

**TURBO CAPITAL INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

October 31, 2014

**NOTICE OF NO AUDITOR REVIEW**

The unaudited condensed interim financial statements, and accompanying notes thereto, for the periods ended October 31, 2014 and 2013 have not been reviewed by the Company's external auditor.

**TURBO CAPITAL INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

<b>ASSETS</b>	October 31, <u>2014</u>	July 31, <u>2014</u>
<b>Current assets</b>		
Cash	\$ 870	\$ 16,057
Receivables – Note 4	11,739	11,693
Prepaid expenses	-	1,575
<b>Total current assets</b>	12,609	29,325
<b>Non-current assets</b>		
Deferred financing costs	750	-
Equipment – Note 5	3,083	3,245
Rent deposit	6,475	6,475
Exploration and evaluation assets – Note 6	533,867	532,292
<b>Total assets</b>	\$ 556,784	\$ 571,337
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities – Notes 7 and 11	\$ 1,002,791	\$ 1,227,870
Loans payable – Note 8	339,000	-
<b>Total current liabilities</b>	1,341,791	1,227,870
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital – Note 9	9,546,495	9,546,495
Reserves – Note 9	1,116,423	1,116,423
Accumulated deficit	(11,447,925)	(11,319,451)
<b>Total shareholders' deficiency</b>	(785,007)	(656,533)
<b>Total liabilities and shareholders' deficiency</b>	\$ 556,784	\$ 571,337

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Notes 1, 6, 8 and 14)

APPROVED BY THE DIRECTORS:

<i>“Conrad Clemiss”</i> Conrad Clemiss	Director	<i>“James Nelson”</i> James Nelson	Director
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**TURBO CAPITAL INC.**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Three months ended October 31,	
	<u>2014</u>	<u>2013</u>
<b>Operating expenses</b>		
Consulting	\$ 90,000	\$ 91,735
Depreciation	162	203
Management fees – Note 11	22,500	29,062
Office and miscellaneous – Note 11	10,039	11,174
Professional fees	3,606	4,610
Shareholder information	-	4,315
Share-based payments – Notes 9 and 11	-	265,148
Transfer agent and filing fees	2,167	3,018
	<hr/>	<hr/>
<b>Net comprehensive loss for the period</b>	<b>\$ (128,474)</b>	<b>\$ (409,265)</b>
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Loss per share – basic and diluted – Note 10	\$ (0.003)	\$ (0.010)
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Weighted average number of shares outstanding – basic and diluted – Note 10	41,576,631	40,322,484
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**TURBO CAPITAL INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Three months ended October 31,	
	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Loss for the period	\$ (128,474)	\$ (409,265)
Adjustments for non-cash items:		
Depreciation	162	203
Share-based payments	-	265,148
Changes in non-cash working capital items:		
Receivables	(46)	632
Prepaid expenses	-	(615)
Accounts payable and accrued liabilities	110,921	87,130
	<hr/>	<hr/>
<b>Cash used in operating activities</b>	<b>(17,437)</b>	<b>(56,767)</b>
<b>Investing Activities</b>		
Exploration and evaluation assets	-	(1,628)
	<hr/>	<hr/>
<b>Cash used in investing activities</b>	<b>-</b>	<b>(1,628)</b>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	-	90,150
Deferred financing costs	(750)	-
Proceeds from loan advance	3,000	-
Refund of share subscriptions	-	(43,000)
	<hr/>	<hr/>
<b>Cash provided by financing activities</b>	<b>2,250</b>	<b>47,150</b>
Decrease in cash during the period	(15,187)	(11,245)
Cash, beginning of the period	16,057	69,696
	<hr/>	<hr/>
<b>Cash, end of the period</b>	<b>\$ 870</b>	<b>\$ 58,451</b>
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Supplemental Disclosure with Respect to Cash Flows (Note 13)

**TURBO CAPITAL INC.**  
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)  
(Expressed in Canadian Dollars)

	<b>Share Capital</b>			<b>Accumulated</b>		<b>Total</b>
	<b>Number of shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>		
<b>Balance, July 31, 2013</b>	39,675,131	\$ 9,416,345	\$ 851,275	\$ (10,321,355)		\$ (53,735)
Share purchase warrants exercised	901,500	90,150	-	-		90,150
Stock options issued	-	-	265,148	-		265,148
Loss for the period	-	-	-	(409,265)		(409,265)
<b>Balance, October 31, 2013</b>	40,576,631	9,506,495	1,116,423	(10,730,620)		(107,702)
For exploration and evaluation assets	1,000,000	40,000	-	-		40,000
Loss for the period	-	-	-	(588,831)		(588,831)
<b>Balance, July 31, 2014</b>	41,576,631	9,546,495	1,116,423	(11,319,451)		(656,533)
Loss for the period	-	-	-	(128,474)		(128,474)
<b>Balance, October 31, 2014</b>	41,576,631	\$ 9,546,495	\$ 1,116,423	\$ (11,447,925)		\$ (785,007)

**TURBO CAPITAL INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
October 31, 2014

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Turbo Capital Inc. (the “Company”; formerly Brookemont Capital Inc.) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”). The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At October 31, 2014, the Company has exploration and evaluation assets located in Canada. Subsequent to October 31, 2014, the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-two-old basis, changed its name to Turbo Capital Inc., and changed its trading symbol to “TBO”. These condensed interim financial statements reflect the share consolidation.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These condensed interim 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. At October 31, 2014, the Company had a working capital deficiency of \$1,329,182, had not yet achieved profitable operations and has an accumulated deficit of \$11,447,925 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. 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. Accordingly, these condensed interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable 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 condensed interim financial statements.

**2. BASIS OF PREPARATION**

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s most recently issued audited financial statements for the year ended July 31, 2014, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of these audited financial statements, and have been consistently applied in the preparation of these condensed interim financial statements

## 2. BASIS OF PREPARATION (continued)

These condensed interim financial statements were authorized for issue by the Board of Directors on December 23, 2014.

## 3. CHANGES IN ACCOUNTING POLICIES

### a) Accounting standards, interpretations and amendments adopted

As of August 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standard without any significant effect on its condensed interim financial statements. The nature and impact of this new standard is described below:

#### *IAS 32 – Financial Instruments: Presentation (“IAS 32”)*

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amendments to IAS 32 had no impact on the Company’s condensed interim financial statements.

#### *IAS 36 – Impairment of Assets (“IAS 36”)*

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments to IAS 36 had no impact on the Company’s condensed interim financial statements.

#### *IFRIC 21 – Levies (“IFRIC 21”)*

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 had no impact on the Company’s condensed interim financial statements.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim financial statements.

*IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

**4. RECEIVABLES**

The Company’s receivables comprise of goods and services tax (“GST”) receivable due from Canadian government taxation authorities and reimbursements from a public company for unpaid fees.

	October 31, <u>2014</u>	July 31, <u>2014</u>
Accounts receivable	\$ 4,805	\$ 5,462
GST recoverable	6,934	6,231
	<hr/>	<hr/>
Total receivables	<u>\$ 11,739</u>	<u>\$ 11,693</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company’s receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**5. EQUIPMENT**

	Computer and office equipment
Cost, July 31, 2013 and 2014, and October 31, 2014	<u>\$ 7,816</u>
Accumulated depreciation, July 31, 2013	3,759
Depreciation for the year	<u>812</u>
Accumulated depreciation, July 31, 2014	4,571
Depreciation for the period	<u>162</u>
Accumulated depreciation, October 31, 2014	<u>\$ 4,733</u>
Net book value, July 31, 2014	<u>\$ 3,245</u>
Net book value, October 31, 2014	<u><u>\$ 3,083</u></u>

**6. EXPLORATION AND EVALUATION ASSETS**

The Company's exploration and evaluation assets consist of the following mineral properties:

	Yukon <u>Quartz Claims</u>	Ontario Albany E. Hydrothermal <u>Graphite Prospect</u>	Ontario Kenagami Hydrothermal <u>Graphite Prospect</u>	Quebec <u>Rare Earth</u>	Quebec <u>Gaspe Bay</u>	<u>Total</u>
Balance, July 31, 2013	\$ 114,703	\$ 174,305	\$ -	\$ 171,409	\$ 170,662	\$ 631,079
Acquisition costs	-	52	47,450	-	-	47,502
Deferred exploration expenditures						
Geological expenses	-	1,354	-	-	191	1,545
Claim maintenance fees	1,575	-	-	-	-	1,575
Survey costs	-	17,600	4,400	-	-	22,000
Write-down of exploration and evaluation assets	-	-	-	(171,409)	-	(171,409)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, July 31, 2014	116,278	193,311	51,850	-	170,853	532,292
Deferred exploration expenditures						
Claim maintenance fees	1,575	-	-	-	-	1,575
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, October 31, 2014	\$ 117,853	\$ 193,311	\$ 51,850	\$ -	\$ 170,853	\$ 533,867

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Ontario Albany East Hydrothermal Graphite Prospect - Purchase Agreement

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 2,000,000 common shares at a value of \$160,000 to the Vendors.

As at October 31, 2014, the Company had spent a total of \$21,759 in exploration expenditures on this property.

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking and Option Agreement

i) On June 8, 2012, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Gaspé Bay Region of Quebec.

On June 3, 2013, the Company amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by one year to July 20, 2014. On November 4, 2013, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the remaining work commitments due to be spent on the prospect by two years. On July 18, 2014, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by twelve months to July 20, 2015. The Company is now required to make a cash payment and incur the following exploration costs:

	<u>Cash</u>	Exploration <u>Costs</u>	Common <u>Shares</u>
Upon Exchange approval (issued at a value of \$87,500)	\$ -	\$ -	1,250,000
On or before July 20, 2013 (issued at a value of \$100,000)	-	-	1,250,000
On or before December 20, 2013 (incurred)	-	40,000	-
On or before July 20, 2015	20,000	-	-
On or before December 20, 2015	-	60,000	-
On or before December 20, 2016	-	250,000	-
On or before December 20, 2017	-	500,000	-
	<u>\$ 20,000</u>	<u>\$ 850,000</u>	<u>2,500,000</u>

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking and Option Agreement (continued)

- ii) During the year ended July 31, 2012, the Company acquired a 100% interest in additional claims for staking costs of \$4,164.

During the year ended July 31, 2013, the Company decided not to renew certain claims of the above two sets of Gaspé Bay claims and allowed them to lapse as they became due. Prior acquisition costs of \$65,864 associated with these claims were written off.

As at October 31, 2014, the Company had spent a total of \$42,067 in exploration expenditures on the Gaspé Bay Aluminous Clay and Rare Earth claims.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

As at October 31, 2014, the Company had spent a total of \$9,650 in exploration expenditures on the remaining Yukon Quartz claims.

Ontario Kenagami Hydrothermal Graphite Prospect – Staking and Purchase Agreement

- i) On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims located in Ontario.

Subsequent to October 31, 2014, the Company amended the purchase agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 and the remaining 1,000,000 share issuance to September 25, 2016. The Company is now required to make a cash payment and issue common shares as follows:

	<u>Cash</u>	<u>Common Shares</u>
Upon Approval (issued at a value of \$40,000)	\$ -	1,000,000
On or before September 25, 2016	<u>20,000</u>	<u>1,000,000</u>
	<u>\$ 20,000</u>	<u>2,000,000</u>

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

Ontario Kenagami Hydrothermal Graphite Prospect – Staking and Purchase Agreement  
(continued)

- ii) During the year ended July 31, 2014, the Company acquired a 100% interest in additional claims for staking costs of \$5,950.

As at October 31, 2014, the Company had spent a total of \$4,400 in exploration expenditures on this property.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	October 31, <u>2014</u>	July 31, <u>2014</u>
Trade payables	\$ 990,791	\$ 1,215,870
Accrued liabilities	12,000	12,000
	<hr/>	<hr/>
Total payables	<u>\$ 1,002,791</u>	<u>\$ 1,227,870</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

**8. LOANS PAYABLE**

In October 2014, the Company entered into agreements (the “Agreements”) with three arm’s length parties (the “Lenders”). Pursuant to the terms of the Agreements, the Lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and are payable upon demand. Subsequent to October 31, 2014, the Company repaid a total of \$150,000 to the Lenders.

During the three months ended October 31, 2014, the Company received a loan of \$3,000 from an arm’s length lender, bearing no interest and due upon demand. Subsequent to October 31, 2014, the Company fully repaid this loan.

As at October 31, 2014, \$339,000 (July 31, 2014: \$Nil) of principal had not been repaid.

**9. SHARE CAPITAL AND RESERVES**

**Authorized:** An unlimited number of common shares, without par value

**(a) Share purchase warrants**

The following is a summary of changes in share purchase warrants from July 31, 2013 to October 31, 2014:

**9. SHARE CAPITAL AND RESERVES (continued)**

**(a) Share-purchase warrants (continued)**

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2013	11,029,095	\$0.27
Exercised	<u>(901,500)</u>	\$0.10
Balance, July 31, 2014 and October 31, 2014	<u>10,127,595</u>	\$0.34

At October 31, 2014, the Company had 10,127,595 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,604,095	\$0.50	September 6, 2016
175,000	\$0.60	September 6, 2016
<u>5,348,500</u>	\$0.20	January 28, 2018
<u>10,127,595</u>		

**(b) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2013 to October 31, 2014:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2013	932,417	\$0.21
Granted	3,097,500	\$0.10
Expired	<u>(71,667)</u>	\$0.20
Outstanding and exercisable, July 31, 2014	3,958,250	\$0.12
Expired	<u>(246,750)</u>	\$0.21
Outstanding and exercisable, October 31, 2014	<u>3,711,500</u>	\$0.12

At October 31, 2014, 3,711,500 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

**9. SHARE CAPITAL AND RESERVES (continued)**

**(b) Share-based payments (continued)**

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
60,000	\$0.26	August 31, 2015
525,000	\$0.20	January 13, 2017
29,000	\$0.20	October 11, 2017
<u>3,097,500</u>	\$0.10	September 3, 2018
<u>3,711,500</u>		

During the three months ended October 31, 2014, the Company did not granted any stock options. During the three months ended October 31, 2013, the Company granted 3,097,500 stock options at an exercise price of \$0.10 per share with an expiry date of September 3, 2018. The weighted average fair value of the options issued in the three months ended October 31, 2013 was estimated at \$0.08 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	<u>Three months ended October 31, 2014</u>	<u>Three months ended October 31, 2013</u>
Weighted average fair value per option	N/A	\$0.08
Weighted average expected dividend yield	N/A	0.0%
Weighted average expected volatility *	N/A	176.26%
Weighted average risk-free interest rate	N/A	2.01%
Weighted average expected term	N/A	5.0 years

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the three months ended October 31, 2014 were \$Nil (three months ended October 31, 2013: \$265,148).

**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share was based on the following data:

	<u>Three months ended October 31,</u>	
	<u>2014</u>	<u>2013</u>
Net Loss	\$ 128,474	\$ 409,265
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>41,576,631</u>	<u>40,322,484</u>



**10. LOSS PER SHARE (continued)**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 9) were anti-dilutive for the three months ended October 31, 2014 and 2013.

The loss per share for the three months ended October 31, 2014 was \$0.003 (three months ended October 31, 2013: \$0.010).

**11. RELATED PARTY TRANSACTIONS**

*Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Three months ended October 31,	
	<u>2014</u>	<u>2013</u>
Management fees	\$ 22,500	\$ 29,062
Share-based payments *	<u>-</u>	<u>34,283</u>
	<u>\$ 22,500</u>	<u>\$ 63,345</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

*Related party balances*

At October 31, 2014, accounts payable and accrued liabilities include \$310,831 (July 31, 2014: \$283,913) payable to two directors of the Company, a private company controlled by a director, and two public companies with common directors for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

During the three months ended October 31, 2014, office and miscellaneous expenses included \$3,000 (three months ended October 31, 2013: \$3,000), which was for reimbursement of accounting overhead to a public company with two common directors.

**12. SEGMENTAL REPORTING**

The Company operates in one business segment, being the acquisition and exploration of mineral properties located in Canada.

### **13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

Three months ended October 31, 2014:

- a) The Company converted a total of \$336,000 in consulting fees payable into loans payable.
- b) The Company accrued exploration and evaluation assets of \$11,469 in accounts payable and accrued liabilities.

Three months ended October 31, 2013:

- a) The Company accrued exploration and evaluation assets of \$12,913 in accounts payable and accrued liabilities.

### **14. SUBSEQUENT EVENTS**

Subsequent to October 31, 2014, the following occurred:

- a. 100,000 stock options at an exercise price of \$0.10 per share with an expiry date of September 3, 2018 were forfeited.
- b. The Company closed a non-brokered private placement consisting of 41,500,000 units at \$0.01 per unit for gross proceeds of \$415,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until December 18, 2019. In connection with the financing, the Company incurred filing fees of \$2,825, paid aggregate finder's fees of \$7,950 and issued 435,000 broker units. Each broker unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until December 18, 2019.
- c. The Company received two loans for a total of \$7,000 from two arm's length lenders (\$3,500 each), bearing no interest and due upon demand. Subsequently, the Company fully repaid these loans to the two lenders.