GREAT LAKES GRAPHITE INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2015
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Great Lakes Graphite Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by the Company's auditors.

Great Lakes Graphite Inc.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

As at		July 31, 2015		October 31, 2014
ASSETS				
Current				
Restricted cash (Note 10)	$	191,479	$	32,755
Tax credits and credit on duties receivable		157,549		157,549
Unit subscriptions receivable (Notes 5(ii) and 5(vi))		6,900		6,900
HST and QST recoverable		90,803		68,841
Prepaid expenses		13,215		139,490
TOTAL ASSETS		459,946		405,535
Other Assets				
Exploration and evaluation assets (Note 3)		2,398,917		1,161,350
Leasehold Improvements (Note 12(ii))		310,585		-
		2,709,502		1,161,350
TOTAL ASSETS	$	3,169,448	$	1,566,885
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	543,220	$	161,793
Convertible debenture (Note 4)		362,140		-
		905,360		161,793
EQUITY				
Equity portion of convertible debt (Note 4)		248,749		-
Share capital (Note 5)		4,715,620		3,421,251
Units and shares to be issued (Note 5)		28,500		28,500
Reserve for warrants		1,650,954		700,487
Reserve for share-based payments		461,315		461,315
Contributed surplus		422,010		309,170
Deficit		(5,263,060)		(3,515,631)
		2,264,088		1,405,092
TOTAL LIABILITIES AND EQUITY	$	3,169,448	$	1,566,885

Nature of Business and Going Concern (Note 1)
Commitments and Agreements (Note 12)
Subsequent Events (Note 13)

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

Great Lakes Graphite Inc.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	**2015**	2014
EXPENSES				
Professional fees	**$ 77,305**	$ 10,369	**$ 92,875**	$ 43,848
Management and consulting fees (Note 9)	**275,480**	126,608	**558,314**	309,484
Severance payments (Note 5(b)(v))	**240,000**	-	**240,000**	-
Transfer agent, regulatory and filing fees	**11,100**	16,382	**29,712**	34,785
Corporate development and administration	**84,701**	39,252	**175,919**	101,461
Shareholder information	**18,383**	-	**138,808**	-
Insurance	**33,005**	-	**37,758**	6,091
Interest and bank charges	**647**	771	**2,258**	1,527
Share-based payments	**-**	46,604	**-**	49,795
Interest on convertible debt (Note 4)	**5,065**	-	**5,065**	-
Accretion on convertible debt (Note 4)	**5,367**	-	**5,367**	-
Operating loss before the following	**(751,053)**	(239,986)	**(1,286,076)**	(546,991)
Recognition of flow-through premium liability	**-**	31,668	**-**	64,369
Gain on settlement of debt (Note 5(iii))	**-**	4,200	**26,000**	4,200
Impairment of exploration and evaluation assets	**(487,353)**	(389,360)	**(487,353)**	(389,360)
NET LOSS AND COMPREHENSIVE LOSS	**$(1,238,406)**	$ (593,478)	**$(1,747,429)**	$ (867,782)
Basic and diluted loss per share (Note 8)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding - basic and diluted	**96,054,760**	43,171,936	**84,131,761**	41,478,728

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

Great Lakes Graphite Inc.
CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Equity Portion of Convertible Debt	Share Capital	Shares to be Issued	Warrant Reserve	Payment Reserve	Contributed Surplus	Deficit	Total
Balance, November 30, 2014	$ -	$3,421,251	$ 28,500	$ 700,487	$ 461,315	$ 309,170	$(3,515,631)	$ 1,405,092
Issued for cash under private placement	-	1,494,463	-	-	-	-	-	1,494,463
Fair value of warrants issued	-	(872,851)	-	1,010,664	-	-	-	137,813
Fair value of expired warrants	-	-	-	(112,840)	-	112,840	-	-
Share Issue cost - cash	-	(108,600)	-	-	-	-	-	(108,600)
Share issue cost - finders warrants	-	(52,643)	-	52,643	-	-	-	-
Issued on settlement of debt	-	284,000	-	-	-	-	-	284,000
Equity portion of convertible debt	248,749	-	-	-	-	-	-	248,749
Issued for exploration and evaluation assets	-	550,000	-	-	-	-	-	550,000
Net loss for the period	-	-	-	-	-	-	(1,747,429)	(1,747,429)
Balance, July 31, 2015	**$ 248,749**	**$4,715,620**	**$ 28,500**	**$ 1,650,954**	**$ 461,315**	**$ 422,010**	**$(5,263,060)**	**$ 2,264,088**

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

Great Lakes Graphite Inc.
CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Equity Portion of Convertible Debt	Share Capital	Shares to be Issued	Warrant Reserve	Share-based Payment Reserve	Contributed Surplus	Deficit	Total
Balance, November 30, 2013	$ -	$2,084,694	$ 14,500	$ 191,038	$ 293,313	$ 199,402	$(1,773,701)	$ 1,009,246
Issued for cash under private placement	-	1,074,825	375,275	-	-	-	-	1,450,100
Fair value of warrants issued	-	(278,831)	-	278,831	-	-	-	-
Issued on exercise of finders warrants for cash	-	2,400	-	-	-	-	-	2,400
Fair value of finders warrants on exercise	-	706	-	(706)	-	-	-	-
Issued on settlement of debt	-	37,800	-	-	-	-	-	37,800
Issued on settlement of debt on exercise of warrants	-	54,000	-	-	-	6,000	-	60,000
Fair value of warrants on exercise of warrants on settlement of debt	-	8,820	-	(8,820)	-	-	-	-
Fair value of warrants expired	-	-	-	(58,741)	-	58,741	-	-
Fair value of stock options issued for investor relations and consulting services	-	-	5,504	-	44,291	-	-	49,795
Fair value of stock options expired	-	-	-	-	(8,987)	8,987	-	-
Share issue cost - cash	-	(70,182)	-	-	-	-	-	(70,182)
Share issue cost - finders warrants	-	(15,511)	23,800	15,511	-	-	-	23,800
Issued for exploration and evaluation assets	-	395,500	19,500	-	-	-	-	415,000
Net loss for the period	-	-	-	-	-	-	(867,782)	(867,782)
Balance, July 31, 2014	$ -	$3,294,221	$ 438,579	$ 417,113	$ 328,617	$ 273,130	$(2,641,483)	$ 2,110,177

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

Great Lakes Graphite Inc.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

For the Nine Months Ended July 31,	2015	2014
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	**$ (1,747,429)**	$ (867,782)
Items not affecting cash:		
Recognition of flow-through premium liability	**-**	(64,369)
Share-based payments for consulting fees	**-**	49,795
Impairment of exploration and evaluation assets	**487,353**	389,360
Shares issued on settlement of debt	**284,000**	-
Accretion of convertible debenture	**5,367**	-
Accrued interest on convertible debenture	**5,065**	-
Gain on settlement of debt	**(26,000)**	-
Net change in non-cash working capital:		
HST/QST recoverable	**(21,962)**	(56,842)
Prepaid expenses	**126,275**	(252,700)
Accounts payable and accrued liabilities	**167,615**	172,242
	(719,716)	(630,296)
INVESTING ACTIVITIES		
Exploration and evaluation assets	**(946,838)**	(482,079)
Restricted cash	**(158,724)**	(52,700)
Leasehold improvements	**(310,585)**	-
	(1,416,147)	(534,779)
FINANCING ACTIVITIES		
Proceeds from units to be issued	**-**	153,850
Proceeds from exercise of finders warrants	**-**	2,400
Issuance of common shares, net of share issuance costs	**1,385,863**	1,008,825
Proceeds from convertible debenture	**750,000**	-
	2,135,863	1,165,075
CHANGE IN CASH	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-
CASH, END OF PERIOD	**$ -**	$ -

SUPPLEMENTARY CASH FLOW INFORMATION:

	2015	2014
Common shares issued for settlement of accounts payable	**$ 284,000**	$ 102,000
Fair value of warrants issued	**$ 1,494,463**	$ 278,831
Common shares issued for exploration and evaluation assets	**$ 550,000**	$ 395,500
Prepaid financing costs relevant to private placements closed subsequent to period end	**$ -**	$ 55,467
Unit subscriptions receivable relevant to units issued during the period	**$ -**	$ 66,000
Unit subscriptions receivable relevant to units to be issued	**$ -**	$ 221,425

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

1. NATURE OF BUSINESS AND GOING CONCERN

Great Lakes Graphite Inc. (the "Company") is an industrial minerals company focused on bringing carbon properties and products to a well defined market through a vertically integrated supply chain. 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". 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 1000-36 Toronto Street, Toronto, Ontario, M5C 2C5.

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 $1,742,429 (nine months ended July 31, 2014 - $867,782) in the nine months ended July 31, 2015. As at July 31, 2015, the Company has an accumulated deficit of $5,258,060 (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.

To the Company's knowledge, as at the date hereof, there are no individuals or entities who beneficially own, or control or direct, directly or indirectly, more than 10% of the Company's common shares in accordance with insider filings on SEDI. To the Company's knowledge, the Company's common shares are widely held.

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2014.

These condensed interim financial statements were authorized for issuance by the Board of Directors of the Company on September 30, 2015.

2. ACCOUNTING POLICIES (Continued)

Basis of Presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Adoption of new Accounting Pronouncements

The following standards were adopted during the nine months ended July 31, 2015:

i) IAS 32 Financial Instruments: Presentation provides clarification on the application of offsetting rules. The Company adopted this standard on November 1, 2014, with no impact on the Company's condensed interim financial statements.

ii) 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. The Company adopted this standard on November 1, 2014, with no impact on the Company's condensed interim financial statements.

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's condensed interim financial statements.

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and in its final form in June 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. The Company intends to adopt the standard on its effective date.

(ii) In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

(EXPRESSED IN CANADIAN DOLLARS)

3. EXPLORATION AND EVALUATION ASSETS

Accumulated exploration and evaluation assets have been incurred as follows:

	Balance, November 1, 2014	Acquisition	Exploration	Recoveries	Impairment	**Balance, July 31, 2015**
Summit-Gaber (i)	$ 487,354	$ -	$ -	$ -	$ (487,354)	**$ -**
Buckingham	-	-	-	-	-	**-**
Lochaber	673,996	750,000	974,921	-	-	**2,398,917**
	$ 1,161,350	**$ 750,000**	**$ 974,921**	**$ -**	**$ (487,354)**	**$ 2,398,917**

	Balance, November 1, 2013	Acquisition	Exploration	Recoveries	Impairment	**Balance, October 31, 2014**
Summit-Gaber	$ 469,354	$ 18,000	$ -	$ -	$ -	**$ 487,354**
Buckingham	277,242	2,000	78,411	-	(357,653)	**-**
Lochaber	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**

For a full description of the Company's exploration and evaluation assets, and the associated commitments therein, please see Note 5 of the Company's October 31, 2014 audited financial statements.

(*i*) On July 28, 2015, the Company announced its intention to relinquish the option agreement with Eloro Resources for the Summit-Gaber property. In order to address the obligations under the agreement and to leave the joint venture property in good standing, the Company has made a proposal to the Eloro to leave the Joint Venture property in good standing and to settle a debt of $28,912 for services rendered to the Company in exchange for the issuance of common shares in the capital of the Company (‘Common Share’) at a price of $0.107 per Common Share (for an aggregate issuance of 270,000 Common Shares). This transaction is subject to TSX approval. Accordingly, the carrying value of this property has been written down by $487,354 to $Nil as of July 31, 2015.

(EXPRESSED IN CANADIAN DOLLARS)

4. CONVERTIBLE DEBENTURE

On June 25, 2015, the Company entered into an agreement with F2 Capital of Lincoln, Massachusetts to provide project funding for the recommissioning of the Matheson Graphite Micronization Facility. The financing has been structured as a debenture (the “Note”) that provides the Company with debt financing of $750,000.

The terms of the Note with F2 Capital are: an interest rate of 8.5% per annum, for a term of four years; a 4% Gross Overriding Royalty on the first 30,000 tonnes produced from the micronization plant; the option of either the Company or the lender to convert the principal amount under the Note into common shares of GLK at a conversion price of $0.10. In addition, the lender has also been issued 1,875,000 warrants, with each warrant exercisable into a common share of the Company at an exercise price of $0.10 per share for a period of four years.

As the debenture was considered to be a compound financial instrument, the liability component and the equity components (the conversion right) were presented separately, as determined at July 2, 2015 (date of issue), using the residual method. The liability component of $351,708 was determined by discounting the future stream of interest and principal repayments at the prevailing market rate of 20% for a comparable liability that does not have an associated equity component. The balance of $248,749 was allocated to the conversion option and is included in shareholders' equity in the Company's statement of financial position.

The debenture was being accreted to its face value at maturity over the term of the debt, plus accrued and unpaid interest by way of a charge to interest expense. The actual interest recorded for the three and nine months ended July 31, 2015 is $5,065. The accretion attributed to the convertible debenture for the three and nine months ended July 31, 2015 is $5,367, for a total interest and accretion expense attributable to the convertible debenture, recognized during the three and nine months of $10,432. These amounts have been recognized on the Company's statement of operations for the three and nine months ended July 31, 2015.

A summary of the above transaction is as follows:

Balance, liability component, October 31, 2014	$	-
Add: Present value of liability component, on date of issue (July 2, 2015)		351,708
Add: accretion charges for the peroid ended July 31, 2015		5,367
Add: interest on face value accrued for period ended July 31, 2015		5,065
Balance, liability component, July 31, 2015	$	362,140

In connection with this financing, 1,875,000 warrants, issued under the terms of the agreement were assigned an aggregate fair value of $137,813 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 178.78%, risk-free rate of return 0.68% and expected life of 4 years.

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL

(a) 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.

(b) ISSUED

	Shares		Amount
Balance - November 30, 2014	60,964,819	$	3,421,251
Issued for cash under unit private placements (i) (ii)	22,139,255		1,494,463
Fair value of warrants issued (i) (ii)	-		(872,851)
Share issue cost - cash (i) (ii)	-		(108,600)
Share issue cost - finders warrants (i) (ii)	-		(52,643)
Issued for exploration and evaluation assets (v)	10,000,001		550,000
Issued on settlement of debt (iii)	2,600,000		104,000
Issued on settlement severance obligation (vi)	2,000,000		180,000
Balance - July 31, 2015	**97,704,075**	**$**	**4,715,620**

	Shares		Amount
Balance - November 30, 2013	38,273,486	$	2,084,694
Issued for cash under unit private placements	11,053,334		1,074,825
Fair value of warrants issued	-		(278,831)
Issued on exercise of finders warrants	48,000		2,400
Fair value of finders warrants on exercise	-		706
Issued on settlement of debt	420,000		37,800
Issued on settlement on exercise of warrants	600,000		54,000
Fair value of warrants on exercise of warrants on settlement of debt	-		8,820
Share issue cost - cash	-		(70,182)
Share issue cost - finders warrants	-		(15,511)
Issued for exploration and evaluation assets	5,174,999		395,500
Balance - April 30, 2014	**55,569,819**	**$**	**3,294,221**

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

i) In November 2014, the Company completed a private placement and issued 7,750,000 flowthrough 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 this private placement 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 placement	$282,892
Fair value per warrant $ 0.037	

ii) On April 10, 2015, the Company completed a non-brokered private placement, issing 6,689,255 units units at a price of $0.05 per unit ("Unit") and 7,700,000 flow-through units ("Flow-through unit") at a price of $0.05 per unit for gross proceeds of $719,463. Each unit consists of one common share of the Company and one common share purchase warrant (the "Warrants"); each Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 for a period of 24 months from the date of closing. Each Flow-through unit consists of one flow-through eligible common share and one common share purchase warrant (the "FT Warrant"); each FT Warrant entitles the holder to purchase one additional common share at a price of $0.10 for a period of 24 months after closing. Of the $719,463 gross proceeds, $25,000 was received subsequent to period end.

In connection with the private placement, the Company paid a finder fee of $36,600 and issued 732,000 finders warrants exercisable for a period of 24 months from closing at $0.10 per finders warrant.

The fair value of the warrants issued in connection with this private placement were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$ 0.055
Risk-free rate	0.52%
Expected volatility based on historical volatility	183.93%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value of 6,689,255 warrants issued	$274,259
Fair value of 7,700,000 flow-through warrants issued	$315,700
Fair value of 732,000 finders warrants issued	$30,012
Fair value per warrant $ 0.0410	

iii) 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.

(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL (CONTINUED)

iv) During the nine months ended July 31, 2015, the company issued 10,000,001 common shares, ascribed a fair value of $550,000, in settlement of a property obligation pertaining to the Lochaber project.

v) On July 15, 2015, the Company issued 2,000,000 common shares, ascribed a fair value of $180,000, and issued cash payments of $60,000 under the terms of accordance severance agreements for Paul Ankcorn, the Company's former Chief Financial Officer, and John Siriunas, the Company's former Vice President - Exploration.

vi) As of July 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 July 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.

6. STOCK OPTIONS

The following table reflects the continuity of stock options for the nine months ended July 31, 2015 and 2014:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - November 1, 2014 and July 31, 2015	**4,534,094**	**$ 0.11**
Balance - November 1, 2013	3,211,633	$ 0.10
Granted	330,000	$ 0.10
Expired	(477,539)	$ 0.10
Balance - July 31, 2014	**3,064,094**	**$ 0.10**

The following table reflects the stock options outstanding as at July 31, 2015:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
August 27, 2019	$ 0.100	4.08 years	200,000
August 6, 2019	0.120	4.02 years	1,600,000
May 16, 2019	0.100	3.79 years	250,000
May 22, 2017	0.100	1.81 years	634,094
September 3, 2016	0.100	1.10 years	1,550,000
September 18, 2016	0.160	1.14 years	300,000
	$ 0.11	2.51 years	4,534,094

As at July 31, 2015, all of the 4,534,094 issued and outstanding stock options were fully vested and exercisable.

(EXPRESSED IN CANADIAN DOLLARS)

7. WARRANTS

The following table reflects the continuity of warrants for the nine months ended July 31, 2015 and 2014:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - November 1, 2014	24,440,942	$ 0.12
Issued pursuant to financings (Notes 4,5(i) and 5(ii))	24,014,255	$ 0.11
Finders warrants issued (Notes 5(i) and 5(ii))	1,352,000	$ 0.10
Expired	(7,724,200)	$ 0.10
Balance - July 31, 2015	**42,082,997**	**$ 0.12**

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - November 1, 2013	10,284,200	$ 0.11
Issued pursuant to private placements	11,053,334	$ 0.14
Finders warrants issued	507,208	$ 11.00
Warrants issued on exercise of finders warrants	48,000	$ 0.10
Warrants exercised	(600,000)	$ 0.10
Finders warrants exercised	(48,000)	$ 0.05
Expired	(1,960,000)	$ 0.15
Balance - July 31, 2014	**19,284,742**	**$ 0.12**

The following table reflects the warrants outstanding as at July 31, 2015:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding
December 24, 2015	$ 0.180	0.40 years	250,000
December 24, 2015	0.200	0.40 years	3,758,333
December 24, 2015	0.120	0.40 years	20,000
December 24, 2015	0.120	0.40 years	284,667
June 30, 2016	0.085	0.92 years	198,541
July 11, 2016	0.085	0.96 years	4,000
June 30, 2016	0.110	0.92 years	4,943,530
July 15, 2016	0.110	0.96 years	2,101,471
August 5, 2016	0.085	1.02 years	361,200
August 5, 2016	0.110	1.02 years	280,000
August 5, 2016	0.110	1.02 years	4,315,000
August 5, 2016	0.150	1.02 years	200,000
November 7, 2016	0.120	1.27 years	7,750,000
November 7, 2016	0.100	1.27 years	620,000
April 10, 2017	0.100	1.70 years	14,389,255
April 10, 2017	0.100	1.70 years	732,000
July 2, 2019	0.100	3.92 years	48,000
	$ 0.120	1.36 years	42,082,997

(EXPRESSED IN CANADIAN DOLLARS)

8. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the periods ended July 31, 2015 and 2014.

9. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the nine months ended July 31, 2015 and 2014:

For the Nine Months Ended July 31,		2015		2014
Management fees charged by the former Chief Financial Officer	**$**	**35,000**	$	45,000
Severance paid to the former Chief Financial Officer		**120,000**		-
Management fees charged by the current Chief Financial Officer		**8,000**		-
Management fees charged by the Chief Executive Officer and a company controlled by him		**90,000**		78,000
Consulting fees charged by the Chief Marketing Officer who is a Director		**63,000**		35,500
Geological consulting fees charged by Sr. Vice-President who is a Director		**90,000**		60,000
Geological consulting fees charged by an officer, who is the former Chief Executive Officer, and officers and a Director		**96,400**		96,000
	$	**502,400**	$	314,500

As at July 31, 2015, accounts payable and accrued liabilities include $83,030 (October 31, 2014 - $38,299) 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 nine months ended July 31, 2015 amounted to $502,400 (nine months ended July 31, 2014 - $314,500).

During the nine months ended July 31, 2015, the Company expensed $19,420 (nine months ended July 31 30, 2014 - $Nil) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:

(i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company, commencing June 1, 2015;
(ii) Bookkeeping and office support services;
(iii) Regulatory filing services
(iv) Corporate secretarial services

The Marrelli Group is also reimbursed for out of pocket expenses.

As of July 31, 2015, the Marrelli Group was owed $17,184 (October 31, 2014 - $Nil). These amounts are included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(EXPRESSED IN CANADIAN DOLLARS)

10. RESTRICTED CASH

The Company is committed to spend $178,256 (October 31, 2014 - $344,383), representing the remaining proceeds of flow-though share issuances resulting from private placements completed through fiscal 2014 and the nine months ended July 31, 2015.

11. FLOW-THROUGH SHARE LIABILITY

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

		April 30, 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 July 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 by December 31, 2014.

As of July 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 by December 31, 2014.

As of July 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 by December 31, 2015.

As of July 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 by December 31, 2015.

As of July 31, 2015, the Company was committed to spend $385,000 in regards to the April 2015 flow-through private placement consisting of 7,700,000 flow through units at $0.05 per unit by December 31, 2016.

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 Part XII.6 expense until paid.

12. COMMITMENTS AND AGREEMENTS

i) 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 fully repaid during the quarter ended April 30, 2015.

12. COMMITMENTS AND AGREEMENTS (Continued)

ii) 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 (paid)

(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. Costs incurred with respect to refurbishment are recorded as additions to leasehold improvements on the Company's statement of financial position, and will be subject to depreciation once production has commenced. As at July 31, 2015, $310,585 in refurbishment costs had been incurred.

13. SUBSEQUENT EVENTS

In September 2015 the Company was advised of a financial contribution of up to $30,000 from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) to help support graphite purification research and development at Process Research ORTECH, located in Mississauga, Ontario.

On July 30, 2015, the Company executed a letter of intent ("LOI") with Benton Capital Corp. ("Benton")(TSXV: BTC) to provide Benton with the right to acquire up to a 10% gross overriding royalty interest ("GOR") on the sale of micronized flake graphite and any other material processed or micronized by GLK's Innovations division ("GLI") at the micronization facility (the "Facility") located in Matheson, Ontario, 70km east of Timmins, Ontario.
Subject to regulatory approval, due diligence and execution of a Definitive Agreement, Benton has the right to acquire up to a 10% Gross Overriding Royalty by providing GLI with $800,000 in three tranches as follows:

- To earn 5% GOR, Benton will make an initial payment of $400,000 on execution of the Definitive Agreement;
- To earn 7.5% GOR, Benton will make an additional payment of $200,000 on or before September 15, 2015;
- To earn 10% GOR, Benton will make an additional payment of $200,000 on or before October 15, 2015.