SHIELD GOLD INC.
(o/a GREAT LAKES GRAPHITE)
(An Exploration Stage Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JANUARY 31, 2014

Notice to Reader – From Shield Gold Inc.

The interim condensed unaudited financial statements as at and for the three month period ended January 31, 2014 have not been reviewed by the Company's auditors.

SHIELD GOLD INC.
(o/a GREAT LAKES GRAPHITE)
(An Exploration Stage Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JANUARY 31, 2014

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SHIELD GOLD INC.
(o/a GREAT LAKES GRAPHITE)
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
(Expressed in Canadian dollars)

	January 31, 2014	October 31, 2013
ASSETS		
CURRENT		
Restricted cash (note 8)	$ 335,183	$ 160,914
Tax credits and credit on duties receivable	44,959	44,959
HST and QST recoverable	11,924	3,074
Prepaid expenses	5,741	8,611
	397,807	217,558
EXPLORATION AND EVALUATION ASSETS (note 5)	1,074,360	943,258
	$ 1,472,167	$ 1,160,816
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 7)	$ 71,012	$ 87,201
Flow-through share premium liability (note 12)	31,668	64,369
	102,680	151,570
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6 (a))	2,365,086	2,084,694
SHARES TO BE ISSUED (note 6 (a))	-	14,500
RESERVE FOR WARRANTS (note 6 (c))	361,466	191,038
RESERVE FOR SHARE-BASED PAYMENTS (note 6 (b))	286,343	293,313
CONTRIBUTED SURPLUS	206,372	199,402
DEFICIT	(1,849,780)	(1,773,701)
	1,369,487	1,009,246
	$ 1,472,167	$ 1,160,816

GOING CONCERN (note 1)
SUBSEQUENT EVENTS (note 14)
COMMITMENTS (notes 5, 7 and 12 and 14)

Approved by the Board

(signed) "*Paul Ankcorn*" , Director

(signed) "*Paul Gorman*" , Director

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

SHIELD GOLD INC.
(o/a GREAT LAKES GRAPHITE)
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended	
	January 31, 2014	January 31, 2013
EXPENSES		
Professional fees	$ 10,247	$ 14,706
Management and consulting fees (note 7)	62,200	30,000
Transfer agent, regulatory and filing fees	6,463	4,646
Corporate development and administration	26,416	1,120
Insurance	3,220	-
Interest and bank charges	234	159
Loss from operations	108,780	50,631
OTHER INCOME		
Recognition of flow-through premium liability (note 12)	(32,701)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 76,079	$ 50,631
Basic and diluted loss per share (note 3)	$ 0.002	$ 0.002
Weighted average number of shares outstanding – basic and diluted	38,713,333	25,324,400

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

SHIELD GOLD INC.
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INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(Expressed in Canadian dollars)

	Share capital			Reserves for				
	Shares	Amount	Shares to be issued	Warrants	Share based payments	Contributed surplus	Deficit	Total
Balance, November 1, 2013	38,273,486	$ 2,084,694	$ 14,500	$ 191,038	$ 293,313	$ 199,402	($ 1,773,701)	$ 1,009,246
Issued for cash under unit private placement	4,008,333	476,000	-		-	-	-	476,000
Fair value of warrants issued	-	(159,066)	-	159,066	-	-	-	-
Issued on exercise of finders warrants for cash	48,000	2,400	-	-	-	-	-	2,400
Fair value of finders warrants on exercise	-	706	-	(706)	-	-	-	-
Fair value of stock options expired	-	-	-	-	(6,970)	6,970	-	-
Share issue cost – cash	-	(48,080)	-	-	-	-	-	(48,080)
Share issued cost – finders warrants	-	(12,068)	-	12,068	-	-	-	-
Issued for exploration and evaluation assets	175,000	20,500	(14,500)	-	-	-	-	6,000
Net loss	-	-	-	-	-	-	(76,079)	(76,079)
Balance, January 31, 2014	42,504,819	$ 2,365,086	$ -	$ 361,466	$ 286,343	$ 206,372	($ 1,849,780)	$ 1,369,487
Balance, November 1, 2012	25,133,326	$ 1,470,412	$ -	$ 137,169	$ 100,563	$ 112,267	($ 1,097,413)	$ 722,998
Issued for cash under unit private placements	1,000,000	100,000	-	-	-	-	-	100,000
Fair value of warrants issued	-	(10,988)	-	10,988	-	-	-	-
Flow-through share premium	-	(10,988)	-	-	-	-	-	(10,988)
Issued on conversion of debt	175,000	10,000	-	-	-	-	-	10,000
Net loss	-	-	-	-	-	-	(50,631)	(50,631)
Balance, January 31, 2013	26,308,326	$ 1,558,436	$ -	$ 148,157	$ 100,563	$ 112,267	($ 1,148,044)	$ 771,379

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

SHIELD GOLD INC.
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INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended	
	January 31, 2014	January 31, 2013
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	($ 76,079)	($ 50,631)
Item not affecting cash:		
Recognition of flow-through premium liability	(32,701)	-
Net changes in non-cash working capital balances:		
Increase in HST and QST recoverable	(8,850)	-
Decrease in prepaid expenses	2,870	-
Decrease in accounts payable and accrued liabilities	(16,189)	(34,883)
Cash used in operating activities	(130,949)	(85,514)
CASH USED IN INVESTING ACTIVITIES:		
Exploration and evaluation costs	(125,102)	(10,051)
Restricted cash	(174,269)	(4,435)
Cash used in investing activities	(299,371)	(14,486)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from exercise of finders warrants	2,400	-
Issuance of common shares, net of share issue costs	427,920	100,000
Cash provided by financing activities	430,320	100,000
NET INCREASE (DECREASE) IN CASH	-	-
CASH, BEGINNING OF PERIOD	-	-
CASH, END OF PERIOD	$ -	$ -

SUPPLEMENTARY NON-CASH INFORMATION (note 13)

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

SHIELD GOLD INC.
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
(Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED JANUARY 31, 2014

1. NATURE OF BUSINESS AND GOING CONCERN:

Shield Gold Inc. (o/a Great Lakes Graphite) (the "Company") was incorporated under the laws of the Province of Ontario, by Articles of Incorporation dated February 4, 2004. The Company is in the business of mineral exploration and is actively engaged in the acquisition and exploration of mineral properties in Canada. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. Shield Gold Inc. (o/a Great Lakes Graphite) is a TSX Venture Tier 2 Company listed under the symbol "SHG". The Company's registered office is at 2 Queen St. East, Suite 1500, Toronto, Ontario, M5C 3G5.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes the Company will continue in operation for the foreseeable future and it will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as explained in the following paragraph.

The Company has no operating revenue and incurred a loss of $76,079 in the three months ended January 31, 2014. As at January 31, 2014, the Company has an accumulated deficit of $1,849,780. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company currently does not have sufficient cash on hand to meet all exploration, general expenses and property payments for the 2014 fiscal year. The Company raised gross proceeds of $476,000 from a unit placement in December 2013 and plans on raising additional capital to further develop and explore its projects, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
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FOR THE THREE MONTHS ENDED JANUARY 31, 2014

2. BASIS OF PRESENTATION:

Statement of compliance

The unaudited interim condensed financial statements of Shield Gold Inc. (o/a Great Lakes Graphite) for the three months ended January 31, 2014 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting".

These unaudited interim condensed financial statements follow the same accounting policies and methods of application as the audited annual financial statements of the Company for the year ended October 31, 2013. These unaudited interim condensed financial statements do not include all the information and note discloses required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2013.

These interim condensed financial statements were approved for issue by the board of directors effective March 31, 2014.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for restricted cash which has been classified as financial instruments at fair value through profit and loss and stated at fair value.

Functional and presentation Currency

These financial statements are presented in Canadian dollars, which is the presentation and functional currency of the Company.

Critical accounting judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates

The 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 if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of exploration and evaluation assets; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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FOR THE THREE MONTHS ENDED JANUARY 31, 2014

2. BASIS OF PRESENTATION (continued):

Critical accounting judgments and estimates (continued)

Judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Share-based payments

The Company uses the fair value based method of accounting for stock options granted to employees and others and broker's warrants. Under this method, the fair value of the stock options at the date of the grant, as determined using the Black-Scholes option pricing model, is recognized to expense over the vesting period. The fair value of the broker's warrants at the date of issuance, as determined using the Black-Scholes model, is recognized as share issuance costs, with the offsetting credit to reserve for warrants. If the stock options or broker's warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised is reclassified from share-based payments reserve or reserve for warrants to share capital (see note 6 (a) and 6 (b)). When warrants are issued in conjunction with another security ("Unit") the Company attributes fair value of the warrants using the Black-Scholes option pricing model, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares (see note 6 (a) and 6 (c)).

Exploration and evaluation assets

The Company capitalizes mineral exploration costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell (see note 5).

Deferred income tax

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized (see note 11).

Going concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern as described in note 1.

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FOR THE THREE MONTHS ENDED JANUARY 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES:

EXPLORATION AND EVALUATION ASSETS

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’.

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

RESTRICTED CASH

Restricted cash balances include unspent cash committed to be expended on prescribed resource expenditures pursuant to flow-through common share agreements.

SHARE CAPITAL

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted trading price of those shares on the TSX Venture at the grant date, less associated share issue costs.

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FOR THE THREE MONTHS ENDED JANUARY 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note 6 (b). The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon exercise of the options, consideration paid by the option holder together with the fair value amount previously recognized in the reserve for share-based payments account is recorded as an increase to share capital. For those options that expire after vesting, the recorded fair value is transferred to contributed surplus.

VALUATION OF EQUITY INSTRUMENTS IN PRIVATE PLACEMENTS

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire after vesting, the recorded value is transferred to contributed surplus.

BROKER WARRANTS

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to reserve for warrants.

RECLAMATION OBLIGATIONS

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an exploration and evaluation interest.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

RECLAMATION OBLIGATIONS (continued)

The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

FLOW-THROUGH SHARES

Canadian tax legislation permits the Company to issue flow-through shares. Flow-through shares are securities whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by the investors rather than the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through shares are issued, eligible expenditures are then incurred and renouncement occurs subsequently).

The issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as a flow-through share premium liability on the statement of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as other income in the statement of comprehensive loss and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. To the extent that the Company has deferred tax assets that were not recognized in prior periods, a deferred tax recovery is recorded as an offsetting recovery in profit or loss.

If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

LOSS PER SHARE

Basic loss per share is computed by dividing the net loss for the year available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. Diluted earnings per share are calculated giving effect to the potential dilution that could occur if securities or other contracts to common shares were exercised or converted to such shares at the later of the beginning of the year or the issuance date. The computation of diluted loss per share assumes the conversion or the exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. All options and warrants described below have been excluded from the calculation of diluted loss per share since they have an anti-dilutive effect and therefore basic and diluted loss per share is the same for the periods ended January 31, 2014 and January 31, 2013.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

CURRENT AND DEFERRED INCOME TAX

Income tax expense comprises current and deferred tax and is recognized in the statement of comprehensive loss/income except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

EXPLORATION CREDITS

The Company is entitled to refundable mineral exploration tax credits and refundable mining duties as a result of incurring mineral exploration expenses in Quebec. The Company recognizes these amounts when the amount to be received can be reasonably estimated and collection is reasonably assured. In addition, once recovered, these amounts are treated as a reduction of the carrying value of exploration and evaluation assets.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Company’s long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. In addition, capitalized exploration and evaluation assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units (“CGU”) for impairment purposes. Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

FINANCIAL INSTRUMENTS

a) Recognition

Loans and receivables

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

Fair value through profit or loss

Financial assets and liabilities classified as fair value through profit or loss are initially recorded at fair value. Subsequent to initial recognition, they are measured at fair value and changes are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

b) Classification

Financial asset/liability	Classification
Restricted cash	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

c) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

d) Offsetting

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 set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

e) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

f) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

f) Fair value measurement (continued)

If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

f) Fair value measurement (continued)

- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's restricted cash are considered Level 1 in the hierarchy.

g) Identification and measurement of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company writes off certain loans and receivable when they are determined to be uncollectible.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

PROVISIONS

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES:

Changes in accounting policies

i) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2013

IAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendment requires that items of other comprehensive income must be grouped together into two sections:

• Those that will or may be reclassified into profit or loss
• Those that will not

The Company has adopted the amendment in the presentation of its statement of operations and comprehensive loss. There was no impact on the Company's financial statements resulting from the foregoing change.

IRS 10 – Consolidated Financial Statements

IFRS replaces the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and *SIC-12 Consolidation – Special Purpose Entities.*

IFRS 10 defines the principle of control, such that the same consolidation criteria will apply to all entities. It lays out three elements of control: 1) power over the investee; 2) rights to variable returns from involvement with the investee; and 3) the ability to use power over the investee to affect the amount of investors' return. Power is the current ability to direct the activities that significantly influence returns. IFRS 10 also provides guidance on participating and protective rights, and brings the notion of "de facto" control within the standard.

IFRS 10 does not have any impact on the Company's financial position.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities.*

4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES (continued):

Changes in accounting policies (continued)

i) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2013 (continued)

IFRS 11 - Joint Arrangements (continued)

IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement requiring the unanimous consent of the parties sharing control. All parties to a joint arrangement must recognize their rights and obligations from the arrangement. The focus is no longer on the legal structure of the joint arrangement but rather on how the rights and obligations are shared by the joint arrangement parties. IFRS 11 categorizes joint arrangements as joint operations or joint ventures. The standard eliminates the existing policy choice of proportionate consolidation for jointly controlled entities and requires such entities to be accounted for using the equity method.

As the Company does not have joint arrangements, IFRS 11 does not have any impact on its financial position.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosure requirements for entities reporting under IFRS 10 and IFRS 11. The standard establishes disclosure requirements for entities that have interests in other entities such as associates, joint arrangements and unconsolidated structured entities. The disclosures are to address the nature, risks and financial effects associated with the entity's interests in other entities. Specific disclosures include significant judgments and assumptions made in determining control and entity's involvement with the investees.

IFRS 12 does not have any impact on the Company's financial position.

IFRS 13 - Fair Value Measurement

IFRS 13 sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurement. Its objective is to bring consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy which categorizes the inputs used in the valuation into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities; and the lowest priority to unobservable inputs.

4. CURRENT AND FUTURE ACCOUNTING AND REPORTING CHANGES (continued):

Changes in accounting policies (continued)

ii) Standards, interpretations and amendments effective for annual periods beginning on or after January 1, 2014

IAS 36 – Impairment of Assets

In May 2013, the IASB issued limited scope amendments to IAS 36 applicable on a retrospective basis.

The effect of these amendments is as follows:

- Require disclosure of the recoverable amount of an asset or cash generating unit ("CGU") when an impairment loss has been recognized or reversed

- Require detailed disclosure of how the fair value less cost to dispose has been measured when an impairment loss has been recognized or reversed, including the level of the fair value hierarchy for which the fair value measurement is categorized

The Company does not expect any significant impact on its financial statements from the adoption of these amendments.

iii) Standard effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted

IFRS 9 - Financial Instruments

The standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*. In July 2013, the IASB deferred a mandatory effective date for IFRS 9 pending the finalization of requirements on impairment, classification and measurement.

Under the standard, a financial asset will be classified on the basis of the Company's business model for managing the financial asset and the related contractual cash flow characteristics. This asset will be initially measured at fair value and subsequently measured at amortized cost or fair value. Gains and losses on investments in the instruments that are not held for trading may be presented in other comprehensive income if so elected at initial recognition.

With the new standard, entities with financial liabilities designated at FVTPL recognize changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. However, if presenting the change in fair value attributable to the credit risk of the liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss.

The Company is in the process of assessing the impact of the above mentioned standards.

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5. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS:

Accumulated exploration and evaluation assets have been incurred as follows:

Three months ended January 31, 2014

	Balance, beginning of period	Acquisition	Exploration	Recoveries of tax credits and credit on duties	Impairment	Balance, End of period
Quebec						
Summit-Gaber (a)	$ 469,354	$ -	$ -	$ -	$ -	$ 469,354
La Grande Nord (c)	-	-	-	-	-	-
Buckingham (b)	277,242	2,000	52,864	-	-	332,106
Lochaber (d)	196,662	9,000	67,238	-	-	272,900
	$ 943,258	$ 11,000	$ 120,102	$ -	$ -	$ 1,074,360

Year ended October 31, 2013

	Balance, beginning of year	Acquisition	Exploration	Recoveries of tax credits and credit on duties	Impairment	Balance, end of year
Quebec						
Summit-Gaber (a)	$ 427,854	$ 41,500	$ -	$ -	$ -	$ 469,354
La Grande Nord (c)	85,960	-	-	-	(85,960)	-
Buckingham (b)	204,410	68,000	36,539	(31,707)	-	277,242
Lochaber (d)	41,650	82,500	105,941	(33,429)	-	196,662
	$ 759,874	$ 192,000	$ 142,480	($ 65,136)	($ 85,960)	$ 943,258

a) Summit-Gaber Property

On September 29, 2010, the Company entered into an Option and Joint Venture Agreement (the "Agreement") with Eloro Resources Ltd. to acquire a 50% interest over a three year period in certain mineral claims referred to as the Summit-Gaber Property in La Grande Greenstone Belt, Quebec. The property is subject to a 1% net smelter royalty. In order to earn a 50% interest in the Summit-Gaber Property the Company is required to fulfil the following commitments:

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5. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS (continued):

a) Summit-Gaber Property (continued)

Due Date	Cash Payment	Shares	Exploration Expenditures
November 30, 2009	$ 25,000 (fulfilled)	-	$ -
September 29, 2010	25,000 (fulfilled)	100,000 (fulfilled)	-
September 29, 2011	30,000 (fulfilled)	-	250,000 (fulfilled)
September 29, 2012 (extended to September 29, 2014)	-	200,000 (fulfilled)	450,000
September 29, 2013 (extended to September 30, 2015)	-	300,000	800,000
	$ 80,000	600,000	$ 1,500,000

Upon the satisfaction of the above mentioned commitments, the Company will have exercised the option and acquired an undivided 50% interest in the Summit-Gaber Property. Once the option has been exercised, the Company and Eloro Resources Ltd. intend on forming a joint venture for the purposes of further exploration and development of the Summit-Gaber Property. Eloro Resources Ltd. and the Company have a common director. During 2013, the Company negotiated an extension of certain of its property commitments. In consideration for the extension, the Company issued an additional 100,000 common shares with a fair value of $14,500. These shares were presented as shares to be issued in the statement of financial position as of October 31, 2013 and subsequent issued during the three months ended January 31, 2014.

b) Buckingham Property

On May 14, 2012, the Company entered into an agreement to acquire a 100% interest in 22 mining claims in Buckingham Township in south-western Quebec. The 100% earn-in requires the Company to make the following payments and issue the following number of common shares and incur exploration expenditures, as follows:

Due Date	Cash Payment	Shares	Exploration Expenditures
On or before May 14, 2012	$ 7,000 (fulfilled)	-	$ -
On closing, July 3, 2012	15,000 (fulfilled)	400,000 (fulfilled)	-
July 3, 2013	25,000 (fulfilled)	400,000 (fulfilled)	40,000 (fulfilled)
July 3, 2014	45,000	400,000	75,000 (fulfilled)
July 3, 2015	50,000	400,000	120,000
	$ 142,000	1,600,000	$ 235,000

The property vendor will retain a 2% NSR, 1% of which may be purchased by the Company for $1,000,000. On September 4, 2012, the Company entered into an agreement to acquire a 100% interest in 16 additional claims at the Buckingham Property located in Buckingham Township in south-western Quebec.

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5. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS (continued):

b) Buckingham Property (continued)

The 100% earn-in requires the Company to make the following payments and issue the following number of common shares of the Company to the property vendors:

Due Date	Cash Payment	Shares	Exploration Expenditures
On or before September 4, 2012	$ 3,000 (fulfilled)	-	$ -
On closing, September 11, 2012	-	200,000 (fulfilled)	-
September 11, 2013	6,000 (fulfilled)	100,000 (fulfilled)	18,000 (fulfilled)
September 11, 2014	8,000	100,000	24,000 (fulfilled)
September 11, 2015	10,000	100,000	30,000 (fulfilled)
	$ 27,000	500,000	$ 72,000

c) La Grande Nord Property

On September 10, 2010, the Company entered into an Option and Joint Venture Agreement (the "Agreement") with Virginia Mines Inc. to earn a 50% interest over a five year period in certain mineral claims referred to as the La Grande Nord Property located in the La Grande Greenstone Belt, Quebec. The property is subject to a 1.5% net smelter royalty.

In order to earn a 50% interest in the La Grande Nord Property the Company is required to fulfil the following commitments:

Due Date	Cash or Shares Payment (see below)	Exploration Expenditures
October 10, 2010	$ 10,000 (fulfilled in cash)	$ -
September 10, 2011	10,000 (fulfilled in cash)	-
September 10, 2012 (extended to August 23, 2013)	10,000 (fulfilled in cash)	50,000 (fulfilled)
September 10, 2013 (extended to August 23, 2014)	-	-
September 10, 2014 (extended to August 23, 2015)	-	200,000
September 29, 2015 (extended to August 23, 2016)		200,000
August 23, 2017		250,000
August 23, 2018	-	300,000
	$ 30,000	$ 1,000,000

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5. EXPLORATION AND EVALUATION ASSETS AND COMMITMENTS (continued):

c) La Grande Nord Property (continued)

The above mentioned option payments can be made in cash or shares at the discretion of the Company. The number of common shares to be issued by the Company and the price of issuance will be determined by dividing the cash payment owed to Virginia Mines Inc. by the weighted average closing price of the Company's shares on the Exchange for the 3 trading days immediately preceding the date of payment pursuant to the Agreement, subject to regulatory approval.

Upon the satisfaction of the above mentioned commitments, the Company will have exercised the option and acquired an undivided 50% interest in the La Grande Nord Property. Once the option has been exercised, the Company and Virginia Mines Inc. intend on forming a joint venture for the purposes of further exploration and development of the La Grande Nord Property.

During 2013, the Company decided that due to its focus shift to graphite and the lack of funds to continue to explore all of its mineral interest, it was unlikely that future exploration would occur on the La Grande Nord Property in the foreseeable future, therefore, the capitalized costs amounting to $85,960 were written-off accordingly.

d) Lochaber Property

On September 11, 2012, the Company entered into an agreement to acquire a 100% interest in two properties representing 30 mining claims in Lochaber Township in southwestern Quebec. The 100% earn-in requires the Company to make cash option payments, issue common shares and incur exploration expenditures, as follows:

Due Date	Cash Payment	Shares	Exploration Expenditures
On or before September 11, 2012	$ 7,000 (fulfilled)	-	$ -
On closing, September 11, 2012	-	630,000 (fulfilled)	-
September 11, 2013	27,000 (fulfilled)	430,000 (fulfilled)	60,000 (fulfilled)
September 11, 2014	43,000	430,000	150,000 (fulfilled)
September 11, 2015	67,000	430,000	270,000
	$ 144,000	1,920,000	$ 480,000

The vendor retains a 2% net smelter royalty, 1% of which may be purchased by the Company for $1,000,000.

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6. SHARE CAPITAL:

a) Common shares

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series and classes as may be determined by the Directors of the Company

Unlimited number of special non-voting shares issuable in series and classes as may be determined by the Directors of the Company

i) Share issuances

Three months ended January 31, 2014

Private placement of units-

In December 2013, the Company completed a private placement and issued 3,758,333 flow-through units at a price of $0.12 per unit for gross proceeds of $450,600. Each unit is composed of one flow-through common share of the Company and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.20 per share for a period of 24 months from the date of issuance.

In December 2013, the Company completed a private placement and issued 250,000 units at a price of $0.10 per unit for gross proceeds of $25,000. Each unit is composed of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.18 per share for a period of 24 months from the date of issuance.

The fair value of the 4,008,333 warrants issued in connection with the above unit private placements in December 2013 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.085
Risk-free rate	2.00%
Expected volatility based on historical volatility	156.67%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 159,066
Fair value per warrant	$ 0.0401-$0.0329

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2013

Private placement of flow-through units-

In December 2012, the Company completed a private placement and issued 1,000,000 flow-through units at a price of $0.10 per unit for gross proceeds of $100,000. Each unit is composed of one flow-through common share of the Company and one-half of one common share purchase warrant. Each full common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.15 per share for a period of 18 months from the date of issuance.

The fair value of the 500,000 warrants issued in connection with the above unit private placements in December 2012 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.06
Risk-free rate	1.07%
Expected volatility based on historical volatility	110%
Expected life of warrants	1.5 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 10,988
Fair value per warrant	$ 0.0220

Private placement of flow-through units-

In July 2013, the Company completed private placements and issued 4,300,000 flow-through units at a price of $0.05 per unit for gross proceeds of $215,000. Each unit is composed of one flow-through common share of the Company and one-half of one common share purchase warrant. Each full common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.10 per share for a period of 18 months from the date of issuance.

In connection with the above mentioned private placement, finders' fees of $22,400 were paid in cash and 344,000 finders warrants were issued with a fair value of $5,067.

The fair value of the 2,494,000 warrants and finders warrants issued in connection with the above unit private placements in July 2013 was calculated using the Black-Scholes option pricing model with the following assumptions:

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2013(continued)

Private placement of flow-through units (continued)-

Share price	$ 0.05
Risk-free rate	1.17%-1.20%
Expected volatility based on historical volatility	151.89%-151.72%
Expected life of warrants	1.5 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 31,667
Fair value of finders warrants issued	$ 5,067
Fair value per warrant	$ 0.0147

Private placement of units-

In July 2013, the Company completed private placements and issued 3,590,000 units at a price of $0.05 per unit for gross proceeds of $179,538. Each unit is composed of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.10 per share for a period of 18 months from the date of issuance. In connection with the above mentioned private placement, finders' fees of $11,360 were paid in cash and 215,200 finders warrants were issued with a fair value of $3,170.

The fair value of the 3,805,200 warrants and finders' warrants issued in connection with the above unit private placements in July 2013 was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.05
Risk-free rate	1.17%-1.20%
Expected volatility based on historical volatility	151.72%-151.89
Expected life of warrants	1.5 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 52,910
Fair value of finders warrants issued	$ 3,170
Fair value per warrant	$ 0.0147

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Three months ended January 31, 2014

Shares issued for exploration and evaluation assets-

During the three months ended January 31, 2014, the Company issued 75,000 common shares with a fair value of $6,000 in lieu of making cash payments pursuant to certain property option commitments with respect to the Company's Buckingham and Lochaber properties.

In addition, 100,000 shares were issued pursuant to the extension agreement relevant to the Summit-Gaber Property.

Year ended October 31, 2013

Shares issued for exploration and evaluation assets-

During 2013, the Company issued 500,000 common shares with a fair value of $39,000, in aggregate, pursuant to the Buckingham option agreements. In addition, 430,000 common shares were issued with an aggregate fair value of $64,500 pursuant to the Lochaber option agreements. In regards to the Summit-Gaber option agreement, the Company issued 200,000 common shares with a fair value of $27,000 and was committed to issue 100,000 common shares with a fair value of $14,500 as of October 31, 2013. The foregoing 100,000 shares were issued during the three months ended January 31, 2014.

Refer to note 5 (a), 5 (b), and 5 (d) for further details regarding exploration and evaluation assets acquired through fiscal 2013.

Three months ended January 31, 2014

Shares issued on exercise of finders warrants-

During the three months ended January 31, 2014, the Company issued 48,000 common shares on exercise of finders warrants with an exercise price of $0.05 for gross proceeds on exercise amounting to $2,400. In addition, on exercise, the fair value of the foregoing finders warrants of $707 previously credited to reverse-for warrants was reclassified to share capital. Accordingly, a total fair value of $3,107 was credited to share capital during the three months ended January 31, 2014.

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2013

Shares issued for investor relations services-

During 2013, the Company issued 800,000 units with fair value of $40,000 for cash and investor relations services. The cash portion of the issuance amounted to $16,000 and fair value of the service performed amounted to $24,000. Each unit consists of one common share and one common share purchase warrant exercisable for 18 months at a price of $0.10. The fair value of the 800,000 warrants issued in connection with the foregoing issuance amounted to $11,815.

Shares issued on exercise of stock options for cash and settlement of debt-

During 2013, the Company issued 200,000 common shares on exercise of stock options an exercise price of $0.10 for gross proceeds on exercise amounting to $20,000. In addition, on exercise, the fair value of the foregoing options of $10,879 previously credited to reverse-for share-based payments was reclassified to share capital. Accordingly, a total fair value of $30,879 was credited to share capital during 2013.

During 2013, the Company issued 300,000 common shares to a director of the Company on exercise of stock options an exercise price of $0.10 for settlement of debt amounting to $30,000. The fair value of the foregoing shares amounted to $15,000 on the settlement date and accordingly a gain of $15,000 was recognized in the statement of comprehensive loss for the year ended October 31, 2013. In addition, on exercise, the fair value of the foregoing options of $11,794 previously credited to reverse-for share-based payments was reclassified to share capital. Accordingly, the total fair value that was credited to share capital amounted to $26,794 during 2013.

Shares issued on settlement of debt-

During 2013, the Company issued 1,820,250 common shares for settlement of debt amounting to $108,715. The fair value of the shares issued amounted to $101,104 and accordingly a gain of $7,611 was recognized in the statement of comprehensive loss for the year ended October 31, 2013. Accordingly, the total fair value that was credited to share capital amounted to $101,104 during 2013. 769,500 of the aforementioned common shares were issued with an aggregate settlement amount of $46,170 to a director and former officer and directors. The fair value of the shares issued to the foregoing related parties amounted to $38,475 and accordingly a gain of $7,695 was recognized in the statement of comprehensive loss for the year ended October 31, 2013.

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6. SHARE CAPITAL (continued):

b) Stock options and share-based compensation

The shareholders have approved a Stock Option Plan (the “Plan”) that provides for the issue of up to 10% (the “Threshold) of the number of issued and outstanding common shares of the Company to eligible employees, directors, officers and consultants of the Company (“Participants”). The issuance of stock options may exceed the Threshold if the Company receives the permission of the stock exchange.

The Plan authorizes the granting of options to purchase common shares of the Company at a price that is not less than that permitted under the rules of any stock exchange or exchanges on which the Company’s shares are then listed. The vesting of options is determined by the board of directors, but cannot exceed a maximum term of 10 years.

The number of options granted to any one consultant in a twelve month period shall not exceed 2% of the total number of issued and outstanding common shares.

The aggregate number of common shares reserved for issuance to any one Participant of the Plan shall not exceed 5% of the total number of issued and outstanding common shares of the Company in any twelve month period unless the Company receives the permission of the stock exchange.

The aggregate number of options granted to persons employed to provide investor relations activities shall not exceed 2% of the total number of issued and outstanding Shares in any twelve month period.

The following summarizes the stock options that have been granted, exercised, forfeited or cancelled during the three months ended January 31, 2014 and 2013:

	January 31, 2014		January 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	3,211,633	$ 0.10	2,165,454	$ 0.10
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(370,356)	0.10	-	-
Balance, end of the period	2,841,277	$ 0.10	2,165,454	$ 0.10

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6. SHARE CAPITAL (continued):

b) Stock options and share-based compensation (continued)

The following table summarizes the options outstanding and exercisable at January 31, 2014:

Number of Options	Exercise Price	Expiry Date
634,094	$0.10	May 22, 2017
107,183	$0.10	May 29, 2014
1,800,000	$0.10	September 3, 2016
300,000	$0.10	September 18, 2016
2,841,277		

c) Warrants

A summary of the status of the warrants as of January 31, 2014 and January 31, 2013 and changes during the periods are presented below:

	January 31, 2014		January 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	10,284,200	$ 0.11	4,783,000	$ 0.12
Issued pursuant to private placements (note 6 (a))	4,008,333	0.20	500,000	0.15
Finders' warrants issued (note 6 (a))	304,667	0.12	-	-
Warrants issued on exercise of finders warrants	48,000	0.10		
Finders warrants exercised	(48,000)	0.05	-	-
Expired	-	-	-	-
Balance, end of the period	14,597,200	$ 0.14	5,283,000	$ 0.13

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6. SHARE CAPITAL (continued):

c) Warrants (continued)

As of January 31, 2014, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted average exercise price
June 5, 2014	500,000	$ 0.15
January 23, 2015 (ii)	750,000	$ 0.15
January 23, 2015 (ii)	475,000	$ 0.12
May 3, 2014 (i)	1,460,000	$ 0.15
January 26, 2015 (iii)	127,200	$ 0.05
January 30, 2015 (iii)	40,000	$ 0.05
January 26, 2015 (iv)	136,000	$ 0.05
January 30, 2015 (iv)	208,000	$ 0.05
January 31, 2015	1,600,000	$ 0.10
January 26, 2015	3,140,000	$ 0.10
January 30, 2015	1,800,000	$ 0.10
December 25, 2015	250,000	$ 0.18
December 25, 2015	3,758,333	$ 0.20
December 25, 2015 (v)	20,000	$ 0.12
December 25, 2015 (v)	284,667	$ 0.12
June 10, 2015	48,000	$ 0.10
	14,597,200	

(i) During 2013, the TSXV consented to the extension of the expiry of these warrants from May 3, 2013 to May 3, 2014.

(ii) The term of these warrants was extended by one year in January 2014.

(iii) In connection with private placements during 2013, the Company issued 215,200 finders warrants. Each finder’s warrant is exercisable for 18 months into one unit at an exercise price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant which entitling the holder to purchase one common share at a price of $0.10 for a period of 18 months.

(iv) In connection with flow-through private placements during 2013, the Company issued 344,000 finders warrants. Each finder’s warrant is exercisable for 18 months into one unit at an exercise price of $0.05 per unit. Each unit consists of one common share and one-half of one common share purchase warrant entitling the holder to purchase one common share at a price of $0.10 for a period of 18 months.

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6. SHARE CAPITAL (continued):

c) Warrants (continued)

(v) In connection with private placements during the three months ended January 31, 2014, the Company issued 20,000 finders warrants. Each finder's warrant is exercisable for 24 months into one unit at an exercise price of $0.12 per unit. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.20 for a period of 24 months.

In connection with flow-through private placements during the three months ended January 31, 2014, the Company issued 284,667 finders warrants. Each finder's warrant is exercisable for 24 months into one unit at an exercise price of $0.12 per unit. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.20 for a period of 24 months.

d) Escrow agreement

Pursuant to the Escrow Agreement of October 1, 2006, as of January 31, 2014, nil (January 31, 2013 – 1,602,974) common shares were held in escrow in connection with the listing of the Company on the TSX Venture Exchange.

The Escrow Agreement provides for a three-year escrow release mechanism with:

i) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin; and

ii) 15% of the escrowed securities being releasable in 6 month intervals from October 31, 2010 on each of 6, 12, 18, 24, 30 and 36.

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7. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the financial statements during the three months ended January 31, 2014 and 2013, as follows:

		2014		2013
Management and consulting fees expense:				
Management fees were charged by the Chief Financial Officer for financial management services	$	15,000	$	9,000
Management fees were charged by a company controlled by the former Chief Executive Officer for corporate administrative and investor relations services	$	-	$	21,000
Management fees charged by the Chief Executive Officer for corporate development and administrative services	$	24,000	$	-
Deferred exploration and evaluation costs:				
Geological and technical consulting fees were charged by an officer and the former Chief Executive Officer	$	30,000	$	6,000

As at January 31, 2014, accounts payable and accrued liabilities include $7,649 (October 31, 2013 - $4,699) owing to related parties of the Company.

The Company's key management personnel has the authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer. Total compensation paid to the Company's key management personnel during the three months ended January 31, 2014 amounted to $59,000 (three months ended January 31, 2013- $36,000).

On July 1, 2013, the Company entered into consulting agreements with officers and directors of the Company for corporate administrative, financial management and geological services. The agreements run from July 1, 2013 to June 30, 2014 and amount to $18,000 per month, in aggregate.

Refer to notes 5 and 6 for additional related party information.

Management believes these transactions are in the normal course of business.

8. RESTRICTED CASH:

The Company is committed to spend $327,899 (October 31, 2013- $336,546), being the remaining proceeds of flow-through share issuances resulting from private placements (see note 12) completed through fiscal 2013 and the three months ended January 31, 2014.

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9. CAPITAL MANAGEMENT:

The Company considers its capital to include components of shareholders' equity, which is comprised of share capital, shares to be issued, reserve for warrants, reserve for share-based payments, contributed surplus and deficit, which as at January 31, 2014 amounted to $1,369,487 (October 31, 2013 – $1,009,246).

The Company's objectives in managing capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue investments and new projects of merit; and to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended January 31, 2014. The Company is not subject to externally imposed capital requirements other than flow-through expenditure requirements (see notes 8 and 12).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Overview

The Company is engaged primarily in the mineral exploration field and accordingly it may be at risk for environmental issues and fluctuations in commodity pricing relating to the mineral extraction and exploration industry. The Company is subject to provincial and federal environmental regulations. Management has designed procedures and policies to provide for environmental compliance however, due to the diversity of environmental laws and regulations, compliance at all times cannot be assured.

Although management has taken steps to verify title on the properties on which it conducts exploration and in which it has an interest, these procedures may not guarantee the Company's title. Property title may be at risk from unregistered prior agreements, unregistered claims, other land claims and noncompliance with regulatory and environmental requirements.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and funding risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's exposure to credit risk is on its restricted cash. Restricted cash consists primarily of cash bank balances held with a Canadian chartered bank. The Company manages the credit exposure related to cash by holding its funds with reputable financial institutions. As of January 31, 2014, the Company's maximum credit exposure for restricted cash is the aggregate carrying value of $335,183 (October 31, 2013 - $160,914).

Liquidity risk

Liquidity and funding risk is the risk that the Company will not have sufficient capital to meet short-term operating requirements, after taking into account the Company's holdings of restricted cash.

As at January 31, 2014, the Company's working capital surplus is $295,127 (October 31, 2013 – $65,988). In the case of cash deficits arising from exploration commitments and general operating budgets, the Company will have to seek debt or equity financing. There is no assurance that such financing will be available on terms acceptable to the Company.

The Company determined that it will require additional capital in order to meet short-term business requirements, after taking into account the Company's holdings of restricted cash. The Company is actively looking to raise cash funds from private placements. The Company's restricted cash balance is invested in business accounts as of January 31, 2014.

Market risk

Foreign currency risk – The Company is not exposed to any fluctuation in foreign exchange rates because the Company does not hold any foreign dominated financial assets or liabilities.

Interest rate risk – Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments. The Company has no-interest bearing debt.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

Equity price risk – The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk – The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

11. INCOME TAXES:

a) The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	For three months ended January 31, 2014	For three months ended January 31, 2013
Net loss before income taxes	($ 76,079)	($ 50,631)
Expected income tax recovery at the combined Federal and Provincial statutory tax rate of 25% (2013 – 25%)	(19,020)	(12,658)
Difference resulting from:		
Deductable share issue costs	-	(4,228)
Reversal of flow-through premium liability	(8,175)	-
Temporary differences not recorded	27,195	16,886
Deferred income tax (recovery)	-	-

b) The tax effects of non-capital losses and other temporary differences that give rise to deferred income tax assets and deferred tax liabilities at the enacted income tax rates (January 31, 2014 – 25% and January 31, 2013 – 25%) to which no deferred tax has been recognized have been applied at January 31, 2014 and January 31, 2013, as follows:

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11. INCOME TAXES (continued):

b) (continued)

	January 31, 2014	January 31, 2013
Deferred tax assets (liabilities)		
Non-capital loss carryforward	$ 401,771	$ 301,219
Exploration and evaluation assets	(316,276)	(181,360)
Share issue costs	20,028	8,191
	105,523	128,050
Less: Net deferred tax asset not recognized	(105,523)	(128,050)
Net deferred income tax asset	-	-

c) As of January 31, 2014, the Company has non-capital losses in Canada of approximately $1,607,083 available for deductions against future taxable income, the balances of which will expire as follows:

2024	$ 17,460
2025	14,298
2026	117,829
2027	57,816
2028	99,020
2029	119,232
2030	174,641
2031	209,631
2032	318,688
2033	369,688
2034	108,780
	$ 1,607,083

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12. FLOW-THROUGH SHARE PREMIUM LIABILITY:

The following is a continuity schedule of the liability portion of the flow-through share issuances.

	January 31, 2014	October 31, 2013
Balance, beginning of year	$ 64,369	$ 21,713
Liability incurred on flow-through shares issued	-	42,656
Settlement of flow-through share liability on incurring expenditures	(32,701)	-
Balance, end of year	$ 31,668	$ 64,369

As of January 31, 2014, the Company had fulfilled its commitment to spend and incur exploration expenditures with respect to the July 2012 flow-through private placement consisting of 1,500,000 flow-through units at $0.10 per unit (see note 6 (a)) by December 31, 2013.

As of January 31, 2014, the Company had fulfilled its committed to spend and incur exploration expenditures in regards to the December 2012 flow-through private placement consisting of 1,000,000 flow-through units at $0.10 per unit (see note 6 (a)) by December 31, 2013.

As of January 31, 2014, the Company is committed to spend $212,082 and incur $197,653 exploration expenditures in regards to the July 2013 flow-through private placements consisting of 4,300,000 flow-through units at $0.05 per unit (see note 6 (a)) by December 31, 2014.

As of January 31, 2014, the Company had is committed to spend and incur $451,000 in regards to the December 2013 flow-through private placement consisting of 3,758,333 flow-through units at $0.12 per unit (see note 6 (a)) by December 31, 2014.

There is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

13. SUPPLEMENTARY CASH FLOW INFORMATION:

	Three months ended January 31, 2014	Three months ended January 31, 2013
Common shares issued for exploration and evaluation assets	$ 20,500	$
Fair value of warrants issued in private placements and finders warrants	$ 171,134	$ 10,988
Fair value of warrants reclassified from reserve for warrants to share capital on exercise of finders warrants	$ 706	$ -
Common shares issued on settlement of debt	$ -	$ 10,000

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14. SUBSEQUENT EVENTS AND COMMITMENTS:

a) In February 2014, the Board of Directors approved changing the Company's name from Shield Gold Inc. to Great Lake Graphite Inc.

b) On March 3, 2014, the Company executed a definitive purchase agreement with Rock Tech Lithium Inc. ("Rock Tech"; TSXV:RCK) to acquire the Lochaber graphite deposit (the "Lochaber Graphite Property"), located in the prolific Buckingham Graphite region in Outaouais/ Gatineau, Québec. Conditional approval for the transaction was received from the TSX Venture Exchange ("TSXV") on March 12, 2014.

   The Lochaber Graphite Property is comprised of 151 mineral claims, in four contiguous blocks, covering 9,062 hectares in Buckingham and Lochaber Townships. Two of the Rock Tech claim blocks are contiguous with the Company's existing claims in the area, namely those in the Diamond and the Bell claim blocks.

   The purchase agreement between the companies provides for the Company to pay Rock Tech a total of $300,000 in cash and issue a total of 15 million common shares of the Company to Rock Tech or to whom it may direct. The acquisition is subject to and conditional upon final TSXV acceptance and other regulatory approvals and satisfactory due diligence, including satisfaction with the results of metallurgical testing on samples that will be supplied by Rock Tech. On completion of the acquisition Rock Tech will have the right to appoint one nominee to the Board of Directors of the Company. The Company has 30 days from March 12, 2014 to satisfy the requirements of the TSXV.

c) Subsequent to period-end, the Company engaged Investor Cubed Inc. ("Investor Cubed") to provide investor relations and shareholder communications services effective March 6, 2014.

   In connection with the engagement, Investor Cubed was awarded a consulting contract paying $5,000 per month for a term of twelve months. In addition, Investor Cubed was granted stock options to purchase 400,000 shares of Great Lakes Graphite at a price of ten cents ($0.10) per share. The options will vest quarterly over a period of one year and will be governed by the provisions of the Company's stock option plan and policies of the TSX Venture Exchange.

d) On November 13, 2013, the Company engaged Fundamental Research Corp. for the purposes of preparing research reports on the Company. In consideration for the reports, the Company agreed to make cash payments totaling $25,000 over a 10 month period. The initial retainer amounted to $7,875, which was due on singing of the agreement and 10 monthly payments of $1,837 each thereafter.