

---

**GREAT LAKES GRAPHITE INC.**  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014  
(EXPRESSED IN CANADIAN DOLLARS)

---

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of Great Lakes Graphite Inc. (the "Company") were prepared in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the financial statements.

Management has established processes, which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the 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 years presented by the financial statements and (ii) the 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 years presented by the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the 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 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.

## Independent Auditors' Report

---

To the Shareholders of Great Lakes Graphite Inc.:

We have audited the accompanying financial statements of Great Lakes Graphite Inc., which comprise the statement of financial position as at October 31, 2015, and the statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Great Lakes Graphite Inc. as at October 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes the material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

### *Other Matter*

The financial statements of Great Lakes Graphite Inc. as at October 31, 2014 and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those financial statements dated March 2, 2015.

Toronto, Ontario  
February 29, 2016

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**  
LLP

**Great Lakes Graphite Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**

<b>As at October 31,</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current		
Restricted cash (Note 11)	\$ 389,876	\$ 32,755
Funds in trust (Note 6(ii))	146,461	-
Tax credits and credit on duties receivable	157,549	157,549
Unit subscriptions receivable (Note 7(iv))	-	6,900
HST and QST recoverable	126,649	68,841
Prepaid expenses	21,168	139,490
	<b>841,703</b>	<b>405,535</b>
Other Assets		
Exploration and evaluation assets (Note 5)	2,376,239	1,161,350
Leasehold Improvements (Note 17(ii))	546,177	-
	<b>2,922,416</b>	<b>1,161,350</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,764,119</b>	<b>\$ 1,566,885</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 867,937	\$ 161,793
Long-term		
Convertible debentures (Note 6(ii))	421,401	-
	<b>1,289,338</b>	<b>161,793</b>
<b>EQUITY</b>		
Equity portion of convertible debt (Note 6)	898,607	-
Share capital (Note 7)	4,646,382	3,421,251
Units and shares to be issued (Note 7(vi))	20,000	28,500
Reserve for warrants	1,866,336	700,487
Reserve for share-based payments	308,039	461,315
Contributed surplus	575,286	309,170
Deficit	(5,839,869)	(3,515,631)
	<b>2,474,781</b>	<b>1,405,092</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,764,119</b>	<b>\$ 1,566,885</b>

**Nature of Business and Going Concern** (Note 1)  
**Commitments and Contingencies** (Notes 11, 16 and 17)  
**Subsequent Events** (Note 18)

**Approved on Behalf of the Board:**

\_\_\_\_\_  
*"Paul Gorman"*  
**Director**

\_\_\_\_\_  
*"Greg Murphy"*  
**Director**

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

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

<b>As at October 31,</b>	<b>2015</b>	<b>2014</b>
<b>EXPENSES</b>		
Professional fees	\$ 295,402	\$ 80,687
Management and consulting fees (Note 12)	740,073	438,494
Severance payments (Note 7(v))	240,000	-
Part XII.6 tax	-	3,573
Transfer agent, regulatory and filing fees	33,307	40,006
Corporate development and administration	414,222	86,973
Shareholder information	141,170	229,147
Insurance	31,665	10,460
Interest and bank charges	2,897	2,046
Share-based payments	-	213,029
Interest on convertible debt (Note 6)	23,695	-
Accretion on convertible debt (Note 6)	1,701	-
<b>Operating loss before the following</b>	<b>(1,924,132)</b>	<b>(1,104,415)</b>
Gain on settlement of debt (Note 7(xix))	-	4,200
Impairment of exploration and evaluation assets (Note 5)	(507,603)	(706,084)
<b>Net loss before income taxes</b>	<b>(2,431,735)</b>	<b>(1,806,299)</b>
Deferred income tax recovery (Note 15)	107,497	64,369
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$(2,324,238)</b>	<b>\$(1,741,930)</b>
<b>Basic and diluted loss per share (Note 10)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares - outstanding - basic and diluted</b>	<b>87,570,344</b>	<b>47,080,823</b>

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

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

	Equity Portion of Convertible Debt	Share Capital	Shares to be Issued	Warrant Reserve	Share-based Payment Reserve	Contributed Surplus	Deficit	Total
Balance, October 31, 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	(8,500)	-	-	-	-	1,485,963
Fair value of warrants issued	-	(979,784)	-	979,784	-	-	-	-
Fair value of expired options	-	-	-	-	(153,276)	153,276	-	-
Fair value of expired warrants	-	-	-	(112,840)	-	112,840	-	-
Share Issue cost - cash	-	(108,600)	-	-	-	-	-	(108,600)
Share issue cost - finders warrants	-	(61,198)	-	61,198	-	-	-	-
Issued on settlement of debt	-	310,000	-	-	-	-	-	310,000
Equity portion of convertible debt	1,006,103	-	-	130,211	-	-	-	1,136,314
Deferred tax on convertible debt	(107,496)	-	-	107,496	-	-	-	-
Issued for exploration and evaluation assets	-	570,250	-	-	-	-	-	570,250
Net loss for the year	-	-	-	-	-	-	(2,324,238)	(2,324,238)
<b>Balance, October 31, 2015</b>	<b>\$ 898,607</b>	<b>\$4,646,382</b>	<b>\$ 20,000</b>	<b>\$ 1,866,336</b>	<b>\$ 308,039</b>	<b>\$ 575,286</b>	<b>\$(5,839,869)</b>	<b>\$ 2,474,781</b>

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

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

	Equity Portion of Convertible Debt	Share Capital	Shares to be Issued	Warrant Reserve	Share-based Payment Reserve	Contributed Surplus	Deficit	Total
Balance, October 31, 2013	\$ -	\$2,084,694	\$ 14,500	\$ 191,038	\$ 293,313	\$ 199,402	\$(1,773,701)	\$ 1,009,246
Issued for cash under private placement	-	1,461,600	28,500	-	-	-	-	1,490,100
Fair value of warrants issued	-	(537,764)	-	537,764	-	-	-	-
Issued for exploration and evaluation assets	-	413,500	(14,500)	-	-	-	-	399,000
Share-based payments	-	-	-	-	213,029	-	-	213,029
Shares issued for finders fees relevant to acquisition of exploration and evaluation assets	-	42,000	-	-	-	-	-	42,000
Shares issued for consulting services	-	23,800	-	-	-	-	-	23,800
Fair value of stock options issued for investor relations and consulting services	-	(9,069)	-	9,069	-	-	-	-
Issued on exercise of finders warrants for cash	-	2,400	-	-	-	-	-	2,400
Issued on settlement of debt on exercise of warrants	-	54,000	-	-	-	6,000	-	60,000
Fair value of finders warrants on exercise	-	9,527	-	(9,527)	-	-	-	-
Issued on settlement of debt	-	37,800	-	-	-	-	-	37,800
Share issue cost - cash	-	(130,353)	-	-	-	-	-	(130,353)
Share issue cost - finders warrants	-	(30,884)	-	30,884	-	-	-	-
Fair value of stock options expired or forfeited	-	-	-	-	(45,027)	45,027	-	-
Fair value of warrants expired	-	-	-	(58,741)	-	58,741	-	-
Net loss for the period	-	-	-	-	-	-	(1,741,930)	(1,741,930)
Balance, October 31, 2014	\$ -	\$3,421,251	\$ 28,500	\$ 700,487	\$ 461,315	\$ 309,170	\$(3,515,631)	\$ 1,405,092

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

**Great Lakes Graphite Inc.**  
**STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**For the Year Ended October 31,**

**2015**

**2014**

**CASH (USED IN) PROVIDED BY:**

**OPERATING ACTIVITIES**

Net loss for the year	\$ (2,324,238)	\$ (1,741,930)
Items not affecting cash:		
Share-based payments	-	213,029
Shares issued on settlement of debt	310,000	-
Accretion of convertible debenture	1,701	-
Gain on settlement of debt	-	(4,200)
Consulting fees	-	23,800
Impairment of exploration and evaluation assets	507,603	706,084
Recognition of flow-through liability	-	(64,369)
Deferred income tax recovery	(107,497)	-
Net change in non-cash working capital:		
HST/QST recoverable	(57,808)	(65,767)
Prepaid expenses	118,322	(130,879)
Accounts payable and accrued liabilities	708,931	74,592
	<b>(842,986)</b>	<b>(989,640)</b>

**INVESTING ACTIVITIES**

Exploration and evaluation assets	(1,152,242)	(493,766)
Restricted cash	(357,121)	128,159
Funds in trust	(146,461)	-
Leasehold improvements	(546,177)	-
	<b>(2,202,001)</b>	<b>(365,607)</b>

**FINANCING ACTIVITIES**

Proceeds from units to be issued	-	28,500
Proceeds from exercise of finders warrants	-	2,400
Issuance of common shares, net of share issuance costs	1,385,863	1,324,347
Proceeds from convertible debentures, net of costs	1,659,124	-
	<b>3,044,987</b>	<b>1,355,247</b>

**CHANGE IN CASH**

-

-

**CASH, BEGINNING OF YEAR**

-

-

**CASH, END OF YEAR**

\$ -

\$ -

**SUPPLEMENTARY CASH FLOW INFORMATION:**

Common shares issued for settlement of accounts payable	\$ 310,000	\$ 102,000
Fair value of warrants issued	\$ 1,278,689	\$ 278,831
Common shares issued for exploration and evaluation assets	\$ 570,250	\$ 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 financial statements.*



**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**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 \$2,324,238 (2014 - \$1,741,930) in the year ended October 31, 2015. As at October 31, 2015, the Company has an accumulated deficit of \$5,839,869 (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 2016 fiscal year. The Company plans to raise 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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") as of February 29, 2016.

These financial statements were authorized for issuance by the Board of Directors of the Company on February 29, 2016.

**Basis of Presentation**

These 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.

**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; value of the gross overriding royalty; and provision for deferred income tax, including the effects of flow-through shares.

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 7). 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 7)

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**2. BASIS OF PRESENTATION (Continued)**

**Critical Accounting Judgments and Estimates (Continued)**

*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 properties 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.

*Leasehold improvements* - The Company capitalizes facility improvement costs with respect to the Matheson facility which are to be amortized when production is commenced or the balance thereof written off should the Matheson facility be abandoned.

*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 15)

*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.

**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 loss and comprehensive loss. 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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 8. 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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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. No such obligations existed as at October 31, 2015 or 2014.

**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 loss and 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 convertible debt, 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 years ended October 31, 2015 and October 31, 2014.

**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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Current and Deferred Income Tax (Continued)**

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 and leasehold improvements, 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.

To determine whether a long lived 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 Statements of Loss and Comprehensive Loss. 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 Statements of Loss and Comprehensive Loss. 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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

a) Recognition (Continued)

*Fair Value Through Profit or Loss*

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

*Other Financial Liabilities*

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

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

b) Classification

<b>Financial Asset/Liability</b>	<b>Classification</b>
Restricted cash	Loans and receivables
Funds in trust	Loans and receivables
Unit subscriptions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Convertible debentures	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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

f) Fair Value Measurement

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

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

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

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

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

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The gross overriding royalty ("GOR") associated with the convertible debentures described in note 6 is classified as a level three financial instrument and is carried at fair value. As at October 31, 2015, the GOR had a fair value of \$nil. See Note 6.

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



**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Instruments (Continued)**

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.

**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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**4. ACCOUNTING PRONOUNCEMENTS**

**Adoption of new Accounting Pronouncements**

The following standards were adopted during the year ended October 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 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 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 financial statements.

- (i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and in its final form in July 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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**5. EXPLORATION AND EVALUATION ASSETS**

Accumulated exploration and evaluation assets have been incurred as follows:

	Balance, November 1, 2014	Acquisition	Exploration	Recoveries	Impairment	Balance, October 31, 2015
Summit-Gaber	\$ 487,354	\$ 20,250	\$ -	\$ -	\$ (507,604)	\$ -
Buckingham	-	-	-	-	-	-
Lochaber	673,996	750,000	952,243	-	-	<b>2,376,239</b>
	<b>\$ 1,161,350</b>	<b>\$ 770,250</b>	<b>\$ 952,243</b>	<b>\$ -</b>	<b>\$ (507,604)</b>	<b>\$ 2,376,239</b>

	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)	<b>673,996</b>
	<b>\$ 943,258</b>	<b>\$ 556,000</b>	<b>\$ 480,766</b>	<b>\$ (112,590)</b>	<b>\$ (706,084)</b>	<b>\$ 1,161,350</b>

**Summit-Graber 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.

Once the option had been exercised, the Company and Eloro Resources Ltd. intended on forming a joint venture for the purposes of further exploration and development of the Summit-Gaber Property. During 2013, 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, 2013 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.

On July 28, 2015, the Company relinquished its option for this property. In order to address the obligations under the agreement and to leave the joint venture property in good standing, the Company negotiated an agreement to leave the Joint Venture property in good standing through the issuance of 270,000 common shares in the capital of the Company, ascribed a fair value of \$20,250. As at October 31, 2015, the carrying value of this property had been written down by \$507,603 to \$nil.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**5. EXPLORATION AND EVALUATION ASSETS (Continued)**

**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 property vendor retained 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.

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.

**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:

<b>Date Due</b>	<b>Cash Payment (\$)</b>	<b>Shares</b>	<b>Exploration Expenditures (\$)</b>
September 11, 2012	7,000 (fulfilled)	nil	nil
September 11, 2012	nil	630,000(fulfilled)	nil
September 11, 2013	27,000 (fulfilled)	430,000 (fulfilled)	60,000 (fulfilled)
September 11, 2014	43,000 (fulfilled)	430,000 (fulfilled)	150,000 (fulfilled)
September 11, 2015	67,000 (fulfilled)	430,000 (fulfilled)	270,000 (fulfilled)
	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 was 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.

The payment terms, among other things, were amended on May 16, 2014, and further amended on September 22, 2014. Accordingly, in consideration for the interest, the Company is committed to the following:

- a) 5,000,000 common shares (issued in fiscal 2014) and a cash payment of \$100,000 (paid) upon execution of the amending agreement;
- b) 5,000,000 common shares (issued in fiscal 2015; 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 in fiscal 2015) upon the earlier of a Preliminary Economic Assessment, Pre-Feasibility or Feasibility Study on the Lochaber Graphite Deposit on or before January 30, 2015

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**5. EXPLORATION AND EVALUATION ASSETS (Continued)**

**Lochaber Property (Continued)**

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 in fiscal 2014.

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%.

**6. CONVERTIBLE DEBENTURES**

- i) 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 ("Note 1") that provides the Company with debt financing of \$750,000.

The terms of Note 1 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 gross sales price received by the Company on the first 30,000 tons produced from the micronization plant; the option of either the Company or the lender to convert the principal amount under Note 1 into common shares of GLK at a conversion price of \$0.10. The Company also has the option to convert the interest into common shares of the Company. 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 at October 31, 2015, the Gross Overriding Royalty was assigned a fair value of \$nil, given the inherent uncertainty of achieving commercial production.

As the debenture was considered to be an equity instrument, the face value of \$750,000, less costs of \$11,752 and \$137,813 allocated to warrants, has been allocated to the conversion option and is included in shareholders' equity in the Company's statement of financial position.

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: share price \$0.08 dividend yield 0%, expected volatility 178.78%, risk-free rate of return 0.68% and expected life of 4 years.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**6. CONVERTIBLE DEBENTURES (Continued)**

- ii) On October 20, 2015, the Company closed a convertible debenture financing to provide project funding for the recommissioning of the Matheson Graphite Micronization Facility. The financing raised gross proceeds of \$933,631, of which \$146,461 was held in trust by the Company's legal counsel. Subsequent to October 31, 2015, the funds in trust were transferred to the Company's main operating bank account. (Note 2)

The convertible debentures have the following terms: maturity date of September 15, 2019; an interest rate of 8.5% per annum, which will be accrued and become payable on maturity of the Note 2; 4% Gross Overriding Royalty on the first \$90,000,000 in revenues produced from the Matheson Micronization Facility; and, the option of the lenders to convert the principal amount under Note 2 into common shares of GLK at a conversion price of \$0.10. In addition, the convertible debenture holders have been issued a total of 2,334,078 warrants with each warrant exercisable into a common share of the Company at an exercise price of \$0.10 per share until September 15, 2019. In addition the Company incurred costs of issue of \$10,775 and issued 70,000 finder's 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 two years. As at October 31, 2015, the Gross Overriding Royalty was assigned a fair value of \$nil, given the inherent uncertainty of achieving commercial production.

As the debenture was considered to be a compound financial instrument, the liability component and the equity components (the conversion right and the warrants) were presented separately, as determined at October 20, 2015 (date of issue), using the residual method. The liability component of \$417,314 was determined by discounting the future stream of interest and principal repayments at the prevailing market rate of 32.5% for a comparable liability that does not have an associated equity component. The balance of \$502,280 was allocated to the conversion option and warrants using their relative fair values and are included in shareholders' equity in the Company's statement of financial position. A deferred tax liability of \$107,497 was recorded on the conversion option on the date of issue.

The debenture is 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 year ended October 31, 2015 is \$2,836. The accretion attributed to the convertible debenture for the year ended October 31, 2015 is \$1,701, for a total interest and accretion expense attributable to the convertible debenture, recognized during the year ended October 31, 2015 of \$4,088. These amounts have been recognized on the Company's statement of loss and comprehensive loss for the year ended October 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 (October 20, 2015)		417,314
Add: accretion charges for the period ended October 31, 2015		1,701
Add: interest on face value accrued for period ended October 31, 2015		2,386
<b>Balance, liability component, October 31, 2015</b>	<b>\$</b>	<b>421,401</b>

In connection with this financing, 2,334,078 warrants, issued under the terms of the agreement were assigned an aggregate fair value of \$96,633 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 169.33%, risk-free rate of return 0.75% and expected life of 3.9 years and its relative fair value to the conversion option.

In connection with this financing, 70,000 finders warrants, exercisable at \$0.10 for a period of 2 years from the date of issue were issued and were assigned an aggregate fair value of \$3,262 using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 169.01%, risk-free rate of return 0.55% and expected life of 2 years.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**7. 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 - October 31, 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)	-	(979,784)
Share issue cost - cash (i) (ii)	-	(108,600)
Share issue cost - finders warrants (i) (ii)	-	(61,198)
Issued for exploration and evaluation assets (iv)(vii)	10,270,001	570,250
Issued on settlement of debt (iii)	2,600,000	130,000
Issued on settlement severance obligation (v)	2,000,000	180,000
<b>Balance - October 31, 2015</b>	<b>97,974,075</b>	<b>\$ 4,646,382</b>

	Shares	Amount
Balance - October 31, 2013	38,273,486	\$ 2,084,694
Issued for cash under unit private placements (viii)(xiv)(xv), (xvi)(xvii)(xviii)	15,568,334	1,461,600
Fair value of warrants issued (viii)(xiv)(xv)(xvi)(xvii)(xviii)	-	(537,764)
Issued on exercise of finders warrants (xvi)	48,000	2,400
Issued for finders fees relevant to acquisition of exploration and evaluation assets (ix)(xv)	400,000	42,000
Issued on settlement of debt (xix)	420,000	37,800
Issued for consulting services (xviii)	280,000	23,800
Fair value ascribed to warrants issued for consulting services	-	(9,069)
Issued on settlement on exercise of warrants(xvii)	600,000	54,000
Fair value of warrants exercised	-	9,527
Share issue cost - cash (viii)(xiv)(xv)(xvi)(xvii)(xviii)	-	(130,353)
Share issue cost - finders warrants (viii)(xiv)(xv) (xvi)(xvii)(xviii)	-	(30,884)
Issued for exploration and evaluation assets (ix)(xv)	5,374,999	413,500
<b>Balance - October 31, 2014</b>	<b>60,964,819</b>	<b>\$ 3,421,251</b>

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**7. 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 620,400 finders warrants with a fair value of \$31,186. 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	\$389,825
Fair value per warrant	\$ 0.05

- ii) On April 10, 2015, the Company completed a non-brokered private placement, issuing 6,689,255 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.

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 \$130,000.



**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**7. SHARE CAPITAL (CONTINUED)**

- iv) During the year ended October 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 October 31, 2015, and 2014 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 \$680 were paid in connection with the above.

As of October 31, 2014, the Company was committed, pursuant to a subscription agreement, to issue 100,000 non-flow-through units for gross proceeds received of \$8,500, less \$1,600 in fees payable. 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. Subsequently, in fiscal 2015, the net consideration receivable of \$6,900 was not settled in negotiable funds resulting in a reversal of the obligation to issue shares and the associated subscription receivable.

- vii) On July 28, 2015, the Company relinquished its option for the Summit-Graber property. In order to address the obligations under the agreement and to leave the joint venture property in good standing, the Company negotiated an agreement to leave the Joint Venture property in good standing through the issuance of 270,000 common shares in the capital of the Company, ascribed a fair value of \$20,250.
- viii) 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

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**7. SHARE CAPITAL (CONTINUED)**

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

The fair value of the 3,758,333 warrants issued in connection with the above unit private placements in December 2013 were calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	\$ 0.085
Risk-free rate	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

In connection 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.

- x) 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	\$ 137,757
Fair value per warrant	\$ 0.0324

In connection 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.

- xi) 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:

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 per warrant	\$ 0.0317

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**7. SHARE CAPITAL (CONTINUED)**

xi) (Continued)

In connection 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.

xii) 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.

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 per warrant	\$ 0.0318

In connection 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.

xiii) On December 20, 2013, the Company completed a private placement and issued 250,000 units at a price of \$0.10 per unit for gross proceeds of \$25,000. Each unit is composed of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of \$0.18 per share for a period of 24 months from the date of issuance. 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 2013 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

xiv) 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.

xv) 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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**7. SHARE CAPITAL (CONTINUED)**

- xvi) 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.
- xvii) 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.
- xviii) 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.
- xix) 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 comprehensive loss in 2014.

**8. STOCK OPTIONS**

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.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**8. STOCK OPTIONS (Continued)**

The following table reflects the continuity of stock options for the years ended October 31, 2015 and 2014:

	<b>Number of Stock Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Balance - November 1, 2013	3,211,633	\$ 0.10
Granted	2,480,000	\$ 0.12
Expired, forfeited or cancelled	(1,157,539)	\$ 0.10
<b>Balance - October 31, 2014</b>	<b>4,534,094</b>	<b>\$ 0.11</b>
Expired, forfeited or cancelled	(1,682,354)	\$ 0.11
<b>Balance - October 31, 2015</b>	<b>2,851,740</b>	<b>\$ 0.11</b>

- i) 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 options	0.34 - 5 years
Expected dividend yield	0%
Fair value of share-based payment	\$ 213,029
Fair value per option	\$ 0.011 - \$ 0.16

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 estimate of the fair value of the goods and services received.

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

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Weighted Average Life Remaining</b>	<b>Options Outstanding</b>
August 6, 2019	\$ 0.120	3.77 years	1,100,000
May 16, 2019	0.100	3.54 years	250,000
May 22, 2017	0.100	1.56 years	276,740
September 3, 2016	0.100	0.84 years	1,150,000
September 18, 2016	0.100	0.88 years	75,000
	<b>\$ 0.11</b>	<b>2.28 years</b>	<b>2,851,740</b>

As at October 31, 2015, all of the 2,851,740 issued and outstanding stock options were fully vested and exercisable.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**9. WARRANTS**

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

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - November 1, 2013	10,284,200	\$ 0.11
Issued pursuant to private placements	15,568,334	\$ 0.13
Finders warrants issued	868,408	\$ 0.10
Warrants issued on exercise of finders warrants	48,000	\$ 0.10
Issued for consulting services	280,000	\$ 0.11
Finders warrants exercised	(648,000)	\$ 0.10
Expired	(1,960,000)	\$ 0.15
<b>Balance - October 31, 2014</b>	<b>24,440,942</b>	<b>\$ 0.12</b>
Issued pursuant to financings (Notes 6,7(i) and 7(ii))	26,348,333	\$ 0.11
Finders warrants issued (Notes 7(i) and 7(ii))	1,422,000	\$ 0.10
Expired	(7,724,200)	\$ 0.10
<b>Balance - October 31, 2015</b>	<b>44,487,075</b>	<b>\$ 0.12</b>

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

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding
December 24, 2015	\$ 0.180	0.15 years	250,000
December 24, 2015	0.200	0.15 years	3,758,333
December 24, 2015	0.120	0.15 years	20,000
December 24, 2015	0.120	0.15 years	284,667
June 30, 2016	0.085	0.67 years	198,541
July 11, 2016	0.085	0.70 years	4,000
June 30, 2016	0.110	0.67 years	4,943,530
July 15, 2016	0.110	0.71 years	2,101,471
August 5, 2016	0.085	0.76 years	361,200
August 5, 2016	0.110	0.76 years	280,000
August 5, 2016	0.110	0.76 years	4,315,000
August 5, 2016	0.150	0.76 years	200,000
November 7, 2016	0.120	1.02 years	7,750,000
November 7, 2016	0.100	1.02 years	620,000
April 10, 2017	0.100	1.44 years	14,389,255
April 10, 2017	0.100	1.44 years	732,000
July 2, 2019	0.100	3.67 years	48,000
September 15, 2019	0.100	3.88 years	2,334,078
October 20, 2017	0.100	1.97 years	70,000
	<b>\$ 0.120</b>	<b>1.26 years</b>	<b>44,487,075</b>

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**9. 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.

**10. BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. 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 years ended October 31, 2015 and 2014, as it would be anti-dilutive.

**11. RESTRICTED CASH**

The Company is committed to spend \$490,431 (October 31, 2014 - \$344,383), representing the remaining proceeds of flow-through share issuances resulting from private placements completed through fiscal 2015.

**12. RELATED PARTY TRANSACTIONS**

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

<b>For the year ended October 31</b>	<b>2015</b>	<b>2014</b>
Management fees charged by the former Chief Financial Officer	\$ 35,000	\$ 60,000
Severance paid to the former Chief Financial Officer	120,000	-
Management fees charged by the current Chief Financial Officer	14,000	-
Management fees charged by a company controlled by the Chief Executive Officer	120,000	108,000
Consulting fees charged by the Chief Marketing Officer who is a Director	84,000	112,999
Geological consulting fees charged by a company controlled by the Sr. Vice-President who is also a Director	102,000	85,000
Consulting fees charged by a company controlled by the Chief Operating Officer	116,200	-
Consulting fees charged by a company controlled by the Senior Vice-President of Sales	144,692	-
Geological and technical consulting fees charged by an officer and the former Chief Financial Officer	-	60,000
Technical exploration analysis fees charged by the Director of Technical Services	-	29,000
	<b>\$ 735,892</b>	<b>\$ 454,999</b>

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**12. RELATED PARTY TRANSACTIONS (Continued)**

As at October 31, 2015, accounts payable and accrued liabilities include \$85,433 (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, Chief Financial Officer, Chief Operating Officer and Sr. VP of Sales. Total compensation paid to the Company's key management personnel during the year ended October 31, 2015 amounted to \$704,892 (2014 - \$454,999).

During the year ended October 31, 2015, the Company expensed \$50,791 (year ended October 31, 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 October 31, 2015, the Marrelli Group was owed \$13,224 (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.

**13. 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 October 31, 2015 amounted to \$2,474,781 (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 2015. The Company is not subject to externally imposed capital requirements other than flow-through expenditure requirements.



**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Overview

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

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

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, funds in trust, and credit on duties receivable and unit subscription 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 October 31, 2015, the Company's maximum credit exposure amounts to \$693,886 (October 31, 2014 - \$190,304).

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 October 31, 2015, the Company had a working capital deficiency of \$26,234 (October 31, 2014 – positive working capital of \$243,742). 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 October 31, 2015.

**Market risk** – Market risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge their obligation.

**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 fixed rate nature of its financial instruments.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**15. Income Taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax is as follows:

	2015	2014
Loss before recovery of income taxes	\$ (2,431,735)	\$ (1,741,930)
Expected income tax recovery	(644,410)	(461,611)
Adjustments resulting from:		
Deductible share issue costs	-	(16,181)
Impairment of exploration and evaluation assets	-	187,112
Share-based payments	-	56,453
Other non-deductible items	21,629	1,265
Effect of flow-through renunciation	292,292	-
Non-deductible portion of meals and entertainment	621	8,598
Temporary differences not recorded	222,371	159,995
Income tax recovery reflected in the statement of operations	\$ (107,497)	(64,369)

**Deferred Income Taxes**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiary can utilize the benefits therefrom. Non-capital loss carry forwards expire as noted in the table below. Share issue costs will be fully amortized in 2019. The remaining deductible temporary differences may be carried forward indefinitely. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2015	2014
Non-capital losses carried forward	\$ 1,591,221	\$ 596,523
Share issue costs	183,750	-
Mineral resource property	(1,273,516)	(596,523)
Convertible debenture	(501,455)	-
Net deferred income tax asset	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

**Movement in Net Deferred Tax Liabilities**

Balance, beginning of year	\$ -	\$ 64,369
Recognized in loss and comprehensive loss	107,497	(64,369)
Recognized in equity	(107,497)	-
	\$ -	\$ -

**Unrecognized Deferred Tax Assets**

Non-capital losses	\$ 671,942	\$ 477,372
Share issue costs	72,063	47,843
	\$ 744,005	\$ 525,215

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**15. Income Taxes (Continued)**

The Company's Canadian non-capital income tax losses expire as follows:

2026	\$	109,644
2027		57,816
2028		99,020
2029		119,232
2030		174,641
2031		209,631
2032		318,688
2033		413,425
2034		902,121
2035		1,906,385
	\$	4,310,603

**16. FLOW-THROUGH SHARE LIABILITY**

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

<b>October 31,</b>	<b>2015</b>		<b>2014</b>
Balance, beginning of year	\$	-	\$ 64,369
Settlement of flow-through share liability on incurring expenditures		-	(64,369)
Balance, end of year	\$	-	-

As of October 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 October 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 October 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 October 31, 2015, the Company was committed to spend an additional \$195,431 to fulfill its obligation 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 October 31, 2015, the Company was committed to spend \$295,000 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-back Rule, in accordance with Canadian taxation authorities flow-through regulations. When applicable, this tax is accrued as Part XII.6 expense until paid.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**17. COMMITMENTS AND CONTINGENCIES**

- 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 tons in 2015; 3,500 metric tons in 2016; and 10,000 metric tons 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. The CEO of Great Lakes Graphite is a director of DNI Metals Inc.
- 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 year of the term of the Agreement. (paid)
- (ii) \$60,000 payable in monthly installments of \$5,000 for the second year of the term of the Agreement.
- (iii) \$300,000 payable in monthly installments of \$25,000 for the third year of the term of the Agreement; 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 year of the term of the Agreement.; 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 fifth year of the term of the Agreement.; 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 year of the term;

The total lease payments of the agreement have been expensed monthly over the life of the lease.

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 October 31, 2015, \$534,177 in refurbishment costs had been incurred. Then once complete, the leasehold improvement costs incurred will be amortized on a straight line basis, over the term of the underlying lease.

**Great Lakes Graphite Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

**17. COMMITMENTS AND CONTINGENCIES (Continued)**

- iii) 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. Subsequent to October 31, 2015, the Company began to receive the proceeds associated with this financial contribution.
- iv) The Company has been named as a defendant, along with Mike Coscia and Jerry Janik in a claim filed in the Ontario Superior Court in January 2015, and amended in September 2015, whereby Ontario Graphite Limited ("OGL") seeks from the Company damages of \$1,000,000, punitive and exemplary damages of \$1,000,000 and disgorgement of profits from the Company. OGL alleges that, in relation to the OGL's position that Mike Coscia and Jerry Janik breached certain non-solicitation, non-competition, and confidentiality clauses of their employment agreements with their former employer, OGL.

On February 19, 2016, the Ontario Superior Court of Justice (the "Court") released its decision regarding certain interlocutory injunctive relief that had been requested by Ontario Graphite Ltd. ("OGL") in its legal action against Mike Coscia, Jerry Janik and the Company. The legal claim was brought by OGL based on, among other things, non-compete agreements that existed with Mike Coscia and Jerry Janik when they were employed in management positions with OGL. In its decision, the Court found that the Company and OGL are competitors and thus granted injunctive relief with respect to Mr. Coscia and Mr. Janik's involvement with the Company. Specifically, the Court ordered that Mike Coscia, the Senior Vice President of Sales of the Company's Innovations division, not work for the Company for six (6) months and that Jerry Janik, the COO of the Company's Innovations division, not work for the Company for one (1) year. No injunction was granted against the Company prohibiting its activities at the Matheson facility and the Company is therefore allowed to continue all of its activities at the Matheson Micronization Facility. This is a provisional order only, and not finally decisive of the case. The Company believes this case is without merit, and continues to vigorously defend the action of which the order is part. Accordingly, no provision has been recorded in these financial statements.

**18. SUBSEQUENT EVENTS**

- i) On December 31, 2015, the Company closed a private placement offering ("The Offering") for 3,253,570 FT Units for total gross proceeds of \$229,750. The private placement was oversubscribed by 253,570 units and the Agents elected to exercise an over-allotment option to accommodate the additional demand. Each FT Unit consists of one flow-through common share (each, a "share") and one warrant (a "Warrant"). One warrant is exercisable into an additional common share of the Company ("Warrant Shares") for a period of up to 24 months from closing at a price of \$0.10 per Warrant Share.  

In connection with the private placement, the agents received a cash commission of \$18,220, equal to 8% of the gross sales of Units and FT Units under the Offering and received 260,826 non-transferable broker warrants, a quantity equal to 8% of the gross proceeds raised in The Offering.
- ii) On January 26, 2016, the Company granted 4,700,000 options to officers, directors, consultants and service providers. 4,100,000 of these options were granted to directors and officers of the Company and the balance of 600,000 options were granted to consultants and service providers. Each option has a five year term and is exercisable at \$0.10 per share.
- iii) On December 24, 2015, 4,313,000 warrants expired without exercise.