FLINDERS RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JULY 31, 2014

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	July 31, 2014 $	October 31, 2013 $
ASSETS			
Current assets			
Cash		7,259,087	11,438,553
GST/VAT receivables		316,923	106,141
Amounts receivable		1,185	27,331
Prepaid expenses and deposit		60,467	50,397
Total current assets		7,637,662	11,622,422
Non-current assets			
Property, plant and equipment	3	7,898,156	5,404,958
Exploration and evaluation assets	4	5,930,998	5,177,338
Reclamation deposit	5	83,815	85,266
Total non-current assets		13,912,969	10,667,562
TOTAL ASSETS		21,550,631	22,289,984
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		421,874	574,976
Non-current liabilities			
Provision for site restoration	5	4,571,078	3,873,138
Property acquisition obligation	4	430,509	386,692
Total non-current liabilities		5,001,587	4,259,830
TOTAL LIABILITIES		5,423,461	4,834,806
SHAREHOLDERS' EQUITY			
Share capital	6	25,383,844	25,228,188
Share-based payments reserve		3,272,610	2,995,583
Deficit		(12,529,284)	(10,768,593)
TOTAL SHAREHOLDERS' EQUITY		16,127,170	17,455,178
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,550,631	22,289,984

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on September 29, 2014 and are signed on its behalf by:

*/s/ **Blair Way***
Blair Way
Director

*/s/ **Nick DeMare***
Nick DeMare
Director

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

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months Ended July 31, 2014 $	Three Months Ended July 31, 2013 $	Nine Months Ended July 31, 2014 $	Nine Months Ended July 31, 2013 $
Expenses					
Accounting and administration		21,128	33,900	80,444	102,055
Accretion of provision for site restoration	5	22,851	24,126	68,553	63,688
Audit		-	2,976	43,187	47,009
Bank charges		1,036	792	3,262	3,352
Consulting		102,877	(194,417)	190,332	205,096
Corporate development		21,908	752	35,128	14,637
Depreciation		8,767	8,803	26,300	25,356
Equipment rentals and related		18,736	28,976	54,260	114,734
Fuel, electricity and utilities		18,767	25,495	67,017	93,486
General exploration		31,767	-	33,230	14,288
Interest		18,714	14,609	53,246	41,767
Investor relations		18,000	18,000	54,000	77,067
Legal		9,721	3,650	24,716	45,798
Management fees	7(a)	49,998	40,500	149,994	121,500
Office		35,064	29,846	91,609	92,431
Plant maintenance		101	6,025	17,590	29,394
Plant supplies and consumables		23,592	56,934	67,115	124,634
Regulatory		2,277	2,974	9,189	10,270
Rent		1,005	6,301	3,015	24,730
Repairs and maintenance		14,291	8,626	14,291	20,723
Salaries and benefits		93,687	166,234	249,290	493,522
Share-based compensation	6(d)	22,458	17,339	345,183	74,105
Shareholder costs		3,451	2,707	8,097	8,530
Transfer agent		6,697	6,076	9,434	12,469
Travel		47,778	23,711	123,102	149,758
		594,671	334,935	1,821,584	2,010,632
Loss before other items		(594,671)	(334,935)	(1,821,584)	(2,010,632)
Other items					
Interest and other income		31,394	43,350	104,099	147,494
Foreign exchange		(3,351)	(280)	(43,206)	(28,443)
		28,043	43,070	60,893	119,051
Net loss and comprehensive loss		(566,638)	(291,865)	(1,760,691)	(1,891,581)
Loss per share - basic and diluted		$(0.01)	$(0.01)	$(0.04)	$(0.04)
Weighted average number of common shares outstanding - basic and diluted		46,250,841	45,941,030	46,215,767	45,921,141

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

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended July 31, 2014				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance at October 31, 2013	46,198,230	25,228,188	2,995,583	(10,768,593)	17,455,178
Common shares issued for cash:					
- exercise of share options	162,500	80,000	-	-	80,000
- exercise of warrants	10,000	7,500	-	-	7,500
Transfer on exercise of share options	-	68,156	(68,156)	-	-
Share-based compensation	-	-	345,183	-	345,183
Net loss for the period	-	-	-	(1,760,691)	(1,760,691)
Balance at July 31, 2014	46,370,730	25,383,844	3,272,610	(12,529,284)	16,127,170

	Nine Months Ended July 31, 2013				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance at October 31, 2012	45,873,530	25,030,116	2,664,512	(7,288,614)	20,406,014
Common shares issued for cash:					
- exercise of share options	57,500	28,750	-	-	28,750
- exercise of warrants	10,000	7,500	-	-	7,500
Transfer on exercise of share options	-	35,794	(35,794)	-	-
Share-based compensation	-	-	74,105	-	74,105
Net loss for the period	-	-	-	(1,891,581)	(1,891,581)
Balance at July 31, 2013	45,941,030	25,102,160	2,702,823	(9,180,195)	18,624,788

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

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended July 31,	
	2014 $	2013 $
Operating activities		
Net loss for the period	(1,760,691)	(1,891,581)
Adjustments for:		
Accretion of provision for site restoration	68,553	63,688
Depreciation	26,300	25,356
Interest	53,246	41,767
Foreign exchange	(7,978)	7,098
Share-based compensation	345,183	74,105
	(1,275,387)	(1,679,567)
Changes in non-cash working capital items:		
Decrease in amounts receivable	26,146	2,491
(Increase) decrease in GST/VAT receivable	(210,782)	113,770
(Increase) decrease in prepaid expenses and deposit	(10,070)	8,452
Decrease in inventory	-	4,494
Decrease in accounts payable and accrued liabilities	(63,893)	(281,052)
	(258,599)	(151,845)
Net cash used in operating activities	(1,533,986)	(1,831,412)
Investing activities		
Additions to property, plant and equipment	(2,609,600)	(2,337,436)
Expenditures on exploration and evaluation assets	(123,380)	(234,744)
Net cash used in investing activities	(2,732,980)	(2,572,180)
Financing activity		
Issuance of common shares	87,500	36,250
Net cash provided by financing activity	87,500	36,250
Net change in cash	(4,179,466)	(4,367,342)
Cash at beginning of period	11,438,553	16,863,409
Cash at end of period	7,259,087	12,496,067

Supplemental cash flow information - See Note 9

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

1. Nature of Operations

The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company is a junior exploration company currently engaged in the development of its 100% owned Woxna Graphite Mine located in central Sweden. Work is ongoing, however, to date, insufficient information is available to determine whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain any additional funding that may be necessary to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

As at July 31, 2014 the Company had working capital of $7,215,788, non-current liabilities of $5,001,587 and an accumulated deficit of $12,529,284. The Company is currently completing the refurbishment and reactivation of the Woxna Graphite Mine and has developed a staged implementation plan for the commencement of operations. The staged plan spreads the capital costs over several years as sales contracts are established and permits lower production levels and costs until sales warrant capacity expansion. The Company has sufficient funding to implement the staged plan and meet anticipated levels of corporate administration and overheads for the ensuing twelve months. The Company's ability to continue as a going concern may be dependent upon the ability of the Company to obtain necessary financing to further develop its properties and to establish future profitable production. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended October 31, 2013.

Basis of Presentation

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.

Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Property, Plant and Equipment

Cost:	Vehicles $	Equipment and Tools $	Building $	Processing Plant $	Mine Development $	Total $
Balance at October 31, 2012	67,746	150,121	294,861	1,845,479	875,851	3,234,058
Additions	54,505	99,996	-	1,441,629	667,678	2,263,808
Balance at October 31, 2013	122,251	250,117	294,861	3,287,108	1,543,529	5,497,866
Additions	-	1,018,558	-	1,079,023	451,345	2,548,926
Balance at July 31, 2014	122,251	1,268,675	294,861	4,366,131	1,994,874	8,046,792
Accumulated Depreciation:						
Balance at October 31, 2012	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Depreciation	(24,399)	(22,316)	-	(24,004)	-	(70,719)
Balance at October 31, 2013	(33,050)	(24,331)	-	(35,527)	-	(92,908)
Depreciation	(18,224)	(19,576)	-	(17,928)	-	(55,728)
Balance at July 31, 2014	(51,274)	(43,907)	-	(53,455)	-	(148,636)
Carrying Value:						
Balance at October 31, 2013	89,201	225,786	294,861	3,251,581	1,543,529	5,404,958
Balance at July 31, 2014	70,977	1,224,768	294,861	4,312,676	1,994,874	7,898,156

4. Exploration and Evaluation Assets

	As at July 31, 2014			As at October 31, 2013		
	Acquisition Costs $	Deferred Exploration Costs $	Total $	Acquisition Costs $	Deferred Exploration Costs $	Total $
Sweden						
Woxna Graphite Mine	4,408,046	1,522,952	5,930,998	3,778,659	1,398,679	5,177,338

4. Exploration and Evaluation Assets (continued)

	$
Balance at October 31, 2012	5,535,476
Exploration costs:	
Consulting	402,482
Database analysis	64,486
Depreciation	1,129
Equipment rental	10,900
Exploration site costs	295
Field supplies	1,946
Freight	17,635
Salaries and benefits	94,297
Travel	4,773
	597,943
Acquisition costs:	
Adjustment to provision for site restoration	(956,081)
Balance at October 31, 2013	5,177,338
Exploration costs:	
Consulting	11,636
Crushing	39,664
Depreciation	893
Exploration site costs	3,910
Salaries and benefits	68,170
	124,273
Acquisition costs:	
Adjustment to provision for site restoration	629,387
Balance at July 31, 2014	5,930,998

The Company holds a 100% interest in the Woxna Graphite Mine, comprising four exploitation concessions, known as Kringel, Mattsmyra, Gropabo and Mansberg. The Woxna Graphite Mine is located in Ovanaker Municipality, Gavleborg County, central Sweden.

In 1993 Woxna Graphite AB ("Woxna"), a Swedish company now owned 100% by the Company, entered into agreements under which:

(i) it acquired the Kringel concession for an initial payment of SEK 150,000 and a further amount of SEK 4,000,000 ("property acquisition obligation") is to be paid upon the commencement of production from the Kringel concession; and

(ii) it acquired the Mattsmyra, Gropabo and Mansberg concessions for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions is to be paid upon commencement of production from these concessions.

Payments of the additional considerations are to be made to a Swedish governmental agency and will be based on annual production, at a rate of SEK 20 per metric ton processed, and is payable only if profits are generated from the individual concessions.

4. Exploration and Evaluation Assets (continued)

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringel concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. The discounted value is then accreted to the estimated future value over the period of the payment obligation. As at July 31, 2014 the Company applied a discount rate of 17% to expected future payments and has made the assumption that the obligation will be discharged in 2016 through 2017.

A continuity of the property acquisition obligation for the Kringel concession is as follows:

	$
Balance at October 31, 2012	306,446
Accretion of discounted cash flows	57,227
Foreign exchange adjustment	23,019
Balance at October 31, 2013	386,692
Accretion of discounted cash flows	53,246
Foreign exchange adjustment	(9,429)
Balance at July 31, 2014	430,509

No production has commenced on the Mattsmyra, Gropabo and Mansberg concessions and the additional payments are considered to be contingent amounts and will only be recognized as obligations when production commences on these concessions.

5. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringel concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 41,500,000 to be incurred over the next 24 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 1.58% (October 31, 2013 - 2.29%) and an inflation factor of 0.00% (October 31, 2013 - negative 0.10%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	$
Balance at October 31, 2012	4,753,187
Accretion	76,032
Revision of estimates	(1,271,451)
Foreign exchange adjustment	315,370
Balance at October 31, 2013	3,873,138
Accretion	68,553
Revision of estimates	(709,455)
Foreign exchange adjustment	1,338,842
Balance at July 31, 2014	4,571,078

As at July 31, 2014 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

5. Provision for Site Restoration (continued)

A reclamation deposit of $83,815 has been paid to the Gavleborg County Administration Board and has been accounted for as a non-current deposit. The reclamation deposit was placed as security for site restoration on the Kringel concession.

6. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

No equity financing were conducted by the Company during the nine months ended July 31, 2014 or fiscal 2013.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at July 31, 2014 and 2013 and the changes for the nine months ended on those dates is as follows:

	2014		2013	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance beginning of period	14,574,287	1.22	14,841,487	1.21
Exercised	(10,000)	0.75	(10,000)	0.75
Expired	(4,924,287)	2.15	-	-
Balance end of period	9,640,000	0.75	14,831,487	1.21

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at July 31, 2014:

Number	Exercise Price $	Expiry Date
9,640,000	0.75	February 22, 2015

During the nine months ended July 31, 2014 the Company extended the expiry date of the 9,640,000 warrants from February 22, 2014 to February 22, 2015. All other terms of the warrants remained the same.

See also Note 11(b).

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of up to five years.

During the nine months ended July 31, 2014 the Company granted 805,000 (2013 - 225,000) share options and recorded compensation expense of $313,942 (2013 - $61,500). In addition, during the nine months ended

6. Share Capital (continued)

July 31, 2014 the Company recorded compensation expense of $31,241 (2013 - $12,605) on the vesting of share options previously granted.

The fair value of share options granted and vested during the nine months ended July 31, 2014 and 2013 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2014	2013
Risk-free interest rate	1.01% - 1.28%	1.16% - 1.31%
Estimated volatility	72% - 121%	136% - 154%
Expected life	2 years - 3 years	2.25 years - 3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during the nine months ended July 31, 2014 was $0.46 (2013 - $0.30) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at July 31, 2014 and 2013 and the changes for the nine months ended on those dates is as follows:

	2014		2013	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance beginning of period	2,927,500	0.62	2,590,000	0.71
Granted	805,000	0.51	225,000	0.54
Exercised	(162,500)	0.49	(57,500)	0.50
Expired	(800,000)	0.69	-	-
Balance end of period	2,770,000	0.57	2,757,500	0.70

The following table summarizes information about the share options outstanding and exercisable at July 31, 2014:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
360,000	360,000	0.50	September 12, 2014
310,000	310,000	0.50	February 23, 2015
250,000	250,000	1.25	October 11, 2015
100,000	100,000	0.60	March 15, 2016
145,000	145,000	0.10	June 08, 2016
800,000	800,000	0.57	September 17, 2016
200,000	100,000	0.45	January 6, 2017
555,000	555,000	0.52	March 28, 2017
50,000	50,000	0.65	March 28, 2017
2,770,000	2,670,000		

See also Note 11(b).

7. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the nine months ended July 31, 2014 and 2013 the following amounts were incurred with respect to the Company's current and former Presidents and Chief Financial Officer ("CFO"):

	2014 $	2013 $
Management fees - President	149,994	-
Management fees - former President	-	121,500
Professional fees - CFO	2,500	-
	152,494	121,500

As at July 31, 2014, $2,500 (2013 - $13,500) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President of the Company which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at $16,666 per month, is payable. If the termination had occurred on July 31, 2014 the amount payable under the agreement would be $200,004.

(b) *Transactions with other Related Parties*

(i) During the nine months ended July 31, 2014 and 2013 the following amounts were incurred with respect to non-management directors of the Company:

	2014 $	2013 $
Professional fees	6,000	-

As at July 31, 2014, $6,000 remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the nine months ended July 31, 2014 the Company incurred $23,450 (2013 - $26,500) for services provided by Chase personnel, exclusive of the CFO, and $3,015 (2013 - $1,675) for rent. As at July 31, 2014, $5,020 (2013 - $5,670) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the nine months ended July 31, 2014 the Company incurred $5,953 (2013 - $52,108) for shared administration costs with public companies with common directors and officers. As at July 31, 2014, $1,025 (2013 - $7,285) remained unpaid and has been included in accounts payable and accrued liabilities.

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	July 31, 2014 $	October 31, 2013 $
Cash	FVTPL	7,259,087	11,438,553
Amounts receivable	Loans and receivables	1,185	27,331
Reclamation deposit	Loans and receivables	83,815	85,266
Accounts payable and accrued liabilities	Other liabilities	(421,874)	(574,976)
Property acquisition obligation	Other liabilities	(430,509)	(386,692)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amount for the property acquisition obligation approximates its fair value. The fair value is determined using a discounted cash flow approach based on the use of directly and indirectly observable inputs on reporting dates. A market rate of interest of 17% and payment dates of 2016 and 2017 were the assumptions. The Company's fair value of cash under the fair value hierarchy is measured using Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, reclamation deposit and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and reclamation deposit is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The following table is based on the contractual maturity dates of financial assets and liabilities and the earliest date on which the Company can be required to settle financial liabilities.

8. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at July 31, 2014				
	Carrying Amount $	Contractual Cash Flows $	Less than 3 Months $	1 - 5 Years $	Over 5 Years $
Cash	7,259,087	7,259,087	7,259,087	-	-
Amounts receivable	1,185	1,185	1,185	-	-
Reclamation deposit	83,815	83,815	-	-	83,815
Accounts payable and accrued liabilities	(421,874)	(421,874)	(421,874)	-	-
Property acquisition obligation	(430,509)	(632,144)	-	(632,144)	-

	Contractual Maturity Analysis at October 31, 2013				
	Carrying Amount $	Contractual Cash Flows $	Less than 3 Months $	1 - 5 Years $	Over 5 Years $
Cash	11,438,553	11,438,553	11,438,553	-	-
Amounts receivable	27,331	27,331	27,331	-	-
Reclamation deposit	85,266	85,266	-	-	85,266
Accounts payable and accrued liabilities	(574,976)	(574,976)	(574,976)	-	-
Property acquisition obligation	(386,692)	(643,320)	-	(643,320)	-

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At July 31, 2014, 1 Canadian Dollar was equal to SEK 6.33.

Balances are as follows:

	SEK	CDN $ Equivalent
Cash	1,482,388	234,185
Amounts receivable	1,714,183	270,803
Reclamation deposit	530,353	83,815
Accounts payable and accrued liabilities	(2,409,779)	(380,692)
Property acquisition obligation	(2,724,123)	(430,509)
	(1,406,978)	(222,398)

Based on the net exposures as of July 31, 2014 and assuming that all other variables remain constant, a 10% fluctuation the Canadian Dollar against the SEK would result in the Company's net loss being approximately $20,000 higher (or lower).

8. Financial Instruments and Risk Management (continued)

Capital Management

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 and exploration 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 development of the business. The Company defines capital that it manages as share capital and cash. 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.

9. Supplemental Cash Flow Information

During the nine months ended July 31, 2014 and 2013 non-cash activities were conducted by the Company as follows:

	2014 $	2013 $
Operating activities		
Depreciation	893	835
Provision for site restoration	629,387	(797,649)
Increase in accounts payable and accrued liabilities	253,569	14,721
	883,849	(782,093)
Investing activities		
Revisions of estimates on exploration and evaluation assets	(629,387)	782,093
Additions to property, plant and equipment	(253,569)	-
Expenditures on exploration and evaluation assets	(893)	-
	(883,849)	782,093
Financing activities		
Issuance of common shares	68,156	35,794
Share-based payments reserve	(68,156)	(35,794)
	-	-

10. Segmented Information

As at July 31, 2014, the Company was involved in the exploration and development of resource properties in Sweden, with corporate operations in Canada. The Company is in the exploration and development stage and accordingly, has no reportable segment revenues or operating results.

10. Segmented Information (continued)

The Company's total assets are segmented geographically as follows:

	As at July 31, 2014		
	Corporate Canada $	Mineral Operations Sweden $	Total $
Current assets	7,128,044	509,618	7,637,662
Property, plant and equipment	-	7,898,156	7,898,156
Exploration and evaluation assets	-	5,930,998	5,930,998
Reclamation deposit	-	83,815	83,815
	7,128,044	14,422,587	21,550,631

11. Events after the Reporting Period

(a) Effective August 28, 2014 the Company and Big North Graphite Corp. ("Big North"), a public company trading on the TSXV, entered into a binding letter agreement, under which the Company will acquire all of the issued and outstanding common shares of Big North by way of a plan of arrangement under the Business Corporations Act (British Columbia). Upon completion of the arrangement, Big North will become a wholly owned subsidiary of the Company.

Under the terms of the arrangement, Big North shareholders will receive one common share of the Company for each nine Big North common shares resulting in the issuance of approximately 9,000,000 shares by the Company in exchange for 81,000,000 Big North shares.

Closing of the acquisition will be subject to the completion of due diligence procedures, a definitive agreement incorporating the terms of the letter agreement and all standard closing conditions for a transaction of this nature including, without limitation, receipt of all required shareholder, court and regulatory approvals.

(b) Subsequent to the nine months ended July 31, 2014 the Company issued 70,000 common shares on the exercise of warrants and 380,000 common shares on the exercise of share options for total proceeds of $242,500.