GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

Notice to Reader – From Great Lakes Graphite Inc.

The interim condensed unaudited financial statements as at and for the three-month period ended January 31, 2015 have not been reviewed by the Company's auditors.

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

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GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

	January 31, 2015	October 31, 2014
ASSETS		
CURRENT		
Restricted cash (note 8)	$ 40,704	$ 32,755
Tax credits and credit on duties receivable	157,549	157,549
Unit subscriptions receivable (note 6 (a))	6,900	6,900
Due from DNI Metals Inc. (note 15 (b))	31,780	-
HST and QST recoverable	28,607	68,841
Prepaid expenses	61,695	139,490
	327,235	405,535
EXPLORATION AND EVALUATION ASSETS (note 5)	2,284,543	1,161,350
	$ 2,611,778	$ 1,566,885
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 7)	$ 286,160	$ 161,793
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6 (a))	4,368,728	3,421,251
UNITS AND SHARES TO BE ISSUED (note 6 (a) and (d))	28,500	28,500
RESERVE FOR WARRANTS (note 6 (c))	893,170	700,487
RESERVE FOR SHARE-BASED PAYMENTS (note 6 (b))	461,315	461,315
CONTRIBUTED SURPLUS	422,010	309,170
DEFICIT	(3,848,105)	(3,515,631)
	2,325,618	1,405,092
	$ 2,611,778	$ 1,566,885

GOING CONCERN (note 1)
SUBSEQUENT EVENTS (note 15)
COMMITMENTS (notes 5, 6 and 12 and 15)

Approved by the Board

(signed) "*Paul Ankcorn*", Director

(signed) "*Paul Gorman*", Director

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

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

	For the three months ended January 31, 2015	For the three months ended January 31, 2014
EXPENSES		
Professional fees	$ 6,392	$ 10,247
Management and consulting fees (note 7)	216,834	62,200
Transfer agent, regulatory and filing fees	5,220	6,463
Corporate development and administration	24,732	26,416
Shareholder information	76,161	-
Insurance	2,376	3,220
Interest and bank charges	759	234
Loss from operations	332,474	108,780
OTHER INCOME		
Recognition of flow-through premium liability (note 12)	-	(32,701)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 332,474	$ 76,079
Basic and diluted loss per share (note 3)	$ 0.005	$ 0.002
Weighted average number of shares outstanding – basic and diluted	73,994,710	38,713,333

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

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

	Share capital			Reserves for				
	Shares	Amount	Units and shares to be issued	Warrants	Share-based payments	Contributed surplus	Deficit	Total
Balance, November 1, 2014	60,964,819	$ 3,421,251	$ 28,500	$ 700,487	$ 461,315	$ 309,170	($ 3,515,631)	$ 1,405,092
Issued for cash under unit private placement	7,750,000	775,000	-		-	-	-	775,000
Fair value of warrants issued	-	(282,892)	-	282,892	-	-	-	-
Fair value of expired warrants	-	-	-	(112,840)	-	112,840	-	-
Share issue cost – cash	-	(72,000)	-	-	-	-	-	(72,000)
Share issued cost – finders warrants	-	(22,631)	-	22,631	-	-	-	-
Issued for exploration and evaluation assets	10,000,001	550,000	-	-	-	-	-	550,000
Net loss	-	-	-	-	-	-	(332,474)	(332,474)
Balance, January 31, 2015	78,714,820	$ 4,368,728	$ 28,500	$ 893,170	$ 461,315	$ 422,010	($ 3,848,105)	$ 2,325,618

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

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

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

GREAT LAKES GRAHPITE INC.
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Expressed in Canadian dollars)

	For the three months ended January 31, 2015	For the three months ended January 31, 2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	($ 332,474)	($ 76,079)
Item not affecting cash:		
Recognition of flow-through premium liability	-	(32,701)
Net changes in non-cash working capital balances:		
Decrease (increase) in HST and QST recoverable	40,234	(8,850)
Decrease in prepaid expenses	77,795	2,870
Increase (decrease) in accounts payable and accrued liabilities	124,367	(16,189)
Cash used in operating activities	(90,078)	(130,949)
CASH USED IN INVESTING ACTIVITIES:		
Exploration and evaluation costs	(573,193)	(125,102)
Due from DNI Metals Inc.	(31,780)	-
Restricted cash	(7,949)	(174,269)
Cash used in investing activities	(612,922)	(299,371)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from exercise of finders warrants	-	2,400
Issuance of common shares, net of share issue costs	703,000	427,920
Cash provided by financing activities	703,000	430,320
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.

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

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

FOR THE THREE MONTHS ENDED JANUARY 31, 2015

1. NATURE OF BUSINESS AND GOING CONCERN:

Great Lakes Graphite Inc. (formerly Shield Gold Inc.) (the "Company") was incorporated under the laws of the Province of Ontario, by Articles of Incorporation dated February 4, 2004. On May 14, 2015, by way of Articles of Amendment, the Company changed its name from Shield Gold Inc. to Great Lakes Graphite Inc. 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. Great Lakes Graphite Inc. is a TSX Venture Tier 2 Company listed under the symbol "GLK" (formerly "SHG"). In addition, in January 2015, the Company's shares were listed for trading on the Frankfurt Stock Exchange, under the symbol "8GL". 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 $332,474 (2014- $76,079) in the three months ended January 31, 2015. As at January 31, 2015, the Company has an accumulated deficit of $3,848,105 (October 31, 2014- $3,515,631). 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 2015 fiscal year. The Company 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.

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
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FOR THE THREE MONTHS ENDED JANUARY 31, 2015

2. BASIS OF PRESENTATION:

Basis of Presentation and statement of compliance
The unaudited interim condensed financial statements of Great Lakes Graphite Inc. for the three months ended January 31, 2015 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, 2014. 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, 2014.

These interim condensed financial statements were approved for issue by the board of directors effective March 31, 2015.

The Company operates in one segment defined as the cash generating unit ("CGU") which is Canada.

Basis of measurement
These financial statements have been prepared on the historical cost basis, except for certain financial instruments designated at FVTPL, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

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, options and warrants; and provision for deferred income tax, including the effects of flow-through shares.

GREAT LAKES GRAPHITE INC.
(An Exploration Stage Company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
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FOR THE THREE MONTHS ENDED JANUARY 31, 2015

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 payment - 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), 6(b) and 6(c)). 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).

Title to exploration and evaluation assets- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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.

GREAT LAKES GRAPHITE INC.
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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.

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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FOR THE THREE MONTHS ENDED JANUARY 31, 2015

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. As the qualifying expenditures are incurred the flow-through share premium liability is reduced and recognized on the statement of comprehensive 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, 2015 and January 31, 2014.

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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 Company reviews its long lived assets within its cash generating units, consisting primarily of exploration and evaluation assets, at each reporting period end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable.

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FOR THE THREE MONTHS ENDED JANUARY 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Consolidated Statements of Loss (Earnings) and Comprehensive Loss (Earnings). Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Consolidated Statements of Loss (Earnings) and Comprehensive Loss (Earnings). The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

b) Classification

Financial asset/liability	Classification
Restricted cash	Loans and receivables
Tax credits and credit on duties receivable	Loans and receivables
HST and QST receivable	Loans and receivables
Unit subscription receivable	Loans and receivables
Due from DNI Metals Inc.	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

f) Fair value measurement (continued)

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.

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;

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS (continued)

f) Fair value measurement (continued)

- 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

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

The Company does not carry any financial instruments at fair value.

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.

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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. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS:

The following standards and interpretations have been issued, but are not yet effective, and have not been early-adopted by the Company:

IAS 32 *Financial Instruments: Presentation*

IAS 32 amendment provides clarification on the application of offsetting rules. The amendments are effective for the Company for the year ended October 31, 2015. The adoption of this standard did not have an impact on the Company's financial statements.

IAS 36 *Impairment of Assets*

On May 29, 2014, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments will be effective for the Company for the year ended October 31, 2015. The adoption of this standard did not have an impact on the Company's financial statements.

IFRIC 21 *Levies*

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. This interpretation addresses what the obligating event is that give rise to pay a levy and when a liability should be recognized. The standard will be effective for the Company for the year ended October 31, 2015. The adoption of this standard did not have an impact on the Company's financial statements. IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities.*

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has yet to assess the full impact of IFRS 9.

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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, 2015

	Balance, beginning of period	Acquisition	Exploration	Recoveries of tax credits and credit on duties	Impairment	Balance, End of period
Quebec						
Summit-Gaber (a)	$ 487,354	$ -	$ -	$ -	$ -	$ 487,354
Buckingham (b)	-	-	-	-	-	-
Lochaber (c)	673,996	750,000	373,193	-	-	1,797,189
	$ 1,161,350	$ 750,000	$ 373,193	$ -	$ -	$ 2,284,543

Year ended October 31, 2014

	Balance, beginning of year	Acquisition	Exploration	Recoveries of tax credits and credit on duties	Impairment	Balance, end of year
Quebec						
Summit-Gaber (a)	$ 469,354	$ 18,000	$ -	$ -	-	$ 487,354
Buckingham (b)	277,242	2,000	78,411	-	(357,653)	-
Lochaber (c)	196,662	536,000	402,355	(112,590)	(348,431)	673,996
	$ 943,258	$ 556,000	$ 480,766	($ 112,590)	($ 706,084)	$ 1,161,350

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:

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, 2015)	-	200,000 (fulfilled)	450,000
September 29, 2014 (extended to September 30, 2016)	-	300,000	800,000
	$ 80,000	600,000	$ 1,500,000

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

a) Summit-Gaber Property (continued)

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. During 2014, the Company negotiated an extension of certain of its property commitments by one year. During 2014, in consideration for the extension, the Company issued 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, 2014 and were subsequently issued during the year ended October 31, 2014. During 2014, the Company negotiated an additional one year extension on certain of its property commitments relevant to the foregoing option agreement. The Company issued 200,000 common shares with a fair value of $18,000 for the extension.

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 of before May 14, 2012	$ 7,000 (fulfilled)	-	$ -
On closing, July 3, 2012	15,000 (fulfilled)	400,000 (fulfilled)	-
July 3, 2014	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 retains 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. 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 of before September 4, 2012	$ 3,000 (fulfilled)	-	$ -
On closing, September 11, 2012	-	200,000 (fulfilled)	-
September 11, 2014	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

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

b) Buckingham Property (continued)

In July 2014, the Company decided not to continue exploration and terminated the option agreements relevant to the Buckingham property and therefore the capitalized costs net of exploration credits related to the property of $357,653 were written-off to the statement of comprehensive loss during the year.

c) 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 of before September 11, 2012	$ 7,000 (fulfilled)	-	$ -
On closing, September 11, 2012	-	630,000 (fulfilled)	-
September 11, 2014	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.

During 2014, the Company decided not to proceed with the exploration of the above noted claim block and opted to focus on the exploration and evaluation of the newly optioned Lochaber graphite deposit pursuant to the agreement with Rock Tech Lithium Inc. (see below). Accordingly, the deferred exploration expenditures net of exploration credits of $348,431 associated with the foregoing claims were written off to the statement of comprehensive loss in 2014.

On March 3, 2014, the Company executed a definitive purchase agreement with Rock Tech Lithium Inc. ("Rock Tech") to acquire a 100% interest in the Lochaber graphite deposit (the "Lochaber Graphite Property"), located in the prolific Buckingham Graphite region in Gatineau, Québec.

Under the terms of the agreement, the Company is committed to pay Rock Tech a total of $300,000 in cash and issue a total of 15,000,000 common shares of the Company to Rock Tech or to whom it may direct at an agreed price per share of $0.09. Accordingly, the aggregate transaction value amounts to $1,650,000.

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

c) Lochaber Property (continued)

The payment terms, among other things, were amended on May 16, 2014. Therefore, in consideration for the interest, the Company is committed to the following:

a) 5,000,000 common shares (issued) and a cash payment of $100,000 (paid) upon execution of the amending agreement;

b) 5,000,000 common shares (issued) and a cash payment of $200,000 (paid) upon completion a NI 43-101 resource estimate of the deposit; and

c) 5,000,000 common shares (issued) upon completion of a Preliminary Economic Assessment.

The Company incurred a cash success fee of $10,000 and issued 400,000 common shares with a fair value of $42,000 associated with the foregoing Lochaber property acquisition.

Rock Tech appointed one nominee to the Board of Directors of the Company.

In Quebec, mineral properties are subject to minimum assessment work expenditures. Accordingly, the property is subject to minimum assessment work expenditures every two years of $181,200 ($1,200 per claim) in order to maintain the claims in good standing. The Company has fulfilled the foregoing requirement and; therefore, the claims are in good standing for another term of two years. The property is subject to a 3% net smelter royalty of which the Company may purchase up to 2% for $1,000,000 per 1%.

See note 15 for additional exploration and evaluation asset information.

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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, 2015

Private placement of units-

In November 2014, the Company completed a private placement and issued 7,750,000 flow-through units at a price of $0.10 per unit for gross proceeds of $775,000. 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 $0.12 per share for a period of 24 months from the date of issuance.

In connection with the private placement, the Company paid a finder fee of $62,000 and issued 620,000 finders warrants with a fair value of $22,631. In addition, a work fee of $10,000 was paid with respect to the foregoing private placement.

The fair value of the 7,750,000 warrants issued in connection with the above unit private placements in November 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.07
Risk-free rate	1.035%
Expected volatility based on historical volatility	173.35%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 282,892
Fair value per warrant	$ 0.037

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2014

Private placement of flow-through units-

On August 5, 2014, the Company completed a private placement and issued 200,000 flow-through units at a price of $0.10 per unit for gross proceeds of $20,000. 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 $0.15 per share for a period of 2 years from the date of issuance. In connections with the unit placement above, the Company paid cash of $1,600 and issued 16,000 finders warrants with a fair value of $672 to eligible finders.

The fair value of the 200,000 warrants issued in connection with the above unit private placements in August 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$	0.105
Risk-free rate		1.06%
Expected volatility based on historical volatility		170.62%
Expected life of warrants		2 years
Expected dividend yield		0%
Fair value of warrants issued under private placements	$	8,397
Fair value per warrant	$	0.042

In December 2014, 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.

The fair value of the 3,758,333 warrants issued in connection with the above unit private placements in December 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$	0.085
Risk-free rate		1.07%
Expected volatility based on historical volatility		170.79%
Expected life of warrants		2 years
Expected dividend yield		0%
Fair value of warrants issued under private placements	$	156,930
Fair value per warrant	$	0.0418

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2014 (continued)

Private placement of flow-through units (continued)-

In connections with the unit placements, the Company paid cash of $46,080 and issued 284,667 finders warrants with a fair value of $11,886 to eligible finders.

Private placement of units-

On August 5, 2014, the Company completed a non-brokered private placement and issued 4,315,000 units at a price of $0.085 per unit for gross proceeds of $366,775. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share at an exercise price of $0.11 for a period of two years.

The fair value of the 4,315,000 warrants issued in connection with the above unit private placements in August 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.105
Risk-free rate	1.06%
Expected volatility based on historical volatility	170.62%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$139,757
Fair value of warrant	$0.0324

In connections with the unit placements, the Company paid cash of $29,342 and issued 345,200 finders warrants with a fair value of $11,181 to eligible finders.

On July 15, 2014, the Company completed a non-brokered private placement and issued 2,101,471 units at a price of $0.085 per unit for gross proceeds of $178,625. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one additional common share at an exercise price of $0.11 for a period of two years. The fair value of the 2,101,471 warrants issued in connection with the above unit private placements in July 2014 were 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, 2014 (continued)

Private placement of units (continued)-

Share price	$	0.09
Risk-free rate		1.08%
Expected volatility based on historical volatility		168.35%
Expected life of warrants		2 years
Expected dividend yield		0%
Fair value of warrants issued under private placements	$	66,673
Fair value of warrant	$	0.0317

In connections with the unit placements, the Company paid cash of $13,950 and issued 4,000 finders warrants with a fair value of $127 to eligible finders.

On June 30, 2014, the Company completed a private placement and issued 4,943,530 units at a price of $0.085 per unit for gross proceeds of $420,200. 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 $0.11 per share for a period of 24 months from the date of issuance. As of October 31, 2014, $6,900 of the foregoing subscription proceeds were receivable in connection with this private placement. These funds were received subsequent to the year-end (see note 16).

The fair value of the 4,943,530 warrants issued in connection with the above unit private placements in June 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$	0.085
Risk-free rate		1.09%
Expected volatility based on historical volatility		171.33%
Expected life of warrants		2 years
Expected dividend yield		0%
Fair value of warrants issued under private placements	$	157,188
Fair value of warrant	$	0.0318

In connections with the unit placements, the Company paid cash of $29,116 and issued 198,541 finders warrants with a fair value of $6,313 to eligible finders. In addition, a work fee of $4,800 was also charged relevant to the foregoing placements.

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 20 4 (continued)

Private placement of units (continued)-

On December 20, 2014, 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. In connections with the unit placements, the Company paid cash of $2,000 and issued 20,000 finders warrants with a fair value of $705 to eligible finders.

The fair value of the 250,000 warrants issued in connection with the above unit private placements in December 2014 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.085
Risk-free rate	1.07%
Expected volatility based on historical volatility	170.79%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value of warrants issued under private placements	$ 8,818
Fair value per warrant	$ 0.0353

Three months ended January 31, 2015

Shares issued for exploration and evaluation assets-

During the three months ended January 31, 2015, the Company secured the acquisition of the Lochaber graphite deposit by making a cash payment of $200,000 and issuing 10,000,001 common shares with a fair value of $550,000 pursuant to the option agreement.

Year ended October 31, 2014

Shares issued for exploration and evaluation assets-

During 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, an additional 300,000 shares were issued pursuant to the extension agreements relevant to the Summit-Gaber Property.

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

i) Share issuances (continued)

Year ended October 31, 2014

Shares issued for exploration and evaluation assets (continued)-

During 2014, the Company issued 4,999,999 common shares with a fair value of $375,000 pursuant to the option agreement relevant to the acquisition of the Lochaber graphite deposit with Rock Tech. The Company issued 400,000 common shares with a fair value of $42,000 for finders fees in association with the acquisition.

Shares issued on exercise of finders warrants for cash and settlement of debt-

During 2014, the Company issued 48,000 common shares on exercise of finders warrants for gross proceeds on exercise amounting to $2,400. The exercise price was $0.05 per share. 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 2014.In addition, during 2014, 600,000 common shares were issued on exercise of warrants for settlement of debt of $60,000. The fair value of the common shares at the time of issuance amounted to $54,000. Accordingly, a credit of $6,000 was reflected in contributed surplus as the transaction was with a director and shareholder of the Company. On exercise, the fair value of the foregoing warrants of $8,820 previously credited to reverse-for warrants was reclassified to share capital. Accordingly, a total fair value of $62,820 was credited to share capital during 2014.

Year ended October 31, 2014

Shares issued for consulting services-

During 2014, the Company issued 280,000 units with fair value of $23,800 for consulting services. Each unit consists of one common share and one common share purchase warrant exercisable for two years at a price of $0.11. The fair value of the 280,000 warrants issued in connection with the foregoing issuance amounted to $9,069.

Year ended October 31, 2014

Shares issued on settlement of debt-

During 2014, the Company issued 420,000 common shares for settlement of debt amounting to $42,000. The fair value of the shares issued amounted to $37,800 at the time of settlement. Accordingly a gain on settlement of debt of $4,200 was recognized in the statement of net loss and compressive loss in 2014.

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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, 2015 and 2014:

	January 31, 2015		January 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	4,534,094	$ 0.11	3,211,633	$ 0.10
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(370,356)	0.10
Balance, end of the period	4,534,094	$ 0.11	2,841,277	$ 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, 2015:

Number of Options	Exercise Price	Expiry Date
200,000	$0.12	August 27, 2019
1,600,000	$0.12	August 6, 2019
250,000	$0.10	May 16, 2019
634,094	$0.10	May 22, 2017
1,550,000	$0.10	September 3, 2016
300,000	$0.10	September 18, 2016
4,534,094		

The fair value of the 2,480,000 stock-based payments made through fiscal 2014 was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.07 - $ 0.095
Exercise price	$ 0.10 - $ 0.12
Risk-free rate	0.998% - 1.51%
Expected volatility based on historical volatility	182.86% - 190.82%
Expected life of stock options	0.34 years – 5 years
Expected dividend yield	0%
Fair value of share-based payment	$ 213,029
Fair value per stock option	$ 0.011 - $ 0.16

The fair value of the 2,100,000 stock-based payments made through fiscal 2013 was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.125 - $ 0.14
Risk-free rate	1.26% - 1.27%
Expected volatility based on historical volatility	171.33%-174.68%
Expected life of stock options	3 years
Expected dividend yield	0 %
Fair value of share-based payment	$ 240,810
Fair value per stock option	$ 0.1107 - $0.1385

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility based on the historical volatility of the Company. Changes in the underlying assumptions can materially affect the fair value estimates.

Options issued to consultants were valued using the fair value of the equity instrument granted in the absence of reliable estate of the fair value of the goods and services received.

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6. SHARE CAPITAL (continued):

c) Warrants

A summary of the status of the warrants as of January 31, 2015 and January 31, 2014 and changes during the periods are presented below:

	January 31, 2015		January 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	24,440,942	$ 0.12	10,284,200	$ 0.11
Issued pursuant to private placements (note 6 (a))	7,750,000	0.12	4,008,333	0.20
Finders' warrants issued (note 6 (a))	620,000	0.10	304,667	0.12
Warrants issued on exercise of finders warrants	-	-	48,000	0.10
Finders warrants exercised	-	-	(48,000)	0.05
Expired	(7,676,200)	0.10	-	-
Balance, end of the period	25,134,742	$ 0.13	14,597,200	$ 0.14

As of January 31, 2015, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted average exercise price
December 24, 2015	250,000	$ 0.18
December 24, 2015	3,758,333	$ 0.20
December 24, 2015 (i)	20,000	$ 0.12
December 24, 2015 (i)	284,667	$ 0.12
June 10, 2015	48,000	$ 0.10
June 30, 2016	198,541	$ 0.085
July 11, 2016	4,000	$ 0.085
June 30, 2016	4,943,530	$ 0.11
July 15, 2016	2,101,471	$ 0.11
August 5, 2016	361,200	$ 0.085
August 5, 2016	280,000	$ 0.11
August 5, 2016	4,315,000	$ 0.11
August 5, 2016	200,000	$ 0.15
November 7, 2016	7,750,000	$ 0.12
November 7, 2016 (ii)	620,000	$ 0.10
	25,134,742	

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6. SHARE CAPITAL (continued):

c) Warrants (continued)

(i) In connection with private placements during the year ended October 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 year ended October 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.

(ii) In connection with private placement during the three months ended January 31, 2015, the Company issued 620,000 finders warrants. Each finder's warrant is exercisable for 24 months into one common share at an exercise price of $0.10 per share.

d) Units and shares to be issued

As of January 31, 2015, the Company was committed, pursuant to a subscription agreement, to issue 100,000 non-flow-through units for gross proceeds received of $8,500. Each unit consists of one non-flow-through common shares and one common shares purchase warrants exercisable at $0.11 for a period of two years.

In addition, as of January 31, 2015, the Company was committed, pursuant to a subscription agreement, to issue 200,000 flow-through common shares for gross proceeds received of $20,000. Each flow through unit is comprised of one flow-through common share and one common share purchase warrant exercisable $0.15 for a period of two years.

Cash finders fees of $2,280 were paid in connection with the foregoing private placements.

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7. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the financial statements during the periods ended January 31, 2015 and 2014, as follows:

		2015		2014
Management fees expense:				
Management fees were charged by the Chief Executive Officer and a company controlled by him for corporate and strategic management services	$	30,000	$	24,000
Management fees were charged by the Chief Financial Officer for financial management services	$	15,000	$	15,000
Consulting fees expense:				
Consulting fees were charged by a director and Chief Marketing Officer and a former director for corporate governance and marketing services	$	21,000	$	35,500
Deferred exploration and evaluation costs:				
Technical and geological consulting fees were charged by the Sr. Vice-President and director	$	30,000	$	-
Geological and technical consulting fees were charged by an officer and the former Chief Executive Officer	$	15,000	$	30,000

As at January 31, 2015, accounts payable and accrued liabilities include $42,599 (2014- $7,649) 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 period ended January 31, 2015 amounted to $111,000 (2014- $59,000).

Refer to note 6 for additional related party information.

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

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8. RESTRICTED CASH:

The Company is committed to spend $727,473 (October 31, 2014- $344,383), being the remaining proceeds of flow-through share issuances resulting from private placements (see note 12) completed through fiscal 2014 and the three months ended January 31, 2015.

9. CAPITAL MANAGEMENT:

The Company considers its capital to include components of shareholders' equity, which is comprised of share capital, units and shares to be issued, reserve for warrants, reserve for share-based payments, contributed surplus and deficit, which as at January 31, 2015 amounted to $2,325,618 (October 31, 2014 – $1,405,092).

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, 2015. 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.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

Overview (continued)

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.

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, tax credits and credit on duties receivable, unit subscription receivable, due from DNI Metals Inc. and HST and QST receivable. 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, 2015, the Company's maximum credit exposure amounts to $265,540 (October 31, 2014 - $266,045).

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, 2015, the Company's working capital amounted to $41,075 (October 31, 2013– $252,648). 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, 2015.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

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.

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, 2015	January 31, 2014
Net loss before income taxes	($ 332,474)	($ 76,079)
Expected income tax recovery at the combined Federal and Provincial statutory tax rate of 26.5% (2014 – 25%)	(88,106)	(19,020)
Difference resulting from:		
Deductable share issue costs	(4,621)	-
Reversal of flow-through premium liability	-	(8,175)
Temporary differences not recorded	92,727	27,195
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, 2015 – 26.5% and January 31, 2014 – 25%) to which no deferred tax has been recognized have been applied at January 31, 2015 and January 31, 2014, as follows:

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11. INCOME TAXES (continued):

b) (continued)

	January 31, 2015	January 31, 2014
Deferred tax assets (liabilities)		
Non-capital loss carryforward	$ 727,217	$ 301,219
Exploration and evaluation assets	(364,115)	(181,360)
Share issue costs	62,302	8,191
	425,404	128,050
Less: Net deferred tax asset not recognized	(425,404)	(128,050)
Net deferred income tax asset	-	-

c) As of January 31, 2015, the Company has non-capital losses in Canada of approximately $2,744,216 available for deductions against future taxable income, the balances of which will expire as follows:

Year	Amount
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	902,121
2035	343,792
	$ 2,744,216

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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, 2015	October 31, 2014
Balance, beginning of period	$ -	$ 64,369
Liability incurred on flow-through shares issued	-	-
Settlement of flow-through share liability on incurring expenditures	-	(64,369)
Balance, end of period	$ -	$ -

As of January 31, 2015, the Company had fulfilled its flow-through exploration expenditure commitment 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, 2015, the Company had fulfilled its flow-through exploration expenditure commitment 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.

As of January 31, 2015, the Company had fulfilled its flow-through exploration expenditure commitment in regards to the August 2014 flow-through private placement consisting of 400,000 flow-through units at $0.10 per unit (see note 6 (a) and (d)) by December 31, 2015.

As of January 31, 2015, the Company was committed to spend $768,177 and incur $729,795 in regards to the November 2014 flow-through private placement consisting of 7,750,000 flow-through units at $0.10 per unit (see note 6 (a)) by December 31, 2015.

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.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-bank Rule, in accordance with Canadian taxation authorities flow-through regulations. When applicable, this tax is accrued as PartXII.6 expense until paid.

13. SUPPLEMENTARY CASH FLOW INFORMATION:

	Three months ended January 31, 2015	Three months ended January 31, 2014
Common shares issued for exploration and evaluation assets	$ 550,000	$ 20,500
Fair value of warrants issued in private placements and finders warrants	$ 305,523	$ 171,134
Fair value of warrants reclassified from reserve for warrants to share capital on exercise of finders warrants	$ -	$ 706

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14. COMMITMENTS AND AGREEMENTS:

a) During 2014, 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, the Company was contracted to pay $5,000 per month for a term of twelve months. In addition, Investor Cubed was to be granted stock options to purchase 400,000 shares of Great Lakes Graphite Inc. (Formerly Shield Gold Inc.) at a price of $0.10 per share. The options were to have vested quarterly over a period of one year; however, the contract was terminated early and therefore only 80,000 stock options were issued with a fair value of $4,864. These stock options were valued using the Black Scholes model as the fair value of the consulting services was not readily available. The foregoing stock options were valued using the following assumptions:

Share price	$ 0.07
Risk-free rate	1.25%
Expected volatility based on historical volatility	183.48
Expected life of the option	5 years
Expected dividend yield	0%

b) 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 (paid), which was due on singing of the agreement and 10 monthly payments of $1,837 each thereafter (paid).

c) On May 15, 2014, the Company entered into a strategic alliance with Valterra Resource Corporation ("Valterra") with respect to the development, production and marketing of the graphite product from Valterra's Bobcaygeon graphite property (the "Bobcaygeon Project") in Ontario. The alliance has an initial term of three years during which the Company will provide consulting services to Valterra, utilizing its specialized personnel, to assist in the development of the project inclusive of assistance in raising development funds. In consideration of the agreement, the Company will receive consulting fees for the provision of its services and Valterra agrees to negotiate and conclude a first right of refusal agreement in favour of the Company to acquire the Bobcaygeon Project for a period of three years.

d) On June 6, 2014, the Company entered into a consulting agreement with Darioush Capital Corp. ("Darioush") whereby Darioush will assist the Company to identify strategic partners and to assist in building a marketing and strategic development plan for growth and potential revenue producing opportunities. The term is guaranteed for a six month period and is renewable on a month to month basis thereafter.

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14. COMMITMENTS AND AGREEMENTS (continued):

d) (continued)

On June 6, 2014, the Company entered into a consulting agreement with Darioush Capital Corp. ("Darioush") whereby Darioush will assist the Company to identify strategic partners and to assist in building a marketing and strategic development plan for growth and potential revenue producing opportunities. The term is guaranteed for a six month period and is renewable on a month to month basis thereafter.

In consideration for the foregoing services, the Company agreed to paid a monthly consulting fee of $7,000; however, the Company has the right to settle the foregoing monthly consulting fees in common shares of the Company at a deemed value of $0.10. Further, 420,000 options exercisable at $0.05 were agreed to be issued upon execution of the agreement.

In addition, in the event the Company completes an acquisition introduced by Darioush, a success fee would be payable in cash at the greater of i) 2% of the transaction consideration paid to the target or its shareholders or ii) $250,000. Subsequently, the above noted agreement was terminated and therefore a settlement amount of $42,000 became due pursuant to the terms of the agreement. The Company discharged the foregoing debt by issuing 420,000 common shares with a fair value of $37,800 at the date of the transaction. Accordingly, a gain of $4,200 was recognized in the statement of net loss and comprehensive loss on termination of the agreement in 2014.

In addition, during 2014, the Company issued 280,000 common shares of the Company for consulting and finders fees relevant to certain private placements completed by the Company. The fair value of the shares amounted to $23,800.

e) On July 8, 2014, the Company entered into a consulting agreement with First Canadian Capital Corp. ("First Canadian"); whereby, First Canadian will act as a consultant to provide strategic marketing and investor relations services to raise the Company's profile within the investment community. First Canadian will initiate and maintain ongoing dialogue with retail brokers, analysts, portfolio managers and media groups to positively enhance market awareness of the Company.

In consideration for the foregoing services, the Company agreed to pay a monthly consulting fee of $6,000. The first 3 months fees amounting to $18,000 (paid) were due on execution of the agreement. Further, 350,000 incentive stock options at an exercise price of $0.10 were granted upon execution of the agreement. Subsequently, the agreement was terminated resulting in only 175,000 stock options vesting with a fair value of $3,500. These stock options were valued using the Black Scholes model as the fair value of the consulting services was not readily available. The foregoing stock options were valued using the following assumptions:

Share price	$ 0.08
Risk-free rate	0.998%
Expected volatility based on historical volatility	190.81%
Expected life of the option	0.34 years
Expected dividend yield	0%

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15. SUBSEQUENT EVENTS:

a) On March 11, 2015, the Company entered into a facilities use agreement with Northfil Resources Limited ("NRL") for the use of the plant and certain equipment located at the plant owned by NRL on Vimy Ridge Road, Matheson, Ontario for the purpose of micronizing graphite (the "Agreement").

The Agreement has a term commencing on March 11, 2015 and ending on December 31, 2019. The Company has the ability to extend the term of the Agreement by an additional five years by providing NRL notice prior to January 1, 2019.

In consideration for the use of the equipment and plant facilities, the Company is committed to pay the following usage and access fees:

(i) $15,000 payable on execution of the Agreement for the first term of the Agreement ending December 31, 2015;

(ii) $60,000 payable in monthly installments of $5,000 for the second term of the Agreement ending December 31, 2016;

(iii) $300,000 payable in monthly installments of $25,000 for the third term of the Agreement ending December 31, 2017; provided however, if the Company processes more than 5,660 tonnes of graphite feed material at the plant during such year, the Company shall pay NRL an additional usage and access fees equal to $53 for each such tonne processed in excess of the foregoing threshold. The additional fees are due 90 days following the end of the third term;

(iv) $500,000 payable in monthly installments of $41,667 for the fourth term of the Agreement ending December 31, 2018; provided however, if the Company processes more than 9,434 tonnes of graphite feed material at the plant during such year, the Company shall pay NRL an additional usage and access fees equal to $53 for each such tonne processed in excess of the foregoing threshold. The additional fees are due 90 days following the end of the fourth term;

(v) $500,000 payable in monthly installments of $41,667 for the fourth term of the Agreement ending December 31, 2019; provided however, if the Company processes more than 8,620 tonnes of graphite feed material at the plant during such year, the Company shall pay NRL an additional usage and access fees equal to $58 for each such tonne processed in excess of the foregoing threshold. The additional fees are due 90 days following the end of the fourth term;

The Company also agreed to make a minimum of $750,000 in capital improvements and refurbishments with respect to the plant facilities and equipment to be completed by no later than December 31, 2016. In addition, the Company is committed to pay all operating and maintenance costs associated with the plant facilities and equipment over the term of the Agreement.

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15. SUBSEQUENT EVENTS (continued):

b) On March 9, 2015, the Company entered into a graphite offtake agreement with DNI Metals Inc.; whereby, the Company intends on purchasing up to 500 metric tones in 2015; 3,500 metric tones in 2016; and 10,000 metric tones in 2016 through to 2019. The Company and DNI Metals Inc. have a common director and advisory board member.

   During the three months ended January 31, 2015, the Company advanced funds amounting to $31,780, in aggregate, to DNI Metals Inc. to assist DNI Metals Inc. in securing a graphite property located Brazil. The amounts advanced are interest free and due on demand. These amounts were repaid subsequent to quarter-end.

c) On February 12, 2015, the Company entered into a debt settlement agreement with Darioush Capital Corp. for an aggregate settlement amount of $130,000. The Company issued 2,600,000 common shares for settlement of the foregoing debt with a fair value of $104,000 resulting in a gain on settlement of $26,000.