its principal business activity was the development and sales of gas safety and loss control systems. The Company is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NEO”. The Company’s registered and records office is located at 2600 - 1066 West Hastings Street, Vancouver Canada V6B 1N2.

As at August 31, 2012, the Company had a working capital deficiency of \$1,138,440 (February 29, 2012: \$1,040,851) and incurred a loss for the six months ended August 31, 2012 of \$106,071 (August 31, 2011: \$20,497). The Company’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next year with proceeds from a non-brokered share issue. Subsequent to August 31, 2012 gross proceeds of \$1,500,000 were received as part of this financing (note 9).

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Neodym Systems Inc. The condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s audited financial statements for the year ended February 29, 2012. They do not include all the information required for complete annual financial statements 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”) and therefore should be read together with the audited annual financial statements for the year ended February 29, 2012.

These financial statements were approved by the board of directors for issue on October 30, 2012.

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and also require management to exercise judgment in applying the Company’s accounting policies. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, and determination of fair value for share-based compensation and transactions. As new data or information is received these estimates may change.

3. ACCOUNTS RECEIVABLE

	August 31, 2012	February 29, 2012
	\$	\$
HST recoverable	7,820	4,074
Deposit	250	250
Sales receivables	4,157	14,018
	<u>12,227</u>	<u>18,342</u>

NEOTECK SOLUTIONS INC.
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED AUGUST 31, 2012
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4. EQUIPMENT

	Communication Equipment	Computers	Machinery and Equipment	Total
Cost	\$	\$	\$	\$
Balance, February 29, 2012	557	14,844	572	15,973
Additions	-	-	-	-
Balance, August 31, 2012	557	14,844	572	15,973
Accumulated Depreciation				
Balance, February 29, 2012	523	13,906	554	14,983
Depreciation	3	140	2	145
Balance, August 31, 2012	526	14,046	556	15,128
Net Book Value				
Balance, February 29, 2012	34	938	18	990
Balance, August 31, 2012	31	798	16	845

5. INTANGIBLE ASSETS

	Deferred Product Development Costs	Patent	Total
Cost	\$	\$	\$
Balance, February 29, 2012	916,171	7,883	924,054
Additions	1,040	-	1,040
Balance, August 31, 2012	917,211	7,883	925,094
Accumulated Depreciation			
Balance, February 29, 2012	909,180	6,670	915,850
Depreciation	2,782	102	2,884
Balance, August 31, 2012	911,962	6,772	918,734
Net Book Value			
Balance, February 29, 2012	6,991	1,213	8,204
Balance, August 31, 2012	5,249	1,111	6,360

The Company has registered a patent in the United States relating to its gas detection method and apparatus. The patent expires in 2019.

NEOTECK SOLUTIONS INC.
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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6. LOANS PAYABLE

	August 31, 2012	February 29, 2012
	\$	\$
Repayable on demand, bearing interest at 5% per annum	10,000	10,000
Repayable on demand, bearing interest at 5% per annum	10,000	10,000
Accrued interest	1,504	1,000
	21,504	21,000

7. SHARE CAPITAL

- a) Authorized - Unlimited common shares without par value
- b) Issued – 6,075,960 common shares

On August 20, 2012, by a special resolution approved at the Company’s annual general and special meeting of the shareholders, the Company consolidated its issued and outstanding common shares into one new share for each two pre-consolidated common shares. These financial statements reflect the post consolidated number of shares.

On October 26, 2012, the Company cancelled 1,000,000 post-consolidation shares owned by a former director and officer. These shares had been held in escrow as performance shares, and were cancelled for an amount equal to their initial issued cost basis of \$20,000. Performance shares were excluded from the calculation of weighted average number of shares outstanding in determining basic and diluted loss per share.

- c) On June 20, 2011 the Company adopted a new stock option plan (the “Plan”) to replace any prior plan for its directors, senior officers, employees, advisory board members and consultants of, or employees of management companies providing services to, the Company or its subsidiaries, if any. Pursuant to the Plan the aggregate number of common shares reserved for issuance will be a maximum of 10% of the issued and outstanding share capital at the date of grant. If any options granted under the Plan expire or terminate for any reason without having been exercised in full, the unpurchased shares will again be available under the Plan.

8. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers, or to companies associated with these individuals as follows:

	Three months ended August 31,		Six months ended August 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cost of sales	2,708	5,086	6,046	8,743
Management fees and product development	8,065	13,147	24,463	32,513
Marketing, research and development	9,000	9,000	18,000	18,000
Rent	750	750	1,500	1,500
	20,523	27,983	50,009	60,756

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Related party payables of \$1,010,394 (February 29, 2012: \$987,259) are owed to directors or companies which have directors in common. They are non-interest bearing and have no fixed terms of repayment.

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Key management of the Company includes the President, CFO and the Directors. Other than as reflected above there was no other compensation paid or payable to key management for employee services.

9. SUBSEQUENT EVENTS

Pursuant to a Share Purchase Agreement (“the Agreement”) dated June 10, 2012, in order to divest itself of its existing gas sensing assets, liabilities and operations, the Company agreed to sell all of the shares in its subsidiary to the former President and CEO in exchange for \$47,000 payable by forgiveness of debt owed to the purchaser. Pursuant to the terms of the Agreement the closing date of the transaction would be five business days following receipt of the later of shareholder approval and TSX Venture Exchange acceptance. The shareholders approved the sale on August 20, 2012 and acceptance from the TSX was received on September 5, 2012. Accordingly the sale was completed on September 10, 2012.

On September 20, 2012, the Company closed a non-brokered private placement of 30,000,000 units at \$0.05 per unit for gross proceeds of \$1,500,000. Each unit consisted of one post-consolidation share of the Company and one warrant to buy one additional post-consolidation share of the Company for \$0.10 on or before September 20, 2013. Pursuant to the terms of the private placement 2,985,000 units with identical terms to those of the private placement issue were issued as finder fees.