VELOCITY DATA INC.

(FORMERLY GTO RESOURCES INC.)

Condensed Interim Consolidated Financial Statements

For the three month period ended January 31, 2015

Unaudited

(Expressed in United States dollars)

VELOCITY DATA INC. (FORMERLY GTO RESOURCES INC.)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDEATED 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 consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditors.

March 25, 2015

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)
(unaudited)

	January 31, 2015 $	October 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	694,667	1,026,125
Accounts receivable	2,560,312	3,475,320
Inventory	67,943	122,544
Prepayments and other current assets	119,042	115,094
Total current assets	3,441,964	4,739,083
Non-current assets		
Property and equipment, Net	14,927	14,927
Intangibles, net	387,094	422,284
Goodwill	688,052	688,052
Total assets	4,532,037	5,864,346
Liabilities and shareholders' equity (deficit)		
Liabilities		
Accounts payable and accrued liabilities	2,406,161	4,180,578
Due to related party	188,681	238,681
Secured borrowings	1,705,471	2,092,755
Total liabilities	4,300,313	6,512,014
Shareholders' equity (deficit)		
Share capital	167,004	(154,996)
Additional Paid in Capital	875,839	-
Current year Retained Earnings	(318,447)	
Retained Earnings	322,000	(492,672)
Accumulated Deficit	(811,119)	-
Total shareholder's equity	231,724	(647,668)
Total liabilities and shareholder's equity (deficit)	**4,532,037**	**5,864,346**

The accompanying notes are an integral part of these unaudited consolidated financial statements

Approved and authorized for issue by the Board of Directors on March 25, 2015

/s/ "Adam Radly"
Adam Radly, Director

/s/ "Robert Bates"
Robert Bates, Director

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Expressed in United States dollars)
(unaudited)

	For the three months ended,	
	January 31, 2015	**January 31, 2014**
	$	**$**
Revenues	8,897,689	8,470,006
Cost of sales	8,430,339	7,943,790
Selling, general and administrative expenses	590,094	404,448
	9,020,433	8,348,238
Operating earnings (loss)	(122,744)	121,768
Financial expenses	-	
Interest Expense and other, net	(195,703)	(1,946)
Earnings (loss) before income tax	(318,447)	119,822
Income tax expense	-	(26,829)
Net earnings (loss) for the period	(318,447)	92,993
Basic and diluted earnings (loss) per share	(0.00)	0.00
Weighted average shares outstanding	103,401,907	72,000,000

The accompanying notes are an intergral part of these unaudited consolidated financial statements

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Expressed in United States dollars)
(unaudited)

	Share Capital		Accumulated	Additional	Total
	Number of shares	Amount $	deficit $	Paid in Capital $	shareholders' equity $
Balance, October 31, 2013	23,801,907	778,337	(22,753)		755,584
Shares issued due to reverse merger	72,000,000	150,000	-		150,000
Impact of push down accounting	-	(1,293,318)	-		(1,293,318)
Shares issued due to exercise of warrants	4,200,000	209,985	-		209,985
Net loss for the year	-	-	(469,919)		(469,919)
Balance, October, 31, 2014	100,001,907	(154,996)	(492,672)		(647,668)
Capital Contributions				875,839	875,839
Shares issued due to exercise of warrants	6,800,000	322,000			322,000
Net loss for the year			(318,447)		(318,447)
Balance January 31, 2015	106,801,907	167,004	(811,119)	875,839	231,724

The accompanying notes are an integral part of these unaudited consolidated financial statements

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
(unaudited)

	For the three months ended,	
	January 31, 2015 $	**January 31, 2014 $**
Operating activities		
Net earnings (loss) for the year	(318,447)	92,993
Adjustments to reconcile net earnings (loss) to cash flows		
Depreciation and amortization	35,190	384
Amortization of intangible asset		
Changes in working capital items		
Accounts receivable	915,008	1,165,948
Inventory	54,601	(58,009)
Prepaid expenses and other current assets	(3,948)	(49,262)
Accounts payable and accrued expenses	(1,774,417)	(492,386)
Net cash flows from (used in) operating activities	**(1,092,013)**	**659,668**
Net cash flows from investing activities	**-**	**-**
Financing activities		
Proceeds from secured borrowings, net	(387,284)	
Repayments of related party debt	(51,318)	
Capital contributions	322,000	
Advances from (payments to), related parties	(50,000)	(689,029)
Foreign exchange translation gain/loss	51,319	
Net cash flows from financing activities	**(115,284)**	**(689,029)**
Net increase (decrease) in cash during the period	(1,207,297)	(29,361)
Cash, beginning of period	1,026,125	440,528
Cash, end of period	(181,172)	411,167

The accompanying notes are an intergral part of these unaudited consolidated financial statements

1. Nature of Operations and Going Concern

Velocity Data Inc. (the "Company", "we", "our") was incorporated as GTO Resources, Inc. on May 10, 2011 under the Business Corporations Act (British Columbia). The Company changed its name to Velocity Data Inc. on August 7, 2014 and is engaged in the business of selling computer systems and related components, particularly to government contractors and federal government end-users.

The Company's registered office is located at Suite 600 – 1285 West Broadway, Vancouver, BC V6H 3X8.

On May 23, 2014, the Company entered into a share exchange agreement with ACL Computers and Software, Inc. ("ACL") and the sole shareholder of ACL to acquire all of the issued and outstanding common shares of ACL in exchange for 72,000,000 common shares of the Company. The agreement closed on July 22, 2014, at which time ACL became a wholly-owned subsidiary of the Company.

For accounting purposes, this transaction is being accounted for as a reverse merger and has been treated as a recapitalization of the Company, where ACL is considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the legal acquirer. The historical consolidated financial statements include the operations of the accounting acquirer for all periods presented. The Company has reported net losses for the quarter ended January 31, 2015 of $318,447 and has a cumulative deficit of $811,119 and working capital deficit of $858,349 as of January 31, 2015. The ability of the Company to continue as a going concern is dependent upon future profitable operations. When the Company can attain profitability and positive working capital is uncertain. The Company will closely monitor its cash on a regular basis and take the necessary measures to preserve cash such as increase sales and seek additional sources of financing. There is no assurance that these initiatives will be successful. Until the Company can achieve profitable operations, the Company may require additional debt or equity financing and should it not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities, revenues and expenses would be required. Any adjustments that may be required could be material.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these unaudited consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Statement of Compliance

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

2. Significant Accounting Policies (continued)

(b) Basis of Presentation and Principles of Consolidation

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

(c) 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, but are not limited to, receivable allowances, impairment of intangible assets and goodwill, 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.

(d) 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.

(e) Inventory

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

(f) 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.

2. Significant Accounting Policies (continued)

(g) Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis or whenever facts or circumstances indicate that the carrying amount may exceed its recoverable amount.

Intangible assets other than goodwill are amortized on a straight-line basis over a period of three years.

(h) Impairment of Non-Financial Assets

Impairment of goodwill
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit ("CGU") level. Goodwill is allocated to CGUs or groups of CGUs for impairment testing purposes based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the related business combination in which the goodwill arises.

Impairment of other non-financial assets
Non-financial assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

(i) 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.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

i. Non-derivative financial assets (continued)

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.

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 accounts receivable.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

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:

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

For certain categories of financial assets, such as accounts 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.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

ii. Non-derivative financial liabilities

The Company initially recognizes debt securities issued 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 secured borrowings.

Financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in net earnings (loss).

iii. 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.

(j) Foreign Currency Translation

The functional and reporting currency is the United States 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.

2. Significant Accounting Policies (continued)

(k) Revenue Recognition

Revenue from product sales is measured at the fair value, net of estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from product sales is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectibility of the related receivables is reasonably assured. Revenue is recognized when (a) it can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the Company; and (c) the costs incurred or to be incurred can be measured reliably.

(l) 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.

2. Significant Accounting Policies (continued)

(m) 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 January 31, 2015, the Company had 106,801,907 shares outstanding with no unexercised or unexpired shares outstanding.

(n) Recent Accounting Pronouncements

The International Accounting Standards Board (“IASB”) issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company’s financial year beginning on or after November 1, 2014. Many are not applicable or do not have a significant impact on the Company and so have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(b) In May 2014, the IASB issued IFRS 15 which replaces IAS 18 – Revenues, and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

(Expressed in United States dollars)

3. Acquisition and Push Down Accounting

On February 2, 2014, ACL entered into a stock purchase agreement with ACLH, LLC ("ACLH") wherein the latter acquired a 100% interest in ACL for an initial purchase price of $2,256,181. Of the total purchase price, $2,006,181 was paid in cash and the balance of $250,000 through the issuance of a note by ACLH to the sole shareholder of ACL. The note is subject to annual interest of 6% and payable in equal quarterly installments over a period of 2 years. The note was fully settled during the year through payment of $225,156. The balance of $24,844 was forgiven and was accounted for as a reduction of the purchase price resulting to a final purchase price of $2,231,337.

Under the acquisition method of accounting, the total estimated purchase price paid by ACLH is allocated to ACL's tangible and intangible assets and liabilities based on their estimated fair values at the date of the completion of the acquisition.

The estimated fair values of the assets acquired and the liabilities assumed by ACLH at February 2, 2014 are as follows:

Purchase price	$ 2,231,337
Cash and cash equivalents	$ 411,167
Accounts receivable	2,636,591
Inventory	68,938
Prepayments and other current assets	59,722
PPE	16,202
AP and accrued liabilities	(2,212,380)
Net assets	$ 980,240
Excess of purchase price over net assets acquired:	1,251,097
Allocated to:	
Customer list	563,045
Goodwill	688,052

The acquisition was accounted for as an acquisition of a business and ACLH elected to push down the purchase price to ACL's financial statements in accordance with the U.S. SEC Staff Accounting Bulletin No. 54, "*Application of Push Down' Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase*." Accordingly, the purchase price paid plus related purchase accounting adjustments, have been reflected in the Company's financial statements as of and for the year ended October 31, 2014. This resulted in a new basis of accounting that reflects the estimated fair value of the Company's assets and liabilities. ACLH also pushed down secured borrowings of $1,833,318 to ACL which was charged to share capital.

(Expressed in United States dollars)

4. Secured Borrowings

On January 21, 2014, ACL 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 ACL's trade receivables and retain the remaining 15% to cover for various fees related to the line of credit. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. The Company received net proceeds of $259,437 for the period from the acquisition date through January 31, 2015. As of January 31, 2015, amount outstanding from this financing agreement was $1,705,471.

5. Related Party Transactions

In connection with the application of push down accounting, the Company recorded a liability to ACLH of $485,941 of which $247,260 was paid during the year ended October 31, 2014 and $50,000 during the three months ended January 31, 2015. The amount outstanding from this liability as of January 31, 2015 amounted to $188,681. ACLH is an entity controlled by the Company's CEO. ACLH is the holder of the 72,000,000 common shares of the Company issued pursuant to the share exchange transaction described in Note 1.

6. Share Capital

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

During the three months ended January 31, 2015, the Company issued 6,800,000 common shares upon the exercise of warrants for net proceeds of $322,000.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, October 31, 2014	11,925,000	0.05
Exercised	(6,800,000)	0.05
Expired	(5,125,000)	-
Balance, January 31, 2015	-	-

8. Financial Instruments and Risk Management

(a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities and secured borrowings approximate fair value due to the short term nature of those instruments.

(c) Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result create a financial loss for the Company. The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As of January 31, 2015 and October 31, 2014, the Company has determined that no allowance for doubtful accounts is required. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statements of earnings (loss), and is net of any recoveries that were provided for in prior years.

Credit risks also exists in cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

(d) 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.

(e) Market risk

Market risk is the risk that financial instruments fair values and the Company's future cash flows will fluctuate due to changes in market prices. The Company is exposed to currency risk but it does not have any significant foreign exchange rate risk.

9. 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 during the three month period ended January 31, 2015.

10. Subsequent Events

In February 2015, the Board of Directors approved the following share-based awards:

a) 2,136,038 options each to the Company's CEO and CFO; and
b) 5,748,114 common shares to a company controlled by one of the directors for consulting/advisor and financing services.