



SAINT JEAN CARBON INC.
(An exploration stage company)

Condensed Interim Financial Statements

(Unaudited – presented in Canadian Dollars)

for the period ended April 30, 2016

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

The accompanying unaudited interim financial statements of Saint Jean Carbon Inc. ("Saint Jean" or the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these 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.

SAINT JEAN CARBON INC.
STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

ASSETS	April 30,	October 31,
Current	2016	2015
Cash and equivalents	\$ 163,577	\$ 18,751
Accounts receivable	27,851	23,637
Corporate income tax receivable	3,004	3,004
Prepaid expenses	8,807	7,038
	203,239	52,430
Restricted cash (Note 12)	36,000	36,000
Equipment (Note 3 (f) & 6)	14,007	15,564
Mineral exploration and evaluation assets (Note 3 (b) & 7)	2,675,150	2,675,040
	\$ 2,928,396	\$ 2,779,034
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 529,255	\$ 720,146
Note payables (Note 9)	415,839	490,699
Other liabilities (Note 13)	100,000	-
	1,045,094	1,210,845
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	15,021,784	14,382,294
Subscription received in advance	3,750	-
Equity component of convertible debentures	38,341	38,341
Contributed surplus	1,266,473	1,183,973
Deficit	(14,447,046)	(14,036,419)
	1,883,302	1,568,189
	\$ 2,928,396	\$ 2,779,034

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)

	Three Months ended April 30, 2016	Three Months ended April 30, 2015	Six Months ended April 30, 2016	Six Months ended April 30, 2015
Income				
Net Sales	\$ 10,519	\$ -	\$ 21,685	-
Interest	17	130	30	150
Income for quarter	\$ 10,536	\$ 130.00	\$ 21,715	150
Administrative costs				
Amortization	\$ 778	\$ 1,288.00	1,556	2,576
Bank and loan interest	11,136	9,918	22,424	14,423
Business development	226	-	1,684	-
Consultants	900	20,357	18,349	20,357
Filing fees	5,550	8,889	12,863	8,889
General meetings	2,944	154	2,818	293
Internet and website	236	-	236	-
Investor relations	3,748	2,695	12,643	17,651
Management fees	114,000	31,500	198,000	68,000
Office expense	23,835	33,947	47,306	63,214
Professional fees	16,893	23,143	26,309	21,643
Property evaluation	2,830	-	2,830	-
Sales and marketing	-	38,572	-	38,572
Stock based compensation	82,500	-	82,500	-
Telecommunications	954	667	1,892	1,304
Transfer agent	1,183	1,039	1,732	2,250
Travel and promotion	-	-	(800)	-
Write-down of mineral property interests	-	-	-	-
Administrative costs for the quarter	267,713	172,169	432,342	259,172
Loss before income taxes	257,177	172,039	410,627	259,022
Deferred income tax provision (recovery)	-	-	-	-
Net loss and comprehensive loss for the quarter	257,177	172,039	410,627	259,022
Loss per share - basic and diluted	\$ 0.002	\$ 0.002	\$ 0.003	\$ 0.003
Weighted average number of shares outstanding - basic and diluted	124,128,716	98,200,960	121,002,432	95,612,562

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

	Number of shares	Share Capital	Contributed Surplus	Equity component of debenture	Deficit	Total
Balance, October 31, 2014	91,700,960	\$ 13,618,295	\$ 1,056,359	\$ 38,341	\$ (13,439,041)	\$ 1,273,954
Private placements	-	-	-	-	-	-
Share issuance costs	-	(1,933)	-	-	-	(1,933)
Stock based compensation	-	-	127,614	-	-	127,614
Conversion of warrants	504,000	25,200	-	-	-	25,200
Debts settled in shares	14,368,200	575,732	-	-	-	575,732
Flow-through shares	-	-	-	-	-	-
Shares issued pursuant to property agreements	6,500,000	165,000	-	-	-	165,000
Net loss and comprehensive loss for the year	-	-	-	-	(597,378)	(597,378)
Balance, October 31, 2015	113,073,160	\$ 14,382,294	\$ 1,183,973	\$ 38,341	\$ (14,036,419)	\$ 1,568,189
Private placements	15,750,000	787,500	-	-	-	787,500
Share issuance costs	-	(88,010)	-	-	-	(88,010)
Stock based compensation	-	-	82,500	-	-	82,500
Conversion of warrants	800,000	40,000	-	-	-	40,000
Debts settled in shares	-	-	-	-	-	-
Subscription received in advance	-	3,750	-	-	-	3,750
Flow-through shares	-	(100,000)	-	-	-	(100,000)
Shares issued pursuant to property agreements	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(410,627)	(410,627)
Balance April 30, 2016	129,623,160	\$ 15,025,534	\$ 1,266,473	\$ 38,341	\$ (14,447,046)	\$ 1,883,302

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

	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015
Cash flows from (used in) the Operating Activity		
Net and comprehensive loss for the year	\$ (410,627)	\$ (259,022)
Items not involving cash:		
Stock based compensation	82,500	-
Debenture Conversion	-	9,217
Amortization	1,556	2,576
Recognition of flow-through premium liability	100,000	-
Impairment of mineral properties	-	-
	(226,571)	(247,229)
Changes in non-cash working capital items:		
Accounts receivable	(8,987)	(2,709)
Prepaid expenses	-	13,151
Accounts payable	(173,882)	162,230
	(409,440)	(74,557)
Cash flow from (used in) financing activities		
Issuance of share capital	727,500	132,500
Share issuance cost	(88,010)	(840)
Subscription received in advance	3,750	-
Restricted Cash released	-	5,000
Loans and accrued interest	(88,864)	64,564
	554,376	201,224
Cash flows from (used in) investing activities		
Disposition (Acquisition) of mineral properties and rights	-	(99,570)
Proceeds on disposition of equipment	-	-
Deferred exploration expenses	(110)	(22,325)
	(110)	(121,895)
Increase (decrease) in cash and cash equivalents	144,826	4,772
Cash and cash equivalents, beginning of year	18,751	1,524
Cash and equivalents, end of year	\$ 163,577	\$ 6,296
Cash and equivalents is comprised of:		
Cash	\$ 163,577	\$ 6,296
Short-term investments	-	-
	\$ 163,577	\$ 6,296
Supplemental cash flow disclosure:		
Shares issued for acquisition of property	-	132,500
Income tax paid	-	-

SAINT JEAN CARBON INC.
Notes to the financial statements
(Unaudited - Expressed in Canadian Dollars)
For the six month period ended April 30, 2016

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 June 28, 2016.

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*.

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(Unaudited - Expressed in Canadian Dollars)
For the six month period ended April 30, 2016

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 April 30, 2016, the Company had negative working capital of \$841,855 and an accumulated deficit of \$14,447,046. 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 16*. 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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SAINT JEAN CARBON INC.
Notes to the financial statements
(Unaudited - Expressed in Canadian Dollars)
For the six month period ended April 30, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 through 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.

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Notes to the financial statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 10*.

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.

SAINT JEAN CARBON INC.
Notes to the financial statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ISSUED BUT 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 15, Revenue Recognition

IFRS 15, *Revenue Recognition*: provides for a single, comprehensive revenue recognition model for all contracts with customers. It contains a single principles based five step approach that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.

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.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

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.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 11*.

6. PROPERTY AND EQUIPMENT

	Field Equipment	Accumulated Depreciation	Net Book Value
At October 31, 2014	\$ 145,994	\$ 120,239	\$ 25,755
Additions/disposals	(37,376)	(31,076)	(6,300)
Depreciation	-	3,891	(3,891)
At October 31, 2015	\$ 108,618	\$ 93,054	\$ 15,564
Additions / disposals			
Depreciation		1,557	1,557
At April 30, 2016	\$ 108,618	\$ 94,611	\$ 14,007

7. MINERAL EXPLORATION AND EVALUATION ASSETS

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

	April 30, 2016		
Property	Property Acquisition Costs	Deferred Exploration Costs	Total
High Rock and Climpy	\$ 15,000	\$ 85,221	\$ 100,221
Red Bird	420,000	7,010	427,010
Mount Copeland	331,779	692,572	1,024,351
Walker mine	563,483	260,610	824,093
Saint Jovite	53,919	7,880	61,799
Clot	107,565	130,111	237,676
	\$ 1,491,746	\$ 1,183,404	\$ 2,675,150

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7. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)

Property	October 31, 2015		Total
	Property Acquisition Costs	Deferred Exploration Costs	
High Rock and Climpy	\$ 15,000	\$ 85,111	\$ 100,111
Red Bird	420,000	7,010	427,010
Mount Copeland	331,779	692,572	1,024,351
Walker mine	563,483	260,610	824,093
Saint Jovite	53,919	7,880	61,799
Clot	107,565	130,111	237,676
	\$ 1,491,746	\$ 1,183,294	\$ 2,675,040

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.

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.

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.

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7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

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.

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. 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).

E. 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).

F. Clot

On March 27, 2014 the Company announced that it had signed a definitive agreement to acquire the Clot property. A \$5,000 payment was made on signing the term sheet (paid). On January 30, 2015 the transaction closed with a \$2,500 cash payment (paid) and the issuance of 3,500,000 shares (issued).

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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 \$2,675,150 as at April 30, 2016. Such write-down amounts could be material.

8. ACCOUNTS PAYABLE

	2016	2015
Trade payables	\$ 249,233	\$ 342,352
Trade payables – related parties	280,022	377,794
	\$ 529,255	\$ 720,146

9. NOTES PAYABLE

	2016	2015
(a) Unsecured promissory note payable bearing interest at 10% per annum. The promissory note is due on demand.	\$ 324,382	\$ 310,377
(b) Unsecured promissory note from a related party bearing interest at 12% per annum. The promissory note is due on demand.	45,963	134,460
(c) Unsecured promissory note from a related party bearing interest at 12% per annum. The promissory note is due on demand.	27,632	26,118
(d) Unsecured promissory note from a related party bearing interest at 12% per annum. The promissory note is due on demand.	17,862	19,744
	\$ 415,839	\$ 490,699

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10. 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) 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.

A summary of the status of the Company's incentive stock option plan as at April 30, 2016 is as follows:

	Number of options	Weighted Average Exercise Price
Balance, October 31, 2014	2,300,000	\$0.15
Granted	6,380,689	\$0.05
Expired	(915,000)	\$0.20
Exercised	-	-
Balance October 31, 2015	7,765,689	\$0.06
Granted	1,650,000	\$0.05
Expired	(400,000)	\$0.20
Exercised	-	-
Balance April 30, 2016	9,015,689	\$0.06

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10. SHARE CAPITAL (continued)

Options Granted

A summary of options granted as at April 30, 2016 is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
985,000	\$0.10	February 7, 2017
6,380,689	\$0.05	June 16, 2020
1,650,000	\$0.05	April 5, 2021
9,015,689		

(d) Share purchase warrants

A summary of outstanding warrants as at April 30, 2016 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2014	29,577,142	\$0.07
Granted	-	-
Expired	(21,957,142)	\$0.09
Exercised	(504,000)	\$0.05
Balance October 31, 2015	7,116,000	\$0.05
Granted	10,750,000	\$0.06
Expired	(120,000)	\$0.10
Exercised	(800,000)	\$0.05
Balance April 30, 2016	16,946,000	\$0.06

A summary of warrants granted as at April 30, 2016 is as follows:

Number of Warrants	Exercise Price	Expiry Date
4,696,000	\$0.05	December 30, 2016 ⁽¹⁾
1,500,000	\$0.05	January 3, 2017 ⁽²⁾
5,000,000	\$0.06	December 21, 2018
5,750,000	\$0.06	April 26, 2019
16,946,000		

⁽¹⁾ The Company extended the term of warrants issued on December 30, 2013. The warrants were due to expire on December 30, 2015, the term was extended to December 30, 2016.

⁽²⁾ The Company extended the term of warrants issued on January 3, 2013. The warrants were due to expire on January 3, 2016, the term was extended to January 3, 2017.

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10. SHARE CAPITAL (continued)

e) Finders Options

On April 26, 2016, 360,000 Finder's options were granted at a price of \$0.05 per Unit for a period of three years. Each Unit comprises one common share and one warrant priced at \$0.06.

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

	Six months ended April 30,	
	2016	2015
Retainers, wages and benefits	\$ 198,000	\$ 68,000
Share based payments	-	-
Expense reimbursement	2,674	1,544
	\$ 200,674	\$ 69,544

	Six months ended April 30,	
Services and reimbursement of expenses	2016	2015
Company controlled by the CEO	\$ 120,000	\$ -
Company controlled by the CFO	60,000	50,000
Share based payments	-	-
Salaries and benefits	18,000	18,000
Reimbursement of expenses	2,674	1,544

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 \$36,000 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:

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13. OTHER LIABILITIES (continued)

Balance, October 31, 2014	\$	80,000
Flow-through premium on flow-through share issuances		-
Settlement of flow-through share liability on incurring expenditures		(80,000)
Balance, October 31, 2015	\$	-
Flow-through premium on flow-through share issuances		100,000
Settlement of flow-through share liability on incurring expenditures		-
Balance, April 30, 2016	\$	100,000

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).

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at April 30, 2016, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2015 are shown in the table below:

Classification	April 30, 2016		October 31, 2015	
	Fair value	Carrying value	Fair value	Carrying value
<i>Financial assets</i>				
Cash and equivalents	163,577	163,577	18,751	18,751
Accounts receivable (1)	-	-	-	-
<i>Financial liabilities</i>				
Accounts payable and accrued liabilities	529,255	529,255	720,146	720,146
Other liabilities	-	-	-	-

(1) *Excluding taxes receivable*

The fair values of the Company's financial instruments measured at April 30, 2016, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

The Company recognized interest income during the three month period ended April 30, 2016, totaling \$17 which represents interest income from the Company's held 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 April 30, 2016 date under its financial instruments is summarized as follows:

	April 30, 2016	October 31, 2015
Accounts and other receivables -		
Currently due	-	-
Past due by 90 days or less, not impaired	-	-
Past due by greater than 90 days, not impaired	-	-
	-	-
Cash and equivalents	163,577	18,751
	163,577	18,751

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

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 April 30, 2016, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at April 30, 2016, 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 April 30, 2016, are summarized as follows:

	April 30, 2016	October 31, 2015
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	529,255	720,146
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities -		
Within 90 days or less	280,023	377,794
In later than 90 days, not later than a year	-	-

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,

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 April 30, 2016 to interest rate risk through its financial instruments.
- Currency risk
The Company has no significant exposure at April 30, 2016 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 through the preparation of annual expenditure budgets and cash forecasts that are updated as necessary. The Company does not have any externally imposed capital requirements.

On December 21, 2015, the Company closed a private placement of 10,000,000 flow-through units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each flow-through unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at an exercise price of \$0.06 for a period of thirty-six months.

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15. MANAGEMENT OF CAPITAL (continued)

On April 26, 2016, the Company closed the first tranche of a private placement comprising of 5,750,000 units ("Common Units") at a price of \$0.05 per Common Unit for gross proceeds of \$287,500. Each Common Unit consisted of one (1) common share in the capital of the Company at a price of \$0.05 per Common share and one (1) common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one (1) additional Common Share at an exercise price of \$0.06 per common share for a period of 36 months from the date of issuance.

The Private Placement was completed after quarter end on May 4, 2016 with additional gross proceeds of \$703,750 from 8,000,000 flow through units and 6,075,000 units both priced at \$0.05 per common share unit. Each flow through Unit consisted of one (1) common share in the capital of the Company at a price of \$0.05 per Common share and one-half (.5) common share purchase warrant ("Warrant"). Each Common Unit consisted of one (1) common share in the capital of the Company at a price of \$0.05 per Common share and one (1) common share purchase warrant ("Warrant"). Each full Warrant entitles the holder to acquire one (1) additional Common Share at an exercise price of \$0.06 per common share for a period of 36 months from the date of issuance.

The Company's managed capital is as follows:

	April 30, 2016	October 31, 2015
Share capital	15,025,534	14,382,294
Equity component of convertible debentures	38,341	38,341
Contributed surplus	1,266,473	1,183,973
Deficit	(14,447,046)	(14,036,419)
	1,883,302	1,568,189

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 May 4, 2016, the Company closed the remainder of the private placement as described in *Note 15*. The Company paid a cash finder's fee in the amount of \$36,000 to one arm's length finder and issued options entitling two (2) arm's length finders to each purchase 360,000 Common Units at a price of \$0.05 per Common Unit.

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Notes to the financial statements

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17. SUBSEQUENT EVENTS (continued)

On May 13, 2016, the Company announced that it had entered into an investor relations service agreement with Allyson Taylor Partners Inc.

On May 24, 2016, the company announced that it had signed an arm's length definitive agreement to acquire the Bell hydrothermal lump/vein graphite mine. This property comprises of 13 claims for a total area of 781 ha. The company issued 1,500,000 common shares for full consideration of the purchase in quarter 3. The vendor retains a Royalty of 0.75 percent on the Net Output returns.

On June 15, 2016, the company announced the start of its summer mining claims work program.