IGC RESOURCES INC.

Consolidated Financial Statements

For the years ended July 31, 2015 and 2014

(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the shareholders of IGC Resources Inc.

We have audited the accompanying consolidated financial statements of IGC Resources Inc. ("the Company") and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2015 and 2014 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IGC Resources Inc. and its subsidiaries as at July 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that at July 31, 2015, the Company has an accumulated deficit of $12,558,597 and incurred a net loss of $541,678. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cause significant doubt upon the Company's ability to continue as a going concern.

"Buckley Dodds Parker LLP"
Chartered Professional Accountants
Vancouver, BC
November 23, 2015

IGC RESOURCES INC.
Consolidated Statements of Financial Position

Expressed in Canadian Dollars

		July 31, 2015		July 31, 2014
Current assets				
Cash	$	55	$	8,254
Funds on deposit with related party (note 5)		-		28,915
Receivables		-		1,321
Securities held for trading (note 6)		-		101,421
Prepaid expenses		829		
Total assets	$	884	$	139,911
Current liabilities				
Accounts payable and accrued liabilities	$	30,319	$	21,254
Payable to related parties (note 7)		-		5,474
Total liabilities		30,319		26,728
Shareholders' equity (deficit)				
Share capital (note 8)		11,035,454		11,033,454
Reserves		1,493,708		1,096,648
Deficit		(12,558,597)		(12,016,919)
		(29,435)		113,183
Total liabilities and shareholders' equity	$	884	$	139,911

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

(signed) Manfred Kurschner Director   (signed) Jacqueline M. Tucker Director

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

IGC RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in Canadian Dollars

	Share Capital		Reserves			
	Number of Shares	Amount	Contributed Surplus	Translation Reserve	Deficit	Total
Balance - July 31, 2013	26,164,428	$ 11,033,454	$ 1,493,708	$ (394,224)	$(11,269,426)	$ 863,512
Net loss for year		-	-	-	(747,493)	(747,493)
Foreign currency translation reserve		-	-	(2,836)	-	(2,836)
Balance - July 31, 2014	26,164,428	11,033,454	1,493,708	(397,060)	(12,016,919)	113,183
Shares for debt	400,000	2,000	-	-	-	2,000
Foreign currency translation reserve		-	-	(4,671)	-	(4,671)
Windup of subsidiaries		-	-	401,731	-	401,731
Net loss for year		-	-	-	(541,678)	(541,678)
Balance - July 31, 2015	26,564,428	$ 11,035,454	$ 1,493,708	$ -	$(12,558,597)	$ (29,435)

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

IGC RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars

	For the year ended July 31, 2015	2014
Operating expenses		
Accounting and audit	$ 18,717	$ 35,901
Consulting	5,500	4,368
Interest to related parties	52	5,216
Legal	8,330	4,400
Management fees	35,000	60,000
Office	3,234	107
Transfer agent, listing and filing fees	11,123	14,304
Travel	14,265	25,958
Operating loss	(96,221)	(150,254)
Other income (expenses)		
Interest income	234	456
Loss on windup of subsidiaries	(382,544)	-
Net trading activities	(49,147)	(597,695)
Transaction costs	(14,000)	-
Net loss for year	(541,678)	(747,493)
Foreign currency translation reserve	(4,671)	(2,836)
Comprehensive loss for year	$ (546,349)	(750,329)
Loss per share - basic and diluted	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding - basic and fully diluted	26,208,264	26,164,428

IGC RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

		For the years ended July 31, 2015		2014
Operating activities				
Net loss for year	$	(541,678)	$	(747,493)
Adjustments for:				
Accrued expenses included in payable to related parties		-		5,474
Accrued interest included in funds on deposit with related party		-		50
Debts forgiven		(18,102)		-
Loss on windup of subsidiaries		397,060		-
Net trading activities		49,147		597,695
		(113,573)		(144,274)
Changes in non-cash working capital items				
Receivables		1,321		8,711
Prepaid expenses		(829)		-
Accounts payable and accrued liabilities		29,167		2,076
Cash provided by (used in) operating activities		(83,914)		(133,487)
Investing activities				
Proceeds on sale of securities held for trading		52,274		148,500
Change in funds on deposit with related party		28,915		104,005
Cash provided by (used in) investing activities		81,189		252,505
Financing activities				
Repayments to related parties		(5,474)		(112,560)
Interest paid		-		(4,057)
Cash provided by (used in) financing activities		(5,474)		(116,617)
Increase (decrease) in cash		(8,199)		2,401
Cash - beginning of year		8,254		5,853
Cash - end of year	$	55	$	8,254
Non-cash investing and financing activities				
Shares issued to settle debts	$	2,000	$	-
Interest paid	$	-	$	4,097

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

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

IGC Resources Inc. was incorporated under the laws of British Columbia in 1992. On July 21, 2004, the Company changed its name from International Green Ice Inc. to IGC Resources Inc. Its principal business activities historically included the exploration and development of natural resource properties in Canada. Presently, the Company is looking for a high quality investment opportunity. The Company was moved from the TSX Venture Exchange to the NEX on July 10, 2014 due to its inability to meet its Tier 2 listing requirements. IGC is now trading under the symbol IGC.H.

The address of the Company's corporate office is 228 16th Street Northwest, Calgary, Alberta T2N 2B9.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At July 31, 2015, the Company had a working capital deficit of $29,435. During the year ended July 31, 2015, the Company had incurred a net loss totalling $541,678. The accumulated deficit at July 31, 2015 is $12,558,597. The Company has limited financial resources and has not been able to pay all of its accounts payable as they become due.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise further funds through the issue of equity financing; and,
- Continued financial support from the creditors.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

Based on the Company's financial position at July 31, 2015, available funds are not considered adequate to meet requirements for fiscal 2016 based on budgeted expenditures for operations and project investigations. To meet working capital requirements, the Company will have to access financial resources through equity placements. There can be no assurances that such funds will be available and/or on terms acceptable by the Company. These conditions cast significant doubt on the Company's ability to continue as a going concern.

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are significant conditions and events that cast significant doubt on the validity of that assumption.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on November 23, 2015.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES

These consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company is the Canadian dollar, which is the presentation currency.

a) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain assets which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars ("CAD"), unless otherwise indicated. The functional currency of the components of the consolidated group is the currency of the respective local economic environment in which each entity operates.

The preparation in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Basis of consolidation

The consolidated financial statements include the results of the Company and its wholly-owned subsidiaries, up to the date of their deregistration (June 24, 2015). All Inter-company balances and transactions have been eliminated on consolidation.

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has the rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. A subsidiary is fully consolidated from the date on which control is obtained by the Company and de-consolidated from the date that control ceases.

The following entities have been consolidated within the consolidated financial statements:

Subsidiary	**Jurisdiction of Incorporation & Domiciled**	**Functional Currency**
IGC (AUST) Pty Ltd	Australia	AUD
Goldport Pty Ltd	Australia	AUD

The change in ownership interest in the subsidiaries is set out below:

	IGC (AUST) Pty Ltd	Goldport Pty Ltd
Balance – July 31, 2013 and 2014	100%	100%
Deregistration of company	(100%)	(100%)
Balance – July 31, 2015	0%	0%

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - continued

c) Foreign currency transactions

These financial statements have been translated into the Canadian dollar in accordance with *IAS 21, The Effects of Changes in Foreign Exchange Rates*.

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in equity as a translation reserve.

d) Cash and cash equivalents

Cash is cash on deposit with banks and cash equivalents are money market investments with maturities on date of acquisition of 90 days or less.

e) Financial Instruments

The Company has classified its cash and due from related party as loans and receivables. Securities held for trading are classified as fair value through profit or loss. Accounts payables and accrued liabilities and payable to related parties are classified as other financial liabilities.

Financial assets

The Company classifies its financial instruments in the following categories based on the purpose for which the asset was acquired. All transactions related to the financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - continued

Fair value through profit or loss

A financial asset can be classified as fair value through profit or loss only if it is designated at fair value through profit or loss or held-for-trading. The Company's securities held for sale are held at fair value through profit or loss. Changes in market value of equity securities at fair value through profit or loss, as well as the related foreign exchange and tax impact, if any, are recognized in net earnings in the period in which they occur.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

f) Share capital

i. Proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised.
ii. Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when such shares are issued for cash.
iii. On a unit offering, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

g) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted and warrants outstanding.

When a loss is incurred during the reporting period, the exercise of options and warrants is considered anti-dilutive and the basic and diluted loss per share are the same.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - continued

h) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in the other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary difference are restricted to those instances where it is probably that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes previously unrecognized deferred tax assets to the extent that it has become probably that future taxable profit will allow the deferred tax asset to be recovered.

i) Share-based payment transactions

The Company grants stock options to directors, officers, employers and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based payments. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share-based payments for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains the goods or services.

Compensation expense is recognized over each tranche’s vesting period, in the consolidated statement of loss or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on the grant date. If stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company may also issue common shares for the acquisition of exploration and evaluation assets. The shares will be recorded at the market price of the shares on the stock exchange where the Company’s shares are traded at date of issuance, which is usually the date of approval of the transaction by the stock exchange.

j) Transaction costs

Costs associated with potential mergers, acquisitions including legal fees and other associated costs are expensed as incurred.

Expressed in Canadian Dollars

3. ACCOUNTING POLICIES - continued

k) Recent accounting pronouncements

Amendments to other standards issued but not yet adopted

IFRS 9 – Financial instruments - classification and measurement
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value though profit and loss ("FVTPL"). There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI for liabilities designated as FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has yet to assess the full impact of IFRS 9.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. There are no critical accounting estimates or judgements impacting the carrying amount of assets and liabilities for the current year.

5. FUNDS ON DEPOSIT WITH RELATED PARTY

The funds on deposit with related party balance of $Nil (July 31, 2014 - $28,915 (AUS$28,549)) with a company controlled by a former director of the Company earned interest in the range of 3.25% - 4.25%. The due from related party balance was due on demand, unsecured and had no fixed terms of repayment.

Interest revenue for the year ended July 31, 2015 on the due from related party balance was $234 (July 31, 2014 - $152).

6. SECURITIES HELD FOR TRADING

Securities held for trading consisted of an investment in common shares of Intra Energy Corporation Limited ("Intra Energy"), a public company listed on the Australian Stock Exchange and therefore has no fixed maturity date or coupon rate. The fair value of the listed security has been determined directly by reference to published price quotations in an active market. Both realized and unrealized gains and losses from fair value adjustments, dispositions and acquisitions are included in net trading account in the consolidated statements of loss and comprehensive loss.

Expressed in Canadian Dollars

6. SECURITIES HELD FOR TRADING - continued

A summary of the changes in the fair value of the Company's investment in Intra Energy is as follows:

	Number of shares	Cost	Accumulated unrealized holding gain (loss)	Carrying value
Balance - July 31, 2013	8,361,111	$ 1,901,084	$ (1,053,468)	$ 847,616
Disposition	(5,500,000)	(1,250,547)	692,979	(557,568)
Fair value adjustment		-	(188,627)	(188,627)
Balance - July 31, 2014	2,861,111	650,537	(549,116)	101,421
Disposition	(2,861,111)	(650,537)	585,823	(64,714)
Fair value adjustment		-	(36,707)	(36,707)
Balance - July 31, 2015	**$ -**	**$ -**	**$ -**	**$ -**

At July 31, 2014, the Company owned 0.92% of the issued common shares of Intra Energy [ASX:IEC], a coal focused public company incorporated in Australia. Intra Energy is related to the Company by way of a common director.

7. PAYABLE TO RELATED PARTY

Amount payable to related party is due on demand, bears interest at 9% per annum and is unsecured with no fixed terms of payment. At July 31, 2014, the balance due to a company controlled by a former director of the Company was for unpaid management fees.

Interest expense for the year ended July 31, 2015 on the payable to a related party was $52 (July 31, 2014 - $5,216).

8. EQUITY

a) Authorized - an unlimited number of common shares without par value.

b) Stock Options

On April 9, 2015, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers, directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of ten years and vest at date of grant.

At July 31, 2015, 2,656,443 options are available for future grant under the Plan.

Expressed in Canadian Dollars

9. RELATED PARTY TRANSACTIONS

(In addition to those disclosed in notes 5 & 7)

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

During the year ended July 31, 2015, the Company issued 400,000 shares to a company controlled by a director to settle debts totalling $20,000. The fair value of the shares at the date of issue was $2,000.

Details of key management personnel compensations are as follows:

		July 31, 2015		July 31, 2014
Services provided:				
Consulting fees	$	5,500	$	4,368
Management fees		35,000		60,000
	$	40,500	$	64,368

10. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

		July 31, 2015		July 31, 2014
Statutory rates		26%		26%
Income tax recovery computed at statutory rates	$	140,897	$	194,000
Other permanent differences		(6,389)		26,000
Permanent difference on dissolution of foreign subsidiaries		768,260		-
Deferred tax benefits not recognized		(902,768)		(220,000)
Income tax recovery (expense)	$	-	$	-

At July 31, 2015 and 2014, the deferred tax assets are not recognized on the following temporary differences as it is not likely that sufficient future taxable profits will be available to utilize such differences:

		July 31, 2015		July 31, 2014
Capital losses	$	209,419	$	131,645
Loss carryforwards		1,242,886		1,531,226
Other		-		728,129
Total gross deferred income tax assets		1,452,305		2,391,000
Deferred tax assets not recognized		(1,452,305)		(2,391,000)
	$	-	$	-

Expressed in Canadian Dollars

10. INCOME TAXES – continued

At July 31, 2015, the Company has Canadian tax losses, which may be carried forward to apply against future year's income for Canadian income tax purposes, subject to final determination by taxation authorities, expiring as follows:

2027	$	196,911
2028		642,805
2029		128,486
2030		129,415
2032		58,368
2033		64,430
2034		81,799
2035		3,478,115
	$	4,780,329

The Company has capital losses of $1,610,915, which can be carried forward indefinitely to offset future capital gains in Canada.

11. CAPITAL MANAGEMENT

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue a business development opportunity for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

The Company will be required to access financial resources through loans or equity placements in the junior market or a combination thereof in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in note 1.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximate their carrying amounts due to the relatively short period of maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels as per the fair value hierarchy included in IFRS.

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level two includes inputs that are observable other than quoted prices included in level one
- Level three includes inputs that are not based on observable market data

Cash
The Company considers cash to include cash on hand and cash on deposit. Interest earned is recognized immediately in operations. Cash has been classified as a loans and receivable financial asset.

Due from related party
The fair value of the due from related party balance approximates the carrying value due to the short term nature. Interest earned is recognized immediately in operations. The due from related party balance has been classified as a loans and receivable financial assets.

Securities held for trading
Fair value of marketable securities is assessed at the reporting date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market. Securities held for trading have been classified as fair value through profit or loss financial asset. This is a level one financial instrument.

Other financial instruments
The carrying value of accounts payable and accrued liabilities and the payable to a related party approximate fair value due to their short term nature.

The Company's risk exposures and the impact on the financial instruments are summarized below:

Credit risk
At July 31, 2014, the Company’s credit risk was primarily attributable to the due from related party balance. The due from related party totalling $28,915 was viewed as having a low credit risk based on the relationship the Company had with the related party. The Company has no significant concentration of credit risk arising from operations.

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’s approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in notes 1 and 11.

Accounts payable and accrued liabilities are due within the current operating period.

Market risk

(a) Interest rate risk

The Company has cash balances, due from related party and related party debt at July 31, 2014. The due from related party balance of $28,915 earned interest at 0.5% above the bank deposit rate of a major Australian Bank (note 5). The Company's current policy is to invest excess cash in investment-grade short-term deposits with banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of the institutions it deposits with.

The Company had related party debt at July 31, 2014 of $5,474 which bears interest at a rate of 9% per annum (note 7). This interest rate is fixed and does not fluctuate with any indices.

The Company considers interest rate risk to be minimal as investments are short term, and rates are not expected to change for the interest bearing related party debt. If future financing is secured, it will be primarily sourced from private equity placements.

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations in its Australian denominated cash, securities held for trading, due from related party, accounts payable and accrued liabilities and payable to a related party. The net asset amount of Canadian dollars subject to foreign currency fluctuations as at July 31, 2014, was equal to $157,064. As a result, every percentage change in the Australia/Canada exchange rate will affect income, primarily unrealized gains and losses on securities held for trading, by approximately $1,571 on a per annum basis.

(c) Securities risk

The Company's securities held for trading are listed on the Australian Securities Exchange (ASX) and are subject to fluctuations in market trading prices. The Company has accepted this risk. The Company holds 2.86 million shares of Intra Energy. Every AUD $0.01 fluctuation in the trading price of Intra Energy shares will affect the consolidated statement of comprehensive loss by approximately AUS$28,600 ($28,300).