

VELOCITY DATA INC.

Condensed Interim Financial Statements

For the three month period ended July 31, 2014-Unaudited

VELOCITY, formerly known as GTO RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

September 29, 2014

VELOCITY DATA INC.
Condensed interim statement of financial position

	July 31, 2014 \$ <u>(unaudited)</u>	April 30, 2014 \$ <u>(audited)</u>
Assets		
Current assets		
Cash and cash equivalents	633,305	10,715
Amounts receivable	3,130,414	6,662
Other assets	264,108	-
Total current assets	<u>4,027,827</u>	<u>17,377</u>
Non-current assets		
Fixed assets, net	15,311	-
Other non-current assets	1,254,359	516,899
Total assets	5,297,497	534,276
Liabilities and shareholder equity		
Liabilities		
Accounts payable and accrued liabilities	3,286,478	25,889
Other payables	1,872,516	5,460
Convertible loan payable (Note 4)	430,000	430,000
Total liabilities	<u>5,588,994</u>	<u>461,349</u>
Shareholder's equity		
Share capital	474,386	324,386
Share-based payment reserve	168,294	168,294
Equity component of convertible debt	213,889	213,889
Retained earnings	(1,148,066)	(633,642)
Total shareholders's equity	<u>(291,497)</u>	<u>72,927</u>
Total liabilities and shareholder's equity	<u>5,297,497</u>	<u>534,276</u>

(The accompanying notes are an integral part of these financial statements)

Nature of operations and going concern (Note 1)

Approved and authorized for issue by the Board of Directors on September 29, 2014:

Adam Radly
Signed "Adam Radly"

Robert Bates
Signed "Robert Bates"

VELOCITY DATA INC.**Condensed interim statement of comprehensive loss
(Unaudited)**

	Three month period ended	
	July 31, 2014	July 31, 2013
	\$	\$
Revenue	11,247,775	9,039,481
Cost of sales	<u>10,677,178</u>	<u>8,555,828</u>
Gross profit	570,597	483,653
General and administrative	<u>523,862</u>	<u>305,653</u>
Total expenses	523,862	305,653
Income (loss) before income (expense)	46,735	177,999
Interest expense	(226,080)	-
Total other expenses	(226,080)	-
Net loss and comprehensive loss for the period	(179,345)	177,999
Basic and diluted gain/loss per share	(0.01)	1.19
Weighted average shares outstanding	29,401,907	150,000

(The accompanying notes are an integral part of these financial statements)

VELOCITY DATA INC.**Condensed interim statement of changes in equity
(Unaudited)**

	<u>Share Capital</u>		Share-based payment reserve	Equity component of convertible debt	Deficit	Total shareholders equity
	Number of shares	Amount \$				
Balance, April 30, 2012	23,801,907	324,386	168,294	213,889	(209,392)	497,177
Net loss for the period	-	-	-	-	(201,576)	(201,576)
Balance, April 30, 2013	23,801,907	324,386	168,294	213,889	(410,968)	295,601
Net loss for the period	-	-	-	-	(146,142)	(146,142)
Balance, July 31, 2013	23,801,907	324,386	168,294	213,889	(557,110)	149,459
Balance, April 30, 2014	23,801,907	324,386	168,294	213,889	(455,954)	250,615
Net loss for the period	-	-	-	-	(179,346)	(179,346)
Share issuance	72,000,000	150,000	-	-	(512,766)	(362,766)
Balance July 31, 2014	95,801,907	474,386	168,294	213,889	(1,148,066)	(291,497)

(The accompanying notes are an integral part of these financial statements)

VELOCITY DATA INC

Condensed interim statement of cash flows (Unaudited)

	<u>Three month period ended</u>	
	<u>July 31</u> <u>2014</u> <u>\$</u>	<u>July 31</u> <u>2013</u> <u>\$</u>
Operating Activities		
Net Loss for the Period	(179,345)	177,999
Changes in non cash working capital items:		
AP	<u>3,260,589</u>	<u>(763,082)</u>
Net cash used in operating activities	1,757,785	(1,561,951)
Investing activities		
Exploration and evaluation asset spinoff	<u>(15,311)</u>	-
Net cash used in investing activities	(752,771)	-
Financing activities		
Change in equity: reverse acquisition	(150,000)	-
Change in equity: spinoff assets	<u>(232,424)</u>	-
Net cash provided (used) in financing activities	(382,424)	-
Increase (decrease) in cash during the period	622,590	(1,383,951)
Cash, beg	10,715	1,084,241
Cash, end	633,305	(299,711)

Nature of Operations and Going Concern

Velocity Data Inc. (the "Company") was incorporated on May 10, 2011 under the Business Corporations Act (British Columbia) with the name GTO Resources, Inc.

The Company's registered office is located at Suite 1000, 925 West Georgia Street, Vancouver, BC, V6C 3L2.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2014, the Company had an accumulated deficit of \$1,148,066 and a working capital surplus of \$741,349.

The Share Exchange Agreement (the "Agreement") between GTO Resources Inc. ("GTO" or the "Company") and ACL Computers and Software, Inc. ("ACL") dated May, 2014. Under the transaction noted within the Agreement, GTO acquired 100% of the issued and outstanding common shares of ACL in exchange for the issuance of 72,000,000 common shares of GTO.

1. Significant Accounting Policies

(a) Basis of presentation and principles of consolidation

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated interim financial statements have been prepared on a historical cost basis. The consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the impairment of exploration and evaluation assets, equity component of convertible loan payable, measurement of share-based payments, and deferred income tax asset valuation allowances. There are no judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following years.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in fair value to be cash equivalents.

(d) Inventory

Inventory for resale are stated at the lower of cost or market, cost being determined on a first-in, first-out basis.

(e) Property and equipment, net

Depreciation of property and equipment is provided using the straight-line and accelerated methods over the estimated useful lives ranging from 5 to 15 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

(f) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument

Significant Accounting Policies

Financial assets at fair value through profit or loss (continued)

Financial assets classified as fair value through profit or loss is stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and cash equivalents are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. Significant Accounting Policies

Impairment of financial assets (continued)

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(i) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and convertible loan payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(h) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(i) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

(k) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As July 31, 2014, the Company had 95,801,907 (2013 – 23,164,743) potential dilutive shares outstanding.

(l) Convertible Loans

The Company classifies the proceeds received from convertible loans into their liability and equity components using the residual value approach. Under the residual value approach, the initial carrying amount of the liability component is determined by the net present value of future cash flows, and the remaining portion is allocated to the equity component.

(m) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss. The Company does not have items representing comprehensive income or loss.

(n) Stock-based Compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(o) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended July 31, 2014, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12 "Disclosure of interests in Other Entities"

New standard IFRS 11, "Joint Arrangements" New

standard IFRS 13, "Fair Value Measurement"

Amendments to IAS 1, "Presentation of Financial Statements"

Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine"

2. Significant Accounting Policies (continued)

(o) Accounting Standards Issued But Not Yet Effective (continued)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Loan Payable

On July 18, 2011, the Company entered into a loan agreement with Firebird for \$700,000. Under the terms of the loan, the amount is unsecured, bears interest at Royal Bank of Canada prime rate plus 3% per annum, and was due on July 18, 2013. Refer to Note 11. In addition, the Company has the right, at any time during the term of the loan, to convert the loan into common shares of the Company using a weighted average closing price of the first ten trading days following listing of the common shares, subject to a minimum conversion price of \$0.10 per share. The Company commenced trading on the TSX Venture Exchange on July 28, 2011, and the conversion price was determined to be \$0.18 per share.

The convertible loan was recorded using the residual method where the loan has been bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The value of the liability component, at the time of issuance, was determined to be \$486,111 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component was \$213,889 which was recorded as equity and an equivalent discount on the loan payable which will be accreted to the face value of \$700,000 over the term of the loan.

During the year ended April 30, 2014, the Company repaid \$86,592 of the principal amount of the loan and paid \$18,849 of the interest on the loan. During the year ended April 30, 2014, the Company recorded accretion expense of \$25,838, leaving a carrying value of \$430,000 as at July 31, 2014.

4. Financing Agreement

On January 21, 2014, the Company entered into a financing agreement with a third party for a period of 1 year, wherein the latter shall advance 85% of the net face amount of the Company's trade receivables and retain the remaining 15% to cover for various fees related to the line. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. \$1,556,548 was outstanding from this financing agreement as of July 31, 2014.

5. Related Party Transactions

- (a) During the three month period ended July 31, 2014, the amount of \$3,750 (2013 - \$3,750) was incurred to a company controlled by the Chief Financial Officer of the Company for management fees.
- (b) During the three month period ended July 31, 2014, the amount of \$10,000 (2013 - \$11,250) was incurred to a company controlled by the Chief Financial Officer of the Company for professional fees.

6. Share Capital

Authorized: Unlimited number of voting common shares
Unlimited number of preferred shares

- (a) On July 27, 2011, the Company issued 22,201,907 common shares with a fair value of \$228,386 to the shareholders of Firebird in exchange for mineral properties pursuant to the Arrangement.
- (b) On December 30, 2011, the Company issued 1,600,000 flow-through common shares at \$0.06 per share for proceeds of \$96,000. The Company determined that there was no flow-through share premium.

SHARE EXCHANGE AGREEMENT BETWEEN GTO AND ACL

7. Share Capital-continued

In May, 2014, GTO and ACL entered into an Agreement whereby GTO acquired all of the issued and outstanding common shares of ACL in exchange for the issuance of 72,000,000 common shares of GTO. The Agreement between GTO and ACL is accounted for in accordance with IFRS 3, *Business Combinations*, and will constitute a reverse takeover (“RO”) whereby ACL is deemed to be the acquirer on an accounting basis. The Agreement between GTO and ACL is subject to, amongst other things, regulatory, board, and other approvals.

As part of this transaction the Company’s interest in its Hyman Porter and Roberts Creelman properties (the “GTO Spin-out”), were spun out through the distribution of shares to existing shareholders.

After giving effect to the pro-forma adjustments and assumptions in Note 3, the issued and outstanding share capital of the Company is as follows:	<u>Shares</u>	<u>\$</u>
Number of Pre-consolidated balance, GTO at January 31, 2014	23,801,907	291,445
Pre-consolidated balance, ACL at January 31, 2014	–	150,000
Adjustment of GTO’s share capital	–	(291,445)
Issuance of shares for share exchange agreement	72,000,000	–
Post-consolidated balance, July 31, 2014	95,801,907	474,386

8. Share Purchase Warrants

On July 27, 2011, the Company issued 18,238,250 share purchase warrants with a fair value of \$168,294 as part of the Arrangement with Firebird for the acquisition of the RCU and HPU properties. On December 30, 2012, 865,000 share purchase warrants expired unexercised and on January 4, 2013 an additional 48,250 share purchase warrants expired unexercised.

9. Share Purchase Warrants-continued

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2013	17,325,000	0.06
Exercised	–	–
Expired	–	–
Balance, July 31, 2014	17,325,000	0.06

As at July 31, 2014, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise Price \$	Expiry date
1,200,000	0.25	September 25, 2014
11,000,000	0.05	November 13, 2014
5,125,000	0.05	January 8, 2015
17,325,000		

10. Financial Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at July 31, 2014 as follows:

	Fair Value Measurements Using			Balance, July 31, 2013
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash and cash equivalents	437,617	–	–	437,617

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and convertible loan payable approximate their carrying values due to the relatively short-term maturity of these instruments.

10. Financial Instruments (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. Amounts receivable consists of GST/HST receivable which is due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company does not have any significant foreign exchange rate risk.

(d) Interest Rate Risk

The Company does not have any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital, share-based payment reserve, equity component of convertible debt, and deficit.

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended April 30, 2014.