TWIGG & COMPANY
CHARTERED ACCOUNTANTS

J.S. TWIGG B.Comm., C.A.
L.D. SAFINUK B. Comm., C.A
M. LINGARD B. Comm., C.A.

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K0L4

SAINT JEAN CARBON INC.
(Formerly Torch River Resources Ltd.)

Audited Financial Statements

for the years ended October 31, 2014 and October 31, 2013

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and the accompanying Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in *Note 3* to the financial statements.

To assist management in discharging these responsibilities, the Company maintains a system of procedures and internal controls which are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for preparation of accurate and timely financial information.

The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the financial statements and their conformity with IFRS.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through an Audit Committee. The Audit Committee has reviewed and discussed the financial statements, including the notes thereto, with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

"William Pfaffenberger "
William Pfaffenberger
President

"Paul Ogilvie"
Paul Ogilvie
Chief Executive Officer

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To the Shareholders of Saint Jean Carbon Inc.

We have audited the accompanying financial statements of Saint Jean Carbon Inc., which comprise the statements of financial position as at October 31, 2014, and October 31, 2013, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended October 31, 2014 and October 31, 2013, 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 audits. We conducted our audits 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 amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Saint Jean Carbon Inc., as at October 31, 2014 and October 31, 2013 and its results of operations and cash flows for the years ended October 31, 2014 and October 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to *Note 2 (c)* in the financial statements which describes the uncertainty related to Saint Jean Carbon Inc.'s ability to continue as a going concern. The conditions described in *Note 2 (c)* indicate the existence of a material uncertainty that may cast significant doubt about Saint Jean Carbon Inc.'s ability to continue as a going concern.

Twigg & Company

SASKATOON, SASKATCHEWAN
February 28, 2015

CHARTERED ACCOUNTANTS

SAINT JEAN CARBON INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

ASSETS		October 31, 2014		October 31, 2013
Current				
Cash and equivalents	$	1,524	$	94,006
Accounts receivable		-		77,440
Corporate income tax receivable		-		4,677
Prepaid expenses		13,701		15,306
		15,225		191,429
Restricted cash *(Note 12)*		41,000		41,000
Equipment *(Note 3 (f) & 6)*		25,755		32,194
Mineral exploration and evaluation assets *(Note 3 (b) & 7)*		2,427,924		3,006,731
	$	2,509,904	$	3,271,354
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	499,691	$	472,508
Convertible debentures *(Note 8)*		656,259		346,382
Other liabilities *(Note 13)*		80,000		-
		1,235,950		818,890
Convertible debentures *(Note 8)*		-		266,797
		1,235,950		1,085,687
SHAREHOLDERS' EQUITY				
Share capital *(Note 9)*		13,618,295		12,640,087
Equity component of convertible debentures *(Note 8)*		38,341		19,071
Contributed surplus		1,056,359		1,056,359
Deficit		(13,439,041)		(11,529,850)
		1,273,954		2,185,667
	$	2,509,904	$	3,271,354

Going concern *(Note 2(c)),* **Measurement uncertainty** *(Note 7)* and **Subsequent events** *(Note 17)*

See accompanying notes

On behalf of the Board of Directors

"Paul Ogilvie"
CEO

"Barry Pearson"
CFO

SAINT JEAN CARBON INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended October 31, 2014	Year ended October 31, 2013
Administrative costs		
Amortization	$ 6,439	$ 8,048
Bank and loan interest	218,311	50,248
Business development	79,822	64,000
Filing fees	12,720	16,728
General meetings	1,358	40,867
Internet and website	135	1,779
Investor relations	95,061	86,142
Management fees	332,977	553,919
Office expense	96,695	57,935
Professional fees	107,624	272,072
Property evaluation	42,731	86,927
Sales and marketing	164,525	346,625
Telecommunications	2,645	1,458
Transfer agent	5,375	3,313
Travel and promotion	7,945	13,387
Write-down of mineral property interests	879,790	1,067,310
Administrative costs for the year	2,054,153	2,670,758
Interest income	(444)	(478)
Gain (loss) on debts settled with equity instruments	(144,518)	-
Loss before income taxes	1,909,191	2,670,280
Deferred income tax provision (recovery)	-	-
Net loss and comprehensive loss for the year	1,909,191	2,670,280
Loss per share - basic and diluted	$ 0.024	$ 0.056
Weighted average number of shares outstanding - basic and diluted	80,874,295	47,868,181

SAINT JEAN CARBON INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Contributed Surplus	Share proceeds received in advance	Equity component of debenture	Deficit	Total
Balance at November 1, 2012	**38,494,993**	**11,272,533**	**1,056,359**	**40,000**	**-**	**(8,859,570)**	**3,509,322**
Private placements	13,035,714	445,000	-	-	19,071	-	464,071
Share issuance costs	-	(43,671)	-	-	-	-	(43,671)
Stock based compensation	-	-	-	-	-	-	-
Share proceeds received in advance	-	40,000	-	(40,000)	-	-	-
Shares issued to key management personnel	3,279,260	194,725	-	-	-	-	194,725
Debts settled in shares	3,511,904	315,000	-	-	-	-	315,000
Flow-through shares	-	4,000	-	-	-	-	4,000
Shares issued pursuant to property agreements	5,500,000	412,500	-	-	-	-	412,500
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,670,280)	(2,670,280)
Balance, October 31, 2013	**63,821,871**	**$ 12,640,087**	**$ 1,056,359**	**$ -**	**$ 19,071**	**$ (11,529,850)**	**$ 2,185,667**
Private placements	15,500,000	775,000	-	-	19,270	-	794,270
Share issuance costs	-	(62,478)	-	-	-	-	(62,478)
Stock based compensation	-	-	-	-	-	-	-
Conversion of convertible debenture *(Note 8 (b))*	1,250,000	93,750	-	-	-	-	93,750
Shares issued to key management personnel	-	-	-	-	-	-	-
Debts settled in shares	4,129,089	61,936	-	-	-	-	61,936
Flow-through shares	-	(80,000)	-	-	-	-	(80,000)
Shares issued pursuant to property agreements	7,000,000	190,000	-	-	-	-	190,000
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,909,191)	(1,909,191)
Balance, October 31, 2014	**91,700,960**	**$ 13,618,295**	**$ 1,056,359**	**$ -**	**$ 38,341**	**$ (13,439,041)**	**$ 1,273,954**

SAINT JEAN CARBON INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended October 31, 2014	Year ended October 31, 2013
Cash flows from (used in) the Operating Activity		
Net and comprehensive loss for the year	$ (1,909,191)	$ (2,670,280)
Items not involving cash:		
Stock based compensation	-	-
Non-cash share-based compensation	-	469,725
Amortization	6,439	8,048
Impairment of mineral properties	879,790	1,067,310
	(1,022,962)	(1,125,197)
Changes in non-cash working capital items:		
Accounts receivable	82,116	(57,021)
Prepaid expenses	1,605	(6,684)
Accounts payable	89,119	315,270
	(850,122)	(873,632)
Cash flow from (used in) financing activities		
Issuance of share capital	712,522	401,329
Proceeds from (repayment of) convertible debentures	156,100	632,250
	868,622	1,033,579
Cash flows from (used in) investing activities		
Acquisition of mineral properties and rights	(14,354)	(54,000)
Deferred exploration expenses	(96,628)	(62,356)
	(110,982)	(116,356)
Increase (decrease) in cash and cash equivalents	(92,482)	43,591
Cash and cash equivalents, beginning of year	94,006	50,415
Cash and equivalents, end of year	$ 1,524	$ 94,006
Cash and equivalents is comprised of:		
Cash	$ 1,314	$ 93,348
Short-term investments	210	658
	$ 1,524	$ 94,006
Supplemental cash flow disclosure:		
Shares issued for acquisition of property	190,000	412,500
Interest paid	218,311	50,248
Income tax paid	-	-

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Saint Jean Carbon Inc. (formerly Torch River Resources Ltd.) incorporated provincially in Alberta, and extra provincially Saskatchewan, Manitoba, Quebec and British Columbia has shares listed on the TSX Venture Exchange.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties or proceeds from disposition.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

On November 25, 2011, the Company consolidated its 69,989,990 old common shares, exchanging 2 (old) common shares for 1 (new) common share resulting in 34,994,993 new common shares outstanding.

On October 30, 2013 the Company changed its corporate name to Saint Jean Carbon Inc.

2. BASIS OF PRESENTATION AND GOING CONCERN

A) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by the Board of Directors on February 28, 2015.

B) Basis of presentation

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 5*.

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

C) Going concern

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

As at October 31, 2014, the Company had negative working capital of $1,220,725 and an accumulated deficit of $13,439,041. The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing. However, the current financial equity market conditions and the low price of the Company's common shares have caused the Company to balance the need for additional operating funds against the dilutive effect of issuing new common shares.

The amounts shown as mineral exploration and evaluation assets costs represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of these amounts is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policy set out in *Note 14.* The Company's presentation and functional currency is Canadian dollars.

b) Mineral exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. Expenditures incurred before the entity has obtained the legal rights to explore a specific area are expensed. Expenditures related to the development of mineral resources are not recognized as exploration and evaluation assets. Expenditures related to the development are accounted as an asset only when technical feasibility and commercial viability of a specific area are demonstrable and when recognition criteria of IAS 16, *Property, Plant and Equipment* or IAS 38 *Intangible Assets* are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All costs directly associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to the acquisition and exploration activities that can be associated with finding specific mineral resources, and do not include costs related to production, administrative expenses and other general indirect costs.

Costs related to the acquisition of mining properties and exploration and evaluation expenditures are capitalized by property until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified as mining assets under development. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss is then recognized.

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 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.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use of the asset. When the recoverable amount of an exploration and evaluation asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss.

The recoverable amount of exploration and evaluation assets depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The carrying amount of exploration and evaluation assets does not necessarily represent present or future values.

c) Impairment of non-financial assets

Property and equipment and mineral exploration and evaluation assets are regularly tested for recoverability, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In the case of mineral exploration and evaluation assets impairment reviews are carried out on a property by property basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of a mineral property exploration interest is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near expiry with no expectation of renewal, no further substantive expenditures are planned, exploration work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

d) Cash and equivalents

Cash equivalents consist of cash or highly liquid investments which are readily convertible into cash and subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis. The Company has designated cash as fair value though profit and loss. All gains are recognized in income in the period in which they arise.

e) Short-term investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains recognized in income.

f) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the declining balance basis at the following annual rates:

Computer equipment	45%
Field equipment	20%
Furniture, fixtures and office equipment	20%

One half of the above rates are used in the year of acquisition.

g) Investments and comprehensive income

Investments other than derivatives are classified as available-for-sale, and are measured at fair value, where applicable, or at an estimate of fair value. The resulting unrealized gains, net of applicable deferred income taxes, or losses, are included in other comprehensive income while realized gains, net of income taxes, or losses are included in the consolidated statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrealized gains and losses are recognized directly in other comprehensive income, except for other than temporary impairment losses, which are recognized in net earnings. Investments are reviewed on a regular basis to determine whether there has been a decline in value that is other than temporary. For the purpose of measuring any decline in value, the Company takes into account many factors related to each investment as well as all the factors that encompass, without being inclusive, a significant or prolonged decline in fair value, important financial distress of the issuer, a breach of contract, increasing risk of issuer's bankruptcy, and disappearance of an active market for the financial asset concerned. If it is determined that the security is not impaired, an other-than-temporary impairment shall be considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security will be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings.

h) Government assistance and tax credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

i) Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carry forwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, the Company's results of operations and financial position could be materially impacted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

k) Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods and services is readily determinable.

l) Share-based payments

The Company has a stock option plan that is described in *Note 9*.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is recognized as an expense over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also recognized as an expense over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized as an expense over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is determined by the Black-Scholes Option Pricing Model with assumptions for: weighted average risk-free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common Shares; and a weighted average expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

m) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to Common Shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

n) Share capital – flow through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions for such expenditures.

The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, the deduction of which flow through to the shareholders.

The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium ("other liability"), and is reversed into the statement of loss as a deferred tax recovery when the eligible expenditures are incurred. If the flow-through shares are not issued at a premium, a liability is not recorded.

o) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

4. NEW ACCOUNTING STANDARDS ADOPTED AND NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after October 1, 2013 or later years.

New standards, interpretations and amendments effective from October 1, 2013

The IASB issued new standards and amendments effective for, and adopted in the current year. The adoption of the following accounting policies had no impact on the Company's financial statements:

IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities

IFRS 10 builds on the existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards with IFRSs or US GAAP. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

New standards, interpretations and amendments not yet effective

IFRS 9 *Financial Instruments*

IFRS 9 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Management has not yet determined the potential impact that the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 2, *Share-based Payment*

In December 2013, the IASB amended IFRS 2. The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 24, Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel compensation. The amendments will only affect disclosures and are effective for annual periods beginning on or after January 1, 2014.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk to cause material adjustment to the carrying amounts of assets and liabilities recognized in these financial statements within the next financial year are discussed below:

Mineral exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of an expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Mineral exploration and evaluation expenditures
At each reporting period, assets, specifically exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Title to mineral property interests
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.

Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may differ materially from the amount included in the tax liabilities.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in *Note 9*.

6. PROPERTY AND EQUIPMENT

	Field Equipment	Accumulated Depreciation	Net Book Value
At November 1, 2012	$ 145,994	$ 105,752	$ 40,242
Additions/disposals	-	-	-
Depreciation	-	8,048	(8,048)
At October 31, 2013	**$ 145,994**	**$ 113,800**	**$ 32,194**
Additions/disposals	-	-	-
Depreciation	-	6,439	(6,439)
At October 31, 2014	**$ 145,994**	**$ 120,239**	**$25,755**

(Expressed in Canadian Dollars)

7. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has acquired certain mineral properties and rights, the costs of which are as follows:

	October 31, 2014		
Property	Property Acquisition Costs	Deferred Exploration Costs	Total
High Rock and Climpy	$ 15,000	$ 85,000	$ 100,000
Red Bird	420,000	-	420,000
Mount Copeland	331,779	693,472	1,025,251
Elden-Fort	37,473	-	37,473
Walker mine	563,045	158,585	721,630
Saint Jovite	53,919	7,880	61,799
Wallingford	53,891	7,880	61,771
	$ 1,475,107	$ 952,817	$ 2,427,924

	October 31, 2013		
Property	Property Acquisition Costs	Deferred Exploration Costs	Total
High Rock and Climpy	$ 15,000	$ 138,645	$ 153,645
Red Bird	747,500	162,843	910,343
Mount Copeland	331,779	693,472	1,025,251
Elden-Fort	138,226	266,110	404,336
Walker mine	462,500	46,656	509,156
Saint Jovite	2,000	-	2,000
Wallingford	2,000	-	2,000
	$ 1,699,005	$ 1,307,726	$ 3,006,731

A. High Rock and Climpy

The High Rock property and the Climpy property are gold prospects in northeast Manitoba located approximately eight kilometers apart and cover approximately 1,544 hectares. The High Rock property consists of nine mining claims covering 1,301 hectares and the Climpy property consists of one claim covering 243 hectares. The Company holds a 100% interest in all of the claims.

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

These claims do not include surface rights, but the use of such surface areas as may be required to carry out a mining operation can be obtained according to regulation. The claims have not been surveyed.

During the current year the Company has recorded a write down in the carrying value of this property of $53,760.

B. Red Bird

On July 8, 2005 the Company entered into an agreement with Red Bird Resources Ltd. ("Red Bird") whereby the Company will have an option to acquire a 100% interest in a molybdenum/copper property consisting of 840 hectares located in the Skeena Mining Division of the Central Coastal region of British Columbia.

The option is subject to a 2.5% net smelter royalty ("NSR") which shall be retained by the Optionor on the Property.

At May 31, 2008 the Company earned a 25% undivided interest in the property. Red Bird retains the sole right to negotiate future deals with third parties on 100% of the Red Bird Property.

During the current year the Company has recorded a write down in the carrying value of this property of $459,166.

C. Mount Copeland

On February 12, 2008, the Company entered into an agreement whereby the Company will have the option to acquire a 100% interest in a molybdenum/copper property consisting of two mineral claims covering a total of 730.112 hectares located in British Columbia.

The option is subject to a 2.75% net smelter royalty ("NSR") which shall be retained by the Optionor on the property.

In 2010 the Company acquired a 100% interest in the Mount Copeland property. Subsequent to the initial Mount Copeland option agreement the Company has increased the Mount Copeland property claims from two to eight. These eight claims now cover a total of 1,886.296 hectares.

D. Omineca/Elden-Fort

In April, 2010, the Company announced that it had signed an option agreement (the "Omineca Option Agreement") with a private vendor under which the Company may earn a 100% interest in the twelve mineral claims comprising 1,611.5 hectares located in the Omineca Mining Division, Specularite Lake, B.C.

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

Under the terms of the agreement, the Company shall earn up to a 100% interest in the Omineca Property by a one-time payment to the vendor in the amount of $10,000 (paid), spending up to $250,000 (expended) on work programs over a period of forty-two (42) months and issuing up to an aggregate of two million shares (issued) to the vendor over the same time period. As of October 31, 2011 the Company has fulfilled its obligations under this agreement and earned a 100% interest in these mineral claims.

Subsequent to the initial Omineca option agreement the Company has increased the Elden-Fort property claims from twelve to fourteen. These fourteen claims now cover a total of 1,873.631 hectares.

During the current year the Company has recorded a write down in the carrying value of this property of $366,864.

E. Walker mine

On August 19, 2013 the Company announced that it had closed an arm's length transaction to purchase the Walker mine. The property consists of 4 claims covering the past producing mine and 11 additional claims covering 9.02 square kilometres of land.

As part of the consideration for the transaction the Company was required to issue 5,500,000 common shares (issued), make a $5,000 payment on signing (paid), as well as a $45,000 payment on August 30, 2013 (paid). On the first anniversary of the closing of the transaction the Company issued a further 5,000,000 shares (issued).

F. Saint Jovite

On August 15, 2013 the Company announced that it had entered into a non-binding agreement with a non-arm's length party to acquire the Saint Jovite property. A $2,000 payment was made on signing the term sheet (paid). On January 16, 2014 the transaction closed with a $5,000 cash payment (paid) and the issuance of 1,000,000 shares (issued). An additional 500,000 shares will be issued on the first anniversary of the closing subject to the property producing graphite meeting certain quality and quantity criteria and the Company expending $250,000 in exploration expenditures on the property.

G. Wallingford

On August 15, 2013 the Company announced that it had entered into a non-binding agreement with a non-arm's length party to acquire the Wallingford property. A $2,000 payment was made on signing the term sheet (paid). On January 16, 2014 the transaction closed with a $5,000 cash payment (paid) and the issuance of 500,000 shares (issued). An additional 500,000 shares will be issued on the first anniversary of the closing subject to the property producing graphite meeting certain quality and quantity criteria and the Company expending $250,000 in exploration expenditures on the property.

(Expressed in Canadian Dollars)

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

Measurement Uncertainty

The Company has not experienced any property specific adverse impact to date on its operations, but general mining market conditions have deteriorated, resulting in a decrease in the price of the Company's common shares, which in turn has created difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described, or other factors beyond management's control, could in future periods adversely affect the Company's operations and could result in future partial or total write downs of the Company's recorded mineral exploration and evaluation assets of $2,427,924 as at October 31, 2014. Such write-down amounts could be material.

8. CONVERTIBLE DEBENTURES

	2014	2013
$75,000 convertible debenture *(note b)*	$ -	$ 74,269
$300,000 convertible debenture *(note a)*	-	272,113
$281,250 convertible debenture *(note c)*	280,104	-
$375,000 convertible debenture *(note a)*	376,155	-
	$ 656,259	$ 346,382
$281,250 convertible debenture *(note c)*	$ -	$ 266,797
	$ -	$ 266,797

(a) On July 1, 2013 the Company closed a private placement raising $300,000 from the issuance of an unsecured convertible debenture. The debenture bears interest at 10% with interest payable semi-annually. The debenture matured on December 31, 2013 but was extended to June 30, 2015 in return for an additional gross-up in the value of the convertible debenture in the amount of $75,000.

The debenture is convertible at the option of the holder into common shares of the Company, at any time prior to the date of maturity, at a conversion price of $.10 per share with an accompanying warrant.

Transaction costs of $24,000 were allocated between the liability and equity components. Accordingly, the debt component was reduced by $23,662 and the equity component was reduced by $338.

The debenture is being accounted for in accordance with its substance and is presented in the financial statements in its component parts measured at the time of issue. The debt component ($355,730) was valued first with the residual being allocated to the equity component recorded in shareholders' equity ($19,270).

Over the term of the convertible debenture, the debt component will be accreted to the face value convertible debenture by recording an additional interest expense. The effective interest rate on the debt is 13%.

8. CONVERTIBLE DEBENTURES (continued)

(b) On August 30, 2013 the Company closed a private placement raising $75,000 from the issuance of an unsecured convertible debenture. The debenture bears interest at 5% with interest payable semi-annually. The debenture matures on December 31, 2013 but may, at the option of the Company, be extended for 20 months provided that if extended an additional gross-up amount of $18,750 shall become due and owing. The debenture is convertible at the option of the holder into common shares, with an accompanying warrant, of the Company, at any time prior to the date of maturity, at a conversion price of $.075 per share from until one year from the date of issue and $0.10 thereafter.

The debenture is being accounted for in accordance with its substance and is presented in the financial statements in its component parts measured at the time of issue. The debt component ($74,269) was valued first with the residual being allocated to the equity component recorded in shareholders' equity ($731).

Over the term of the convertible debenture, the debt component will be accreted to the face value convertible debenture by recording an additional interest expense. The effective interest rate on the debt is 5.34%.

On January 14, 2014 the Company redeemed the debenture. The debenture was extended beyond December 31, 2013 as such an additional gross-up amount of $18,750 became due and owing. The debenture was converted into common shares, with an accompanying warrant, of the Company at a conversion price of $0.075 per share.

(c) On August 28, 2013 the Company closed a private placement raising $281,250 from the issuance of an unsecured convertible debenture. The debenture bears interest at 10% with interest payable semi-annually. The debenture matures on August 28, 2015. The debenture is convertible at the option of the holder into common shares, with an accompanying warrant, of the Company, at any time prior to the date of maturity, at a conversion price of $.075 per share until one year from the date of issue and $0.10 thereafter.

The debenture is being accounted for in accordance with its substance and is presented in the financial statements in its component parts measured at the time of issue. The debt component ($266,797) was valued first with the residual being allocated to the equity component recorded in shareholders' equity ($14,453).

Over the term of the convertible debenture, the debt component will be accreted to the face value convertible debenture by recording an additional interest expense. The effective interest rate on the debt is 13%.

9. SHARE CAPITAL

(a) Authorized:

The authorized share capital of the Company is:

An unlimited number of voting common shares without par value.
An unlimited number of non-voting first preferred shares.
An unlimited number of non-voting second preferred shares.

(b) Issued and outstanding:

See the Statement of Changes in Shareholders' Equity.

(c) Private placements

On December 31, 2013 the Company closed a private placement of 6,000,000 shares at a price of $0.05 per unit for gross proceeds of $300,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of two years at an exercise price of $0.05.

On January 6, 2014 the Company closed a private placement of 1,500,000 shares at a price of $0.05 per unit for gross proceeds of $75,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of two years at an exercise price of $0.05.

On February 26, 2014 the Company closed a private placement of 8,000,000 shares at a price of $0.05 per unit for gross proceeds of $400,000. Each unit consisted of one flow-through common share and one-half of a common share purchase warrant. Each warrant entitles the holder to purchase one-half of a common share of the Company for a period of eighteen months at an exercise price of $0.10.

(d) Stock options

The Company has established a stock based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. Exercise price of options equals at least the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a two or five-year term in accordance with TSX Venture Exchange policy.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

A summary of the status of the Company's incentive stock option plan as at October 31, 2014 is as follows:

	Number of options	Weighted Average Exercise Price
Balance, November 1, 2012	2,715,000	$0.18
Granted	-	-
Expired	(415,000)	$0.31
Exercised	-	-
Balance, October 31, 2013	2,300,000	$0.15
Granted	-	-
Expired	-	-
Exercised	-	-
Balance October 31, 2014	**2,300,000**	**$0.15**

Options Granted

A summary of options granted as at October 31, 2014 is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
915,000	$0.20	August 5, 2015
400,000	$0.20	January 3, 2016
985,000	$0.10	February 7, 2017
2,300,000		

(e) Share purchase warrants

A summary of outstanding warrants as at October 31, 2014 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 1, 2012	6,777,500	$0.16
Granted	13,887,142	$0.07
Expired	(2,677,500)	$0.21
Exercised	-	-
Balance, October 31, 2013	17,987,142	$0.09
Granted	14,690,000	$0.08
Expired	(3,100,000)	$0.10
Exercised	-	-
Balance October 31, 2014	**29,577,142**	**$0.07**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

A summary of warrants granted as at October 31, 2014 is as follows:

Number of Warrants	Exercise Price	Expiry Date
4,250,000	$0.10	November 23, 2014
1,000,000	$0.20	March 31, 2015
2,142,857	$0.10	May 16, 2015
171,428	$0.10	May 16, 2015
2,500,000	$0.10	June 1, 2014
200,000	$0.10	June 1, 2015
240,000	$0.10	July 2, 2015
320,000	$0.08	August 26, 2015
4,000,000	$0.10	August 26, 2015
80,000	$0.10	August 30, 2015
1,250,000	$0.10	August 31, 2015
2,142,857	$0.10	September 18, 2015
2,000,000	$0.075	October 31, 2015
160,000	$0.10	October 31, 2015
1,500,000	$0.05	December 9, 2015
6,000,000	$0.05	December 30, 2015
120,000	$0.10	January 3, 2016
1,500,000	$0.05	January 3, 2016
29,577,142		

10. INCOME TAXES

The effective rate on the Company's earnings before income tax differs from the expected amount that would arise using the combined Canadian Federal and Provincial statutory income tax rates. A reconciliation of the difference is as follows:

	Year ended October 31, 2014	2013
Net loss before income taxes	1,909,191	2,670,280
Statutory income tax rate	25.00%	25.00%
Tax recovery	477,298	667,570
Non-deductible expenses	(1,610)	(119,443)
Share issue costs	6,096	2,972
Other	1,674	2,098
Unrecognized deferred tax asset	(483,458)	(553,197)
Deferred income tax recovery (expense)	-	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following represents the components of the net unrecognized deferred income tax asset:

	Year ended October 31, 2014	2013
Non-capital losses carried forward	1,369,760	816,564
Operating loss carried forward	483,458	553,197
Mineral exploration and evaluation assets	1,187,550	984,808
Property and equipment	206	271
Share issue costs	19,826	10,302
Convertible debentures	2	(10,768)
Unrecognized deferred tax asset	(3,060,802)	(2,354,374)
Deferred tax asset (liability)	-	-

As at October 31, 2014 the Company has non-capital losses for Canadian income tax purposes totaling $7,412,870 carried forward for tax purposes and are available to reduce taxable income of future years. These losses expire as follows:

Year	Non-Capital Losses
2015	192,272
2016	315,110
2026	548,829
2027	563,645
2028	600,405
2029	320,201
2030	211,839
2031	287,654
2032	226,298
2033	2,212,787
2034	1,933,830
	$ 7,412,870

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Key management personnel include the board of directors, chief executive officer, chief financial officer and chief operating officer. Key management personnel compensation comprised:

Key management compensation

	Year ended October 31, 2014	2013
Retainers, wages and benefits	$ 377,979	$ 284,484
Share based payments	-	269,435
Expense reimbursement	14,757	36,890
	$ 392,736	$ 590,809

Services and reimbursement of expenses	Year ended October 31, 2014	2013
Company controlled by the CEO	138,231	265,000
Company controlled by the CFO	112,500	106,963
Company controlled by the COO	90,000	107,000
Salaries and benefits	37,248	74,956
Reimbursement of expenses	14,757	36,890

These transactions occurred during the normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

12. RESTRICTED CASH

Term deposits of $41,000 have been pledged as security to the Scotia Bank for their irrevocable letter of credit in favor of the Province of British Columbia, Ministry of Energy and Mines.

13. OTHER LIABILITIES

Other liabilities include the premium between the quoted price of Company's shares and the amount paid by investors for the flow-through shares. The accounting for flow-through shares under IFRS is explained further in *Note 3 (n)*. The following is a continuity schedule of the liability portion of the flow-through share issuances:

Balance at November 1, 2012	$ 4,000
Flow-through premium on flow-through share issuances	-
Settlement of flow-through share liability on incurring expenditures	(4,000)
Balance, October 31, 2013	$ -
Flow-through premium on flow-through share issuances	80,000
Settlement of flow-through share liability on incurring expenditures	-
Balance, October 31, 2014	$ 80,000

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

Financial instruments recognized at fair value on the statements of financial position must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy levels are as follows:

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on inputs that are other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

As at October 31, 2014, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2013 are shown in the table below:

	October 31, 2014		October 31, 2013	
Classification	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Financial assets				
Cash and equivalents	1,524	1,524	94,006	94,006
Accounts receivable *(1)*	-	-	1,000	1,000
Financial liabilities				
Accounts payable and accrued liabilities	499,691	499,691	472,508	472,508
Other liabilities	-	-	-	-

(1) Excluding taxes receivable

The fair values of the Company's financial instruments measured at October 31, 2014, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

The Company recognized interest income during the year ended October 31, 2014, totaling $444 which represents interest income from the Company's held-for-trading investments. This balance represents interest income from all sources.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk as at October 31, 2014 date under its financial instruments is summarized as follows:

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	October 31, 2014	October 31, 2013
Accounts and other receivables -		
Currently due	-	1,000
Past due by 90 days or less, not impaired	-	-
Past due by greater than 90 days, not impaired	-	-
	-	1,000
Cash and equivalents	1,524	94,006
	1,524	95,006

All of the Company's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. As at October 31, 2014, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at October 31, 2014, is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in *Note 15*, in normal circumstances. Due to the lack of liquidity, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of finance. Further information regarding liquidity risk is set out in *Note 2*.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at October 31, 2014, are summarized as follows:

	October 31, 2014	October 31, 2013
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	499,691	472,508
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities -		
Within 90 days or less	187,839	71,642
In later than 90 days, not later than a year	52,975	-

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity price risk
  The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of graphite, molybdenum, copper and gold and the outlook for these metals, as the Company's ability to raise capital is affected by the commodity that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

- Interest rate risk
  The Company has no significant exposure at October 31, 2014, to interest rate risk through its financial instruments.

- Currency risk
  The Company has no significant exposure at October 31, 2014 to currency risk as all cash and cash equivalents are held in Canadian funds.

15. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard its ability to continue as a going concern in order to pursue the development of its mineral property interests.

The Company considers the items included in shareholders' equity to be capital. The Company relies on equity financing in order to fund future exploration and development and makes adjustments to the Company's capital structure based on financing needs, as well as in response to economic conditions and the risk characteristics of the underlying assets. Management makes adjustments to its capital structure through share issuances and the acquisition or disposition of assets.

As the Company is in the exploration stage it endeavors to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company facilitates the management of capital though the preparation of annual expenditure budgets and cash forecasts that are updated as necessary. The Company does not have any externally imposed capital requirements.

(Expressed in Canadian Dollars)

15. MANAGEMENT OF CAPITAL (continued)

The Company's managed capital is as follows:

	October 31, 2014	October 31, 2013
Share capital	13,618,295	12,640,087
Equity component of convertible debentures	38,341	19,071
Contributed surplus	1,056,359	1,056,359
Deficit	(13,439,041)	(11,529,850)
	1,273,954	2,185,667

16. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment, mineral exploration and development, and all of its operations are in Canada.

17. SUBSEQUENT EVENTS

On December 18, 2014, the Company closed an arm's length transaction to acquire a 100% interest in two properties (representing nine mineral claims), the Miller East and Page Properties. On closing the Company issued 3,000,000 common shares at a deemed value of $0.05 per share. The Company is required to issue an additional 500,000 shares for Miller East and Page Properties on a first anniversary date of the closing in the event that the mining claims produced graphite ore body that meets certain quality and quantity requirements.

On January 30, 2015, the TSX Venture Exchange accepted filing documentation supporting the Company's acquisition of certain mining claims in Quebec (the Clot Property). In consideration for the property the Company will issue 4,500,000 common shares at a deemed price of $0.05 per share, of which 3,500,000 will be issued on closing in addition to a cash payment of $2,500.