FORTRESS

MINERALS CORP.

JUNE 30, 2014

## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Fortress Minerals Corp. ("Fortress") and its subsidiary companies (collectively, the "Company") for the three and six months ended June 30, 2014 provides a detailed analysis of the Company's business, and compares its financial results with those of the same period from the previous year.

This MD&A is dated as of August 11, 2014 and should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes thereto for the three and six months ended June 30, 2014 and the Company's audited annual consolidated financial statements and related notes thereto and the MD&A for the fiscal year ended December 31, 2013. References to the "2014 period" and "2013 period" relate to the three months ended June 30, 2014 and June 30, 2013, respectively.

Other continuous disclosure documents, including the Company's press releases and quarterly and annual reports, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com.

## OVERVIEW

Fortress was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002. Effective October 17, 2012, the common shares of Fortress are listed for trading on the NEX under the trading symbol "FST.H".

During the year ended December 31, 2013, the Company submitted a non-binding indicative offer and entered into an exclusivity agreement to acquire a mineral property. In January 2014, after completion of due diligence procedures, the Company withdrew its offer. As a result, pursuant to the terms of the exclusivity agreement, the Company paid a break fee of US$1,000,000. In addition, the Company incurred costs associated with the transaction of $309,000 of which $230,000 was expensed during the six months ended June 30, 2014.

The Company continues to evaluate strategic alternatives in the natural resource sector.

As at June 30, 2014, the Company had cash on hand of $21.2 million and 14,831,758 common shares issued and outstanding.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2014, the Company had cash of $21.2 million and a working capital surplus of $20.4 million as compared to cash of $22.7 million and a working capital surplus of $22.6 million at December 31, 2013. The decrease in the cash balance of $1.5 million was mainly due to the net loss during the period of $2.6 million which included payment of a break fee of US$1.0 million offset by changes in non-cash working capital items.

As the Company currently has no ongoing exploration activities and its working capital requirements have been substantially reduced, it is believed that the current working capital will be sufficient to fully fund operations while evaluating strategic alternatives in the natural resource sector.

To finance its future acquisition, exploration, development and operating costs, Fortress may require financing from external sources, including issuance of new shares or issuance of debt. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Fortress.

(Expressed in Canadian Dollars, Unless Otherwise Noted)

## OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 14,831,758 common shares issued and outstanding and stock options outstanding to purchase a total of 757,000 common shares for a total of 15,588,758 common shares outstanding on a fully-diluted basis.

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

| | 2014 Q2 | 2014 Q1 | 2013 Q4 | 2013 Q3 |
|---|---|---|---|---|
| Net loss for the period | $ 1,226,195 | $ 1,377,166 | $ 95,146 | $ 91,012 |
| Basic and diluted loss per share | $ 0.08 | $ 0.09 | $ 0.01 | $ 0.01 |
| Weighted-average number of common shares outstanding | 14,831,758 | 14,831,758 | 14,831,758 | 14,831,758 |
| Total assets | $ 21,196,048 | $ 21,330,905 | $ 22,722,236 | $ 22,761,958 |
| Working capital surplus | $ 20,447,075 | $ 21,270,666 | $ 22,647,832 | $ 22,737,169 |

| | 2013 Q2 | 2013 Q1 | 2012 Q4 | 2012 Q3 |
|---|---|---|---|---|
| Net loss for the period | $ 34,214 | $ 46,801 | $ 96,734 | $ 120,155 |
| Basic and diluted loss per share | $ 0.00 | $ 0.01 | $ 0.01 | $ 0.01 |
| Weighted-average number of common shares outstanding | 14,831,758 | 14,831,758 | 14,831,758 | 14,831,758 |
| Total assets | $ 22,829,007 | $ 22,848,988 | $ 22,890,538 | $ 22,913,338 |
| Working capital surplus | $ 22,818,638 | $ 22,834,083 | $ 22,857,613 | $ 22,908,338 |

The Company historically has only operated in the evaluation and exploration phase and therefore, has never generated any production revenue. The only income generated by the Company is interest income on its cash deposits.

The current quarter's net loss is higher compared to the second quarter of 2013 as a result of project evaluation expenditures of $0.7 million. The Company's quarterly results fluctuate from time to time as the Company evaluates strategic alternatives in the natural resource sector.

The Company's net loss for the six months ended June 30, 2014 was $2.6 million compared to $0.1 million for 2013. The increase in net loss of $2.5 million is mainly due to project evaluation expenditures of $2.1 million which includes payment of a US$1.0 million break fee.

## DESCRIPTION OF MINERAL PROPERTIES

At June 30, 2014, the Company had no mineral property interests.

## OUTLOOK

The Company continues to evaluate strategic alternatives in the natural resource sector.

## TRANSACTIONS WITH RELATED PARTIES

During the 2014 period, the Company paid $156,000 (2013 - $156,000) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with the current President. The Company occupies office space in the Namdo offices for the Company's management, certain directors, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

During the 2014 period, the Company also paid $nil (2013 - $17,500) to Lucara Diamond Corp. ("Lucara"), a company in which the current President is a director and the former CFO is an officer. In addition, the Company paid $14,840 (2013 – $nil) to NGEx Resources Inc. ("NGEx"), a company in which the current President is a director and the current CFO is an officer. The Company also paid $30,640 (2013 - $nil) to Denison Mines Corp. ("Denison"), a company in which the Chairman is an officer. The charges relate to support services provided by the employees of Lucara, NGEx, and Denison to the Company. As at June 30, 2014, $21,121 (2013 - $nil) was due to these companies.

During the 2014 period, the Company incurred charges of $237,278 (2013 - $nil) to Mile High Holdings Ltd. ("Mile High"), a private corporation associated with the current President. Mile High provides the Company with air charter services on an as needed basis. As at June 30, 2014, $237,278 (2013 - $nil) was owed to this company.

## OFF-BALANCE SHEET ARRANGEMENTS

During the six months ended June 30, 2014 and the year ended December 31, 2013 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

## CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2013 Management's Discussion and Analysis.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

Cash is measured at fair value using priority Level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

i. Currency risk

   The Company's parent is Canadian and its capital is raised in Canadian dollars, with no ongoing foreign operations. As such, the Company is not subject to any significant risk due to fluctuations in the exchange rates of foreign currencies. The Company does not enter into derivative financial instruments to mitigate its exposure and given that no significant foreign exchange positions were held at year end, management believes the risk is not material.

ii. Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables are made up of interest recoverable from large Canadian financial institutions and goods and services tax recoverable from the provincial government of British Columbia, Canada.

iii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

iv. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

## RISKS AND UNCERTAINTIES

Acquisition, exploration and development of mineral properties involves a high degree of financial risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of an ore body may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling, constructing mining and process facilities at a site, developing metallurgical processes and extracting base and precious metals from ore.

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Management's Discussion and Analysis for the year ended December 31, 2013.

## FORWARD LOOKING STATEMENTS

Certain statements in this document are "forward-looking statements". Forward-looking statements are statements that are not historical fact and are generally identified by words such as "believes", "anticipates", "expects", "estimates", "pending", "intends", "plans" or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, regulations and taxes, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

Any statements regarding the following are forward-looking statements:

- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- future sources of liquidity, cash flows and their uses;
- ultimate recoverability of assets;
- expected operating costs;
- future foreign currency exchange rates;
- future market interest rates; and
- changes in any of the foregoing.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- market prices for commodities;
- the results of exploration and development drilling and related activities;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business; and
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

# FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Note | | June 30, 2014 | | December 31, 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | 3 | $ | 21,163,428 | $ | 22,684,604 |
| Receivables | | | 29,370 | | 27,882 |
| Prepaid expenses and advances | | | 3,250 | | 9,750 |
| | | $ | 21,196,048 | $ | 22,722,236 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 9 | $ | 748,973 | $ | 74,404 |
| **EQUITY** | | | | | |
| Share capital | 4 | | 97,948,333 | | 97,948,333 |
| Equity-settled share-based payment reserve | 6 | | 2,690,119 | | 2,287,515 |
| Foreign currency translation reserve | 7 | | 6,537 | | 6,537 |
| Deficit | | | (80,197,914) | | (77,594,553) |
| | | | 20,447,075 | | 22,647,832 |
| | | $ | 21,196,048 | $ | 22,722,236 |

Nature and continuance of operations (Note 1)

**Approved by the Board of Directors**

| | |
|---|---|
| */s/ Ron F. Hochstein* | */s/ Ian W. Gibbs* |
| Ron F. Hochstein | Ian W. Gibbs |

# FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | Note | 2014 | 2013 | 2014 | 2013 |
| **EXPENSES** | | | | | |
| Project evaluation | 8 | $ 725,206 | $ - | $ 2,071,963 | $ - |
| Investor relations | | 225 | 1,198 | 225 | 1,198 |
| Office and general | | 110,127 | 91,716 | 221,080 | 182,109 |
| Professional fees | | 6,866 | 3,696 | 12,735 | 9,019 |
| Regulatory and transfer agent | | 9,019 | 5,817 | 10,006 | 9,155 |
| Salaries and benefits | | - | - | - | 37 |
| Stock-based compensation | 6 | 402,604 | 18,760 | 402,604 | 42,016 |
| Loss before other items | | 1,254,047 | 121,187 | 2,718,613 | 243,534 |
| **OTHER ITEMS** | | | | | |
| Loss (gain) on foreign exchange | | 28,231 | (26,493) | (2,525) | (42,130) |
| Interest and other income | | (56,083) | (60,480) | (112,727) | (120,389) |
| Net loss for the period | | $ 1,226,195 | $ 34,214 | $ 2,603,361 | $ 81,015 |
| **OTHER COMPREHENSIVE LOSS** | | | | | |
| Currency translation adjustment | 7 | - | (9) | - | (24) |
| Comprehensive loss for the period | | $ 1,226,195 | $ 34,205 | $ 2,603,361 | $ 80,991 |
| Basic and diluted loss per common share | | $ 0.08 | $ 0.00 | $ 0.18 | $ 0.01 |
| Weighted-average number of common shares outstanding | | 14,831,758 | 14,831,758 | 14,831,758 | 14,831,758 |

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

# FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Note | Number of Common Shares | | Share Capital | | Equity-settled Share-based Payment Reserve | | Foreign Currency Translation Reserve | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance January 1, 2013 | | 14,831,758 | $ | 97,948,333 | $ | 2,230,113 | $ | 6,547 | $ | (77,327,380) | $ | 22,857,613 |
| Stock-based compensation | | - | | - | | 42,016 | | - | | - | | 42,016 |
| Currency translation adjustment | 7 | - | | - | | - | | 24 | | - | | 24 |
| Net loss for the period | | - | | - | | - | | - | | (81,015) | | (81,015) |
| Balance June 30, 2013 | | 14,831,758 | $ | 97,948,333 | $ | 2,272,129 | $ | 6,571 | $ | (77,408,395) | $ | 22,818,638 |
| Balance, January 1, 2014 | | 14,831,758 | $ | 97,948,333 | $ | 2,287,515 | $ | 6,537 | $ | (77,594,553) | $ | 22,647,832 |
| Stock-based compensation | | - | | - | | 402,604 | | - | | - | | 402,604 |
| Currency translation adjustment | 7 | - | | - | | - | | - | | - | | - |
| Net loss for the period | | - | | - | | - | | - | | (2,603,361) | | (2,603,361) |
| Balance June 30, 2014 | | 14,831,758 | $ | 97,948,333 | $ | 2,690,119 | $ | 6,537 | $ | (80,197,914) | $ | 20,447,075 |

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

# FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Six months ended June 30, 2014 | 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | $ (2,603,361) | $ (81,015) |
| Items not affecting cash: | | |
| Stock-based compensation | 402,604 | 42,016 |
| | (2,200,757) | (38,999) |
| Changes in non-cash working capital items: | | |
| Receivables | (1,488) | 9,376 |
| Prepaid expenses and advances | 6,500 | 6,500 |
| Accounts payable and accrued liabilities | 674,569 | (22,556) |
| Net cash used for operating activities | (1,521,176) | (45,679) |
| **INVESTING ACTIVITIES** | | |
| Net cash provided by investing activities | - | - |
| **FINANCING ACTIVITIES** | | |
| Net cash provided by financing activities | - | - |
| Effect of foreign exchange rate differences on cash | - | 24 |
| Net decrease in cash | (1,521,176) | (45,655) |
| Cash, beginning of period | 22,684,604 | 22,834,935 |
| Cash, end of period | $ 21,163,428 | $ 22,789,280 |
| **Supplemental information** | | |
| Interest received | $ 114,755 | $ 122,052 |

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

## 1. Nature and continuance of operations

Fortress Minerals Corp. ("Fortress" or the "Company") was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002, and is evaluating strategic alternatives in the natural resource sector. Effective October 17, 2012, the Company's common shares are traded on the NEX under the symbol FST.H. The Company is located in Suite 2000, 885 W. Georgia Street, Vancouver, BC.

The Company estimates it has sufficient working capital to continue operations for the upcoming year.

## 2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS, and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2013.

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2013.

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

These financial statements were approved for issue by the Audit Committee and Board of Directors on August 11, 2014.

## 3. Cash

The carrying amounts of the Company's cash is denominated in the following currencies:

| Currency | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Canadian dollars | $ 20,381,476 | $ 21,903,889 |
| US dollars | 781,952 | 780,715 |
| | $ 21,163,428 | $ 22,684,604 |

(Expressed in Canadian Dollars, unless otherwise noted)

## 4. Share capital

Authorized:
- Unlimited number of common shares without par value
- Unlimited number of preference shares without par value

## 5. Stock options

The Company has a rolling stock-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Company's board of directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market price of the Company's common shares at the time of grant.

Current outstanding options have an expiry date of three to five years and vest over a period of 18 months.

During the six months ended June 30, 2014, 592,000 options were granted.

A continuity summary of the stock options granted and outstanding under the Plan is presented below:

| | Six months ended June 30, 2014 | | Year ended December 31, 2013 | |
|---|---|---|---|---|
| | Number of Common Shares | Weighted exercise price | Number of Common Shares | Weighted exercise price |
| Balance, beginning of period | 227,700 | $ 4.34 | 233,700 | $ 4.33 |
| Granted | 592,000 | 3.75 | - | - |
| Cancelled / Expired | (62,700) | 5.21 | (6,000) | 4.01 |
| Balance outstanding, end of period | 757,000 | $ 3.81 | 227,700 | $ 4.34 |
| Balance exercisable, end of period | 313,000 | $ 3.89 | 227,700 | $ 4.34 |

The following table summarizes information concerning outstanding and exercisable options at June 30, 2014:

| Expiry date | Exercise price | Options outstanding | Options exercisable | Remaining contractual life (years) |
|---|---|---|---|---|
| June 1, 2015 | $ 4.01 | 165,000 | 165,000 | 0.91 |
| May 26, 2019 | $ 3.75 | 592,000 | 148,000 | 4.84 |
| | | 757,000 | 313,000 | |

The fair value based method of accounting was applied to stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.58% | - |
| Expected stock price volatility | 63.17% | - |
| Expected life | 5 years | - |
| Expected dividend yield | - | - |
| Weighted-average fair value per option granted | $2.02 | - |

(Expressed in Canadian Dollars, unless otherwise noted)

## 6. Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of employee options as measured at grant date and amortized over the period during which the employees become unconditionally entitled to the options.

During the six months ended June 30, 2014, the Company recorded stock-based compensation expense of $402,604 (2013 – $42,016) relating to the vesting of options with a corresponding increase in the equity-settled share-based payment reserve.

## 7. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the net investments in foreign operations.

During the six months ended June 30, 2014, the Company recorded a currency translation adjustment relating to foreign exchange differences on foreign operations of $nil (2013 – $24).

## 8. Project evaluation

During the year ended December 31, 2013, the Company submitted a non-binding indicative offer and entered into an exclusivity agreement to acquire a mineral property. In January 2014, after completion of due diligence procedures, the Company withdrew its offer. As a result, pursuant to the terms of the exclusivity agreement, the Company paid a break fee of US$1,000,000. In addition, the Company incurred costs associated with the transaction of $309,000 of which $230,000 was expensed during the six months ended June 30, 2014.

The Company incurs project evaluations expenditures as necessary to evaluate strategic alternatives in the natural resource sector.

## 9. Related party transactions

(a) Related party expenses

During the six months ended June 30, 2014 and June 30, 2013, the Company incurred the following:

| Payee | Nature | Note | June 30, 2014 | June 30, 2013 |
|---|---|---|---|---|
| Namdo | Management fees | i | $ 156,000 | $ 156,000 |
| Lucara | Support services | ii | - | 17,500 |
| NGEx | Support services | ii | 14,840 | - |
| Denison | Support services | ii | 30,640 | - |
| Mile High | Aircraft charter | iii | 237,278 | - |

i. Namdo Management Services Ltd. ("Namdo"), a company associated with an officer and director of the Company, provides services and office facilities to the Company pursuant to an Agreement.

ii. Lucara Diamond Corp. ("Lucara"), NGEx Resources Inc. ("NGEx"), and Denison Mines Corp. ("Denison"), companies related by way of officers and directors in common, provides support services to the Company. As at June 30, 2014, $21,121 (2013 - $nil) was due to these companies.

iii. Mile High Holdings Ltd. ("Mile High"), a company associated with an officer and director of the Company, provides aircraft charter services to the Company. As at June 30, 2014, $237,278 (2013 - $nil) was due to this company.

## 9. Related party transactions (continued)

(b) Key management compensation

Key management includes executive officers of the Company. The compensation paid or payable to key management for employee services is shown below.

| | June 30, 2014 | June 30, 2013 |
|---|---|---|
| Salaries and benefits | $ - | $ - |
| Stock-based compensation | 340,037 | 30,714 |
| | $ 340,037 | $ 30,714 |

## 10. Financial instruments

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

Cash is measured at fair value using Level 1 inputs.