FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2012
AND THE PERIOD
FEBRUARY 17, 2011 (*Date of Incorporation*) TO OCTOBER 31, 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Flinders Resources Limited (formerly Tasex Capital Limited)

We have audited the accompanying consolidated financial statements of Flinders Resources Limited (formerly Tasex Capital Limited), which comprise the consolidated statements of financial position as at October 31, 2012 and October 31, 2011, and the consolidated statements of comprehensive loss, statements of changes in equity and statements of cash flows for the year ended October 31, 2012 and for the period from incorporation on February 17, 2011 to October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Flinders Resources Limited (formerly Tasex Capital Limited) as at October 31, 2012 and October 31, 2011, and its financial performance and its cash flows for the year ended October 31, 2012 and for the period from incorporation on February 17, 2011 to October 31, 2011 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
February 12, 2013

Chartered Accountants

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FLINDERS RESOURCES LIMITED
(formerly Tasex Capital Limited)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	October 31, 2012 $	October 31, 2011 $
ASSETS			
Current assets			
Cash	5	16,863,409	864,677
Amounts receivable	6	209,882	42,293
Prepaid expenses and deposit		42,069	9,640
Inventory		134,954	139,160
Total current assets		17,250,314	1,055,770
Non-current assets			
Property, plant and equipment	7	3,211,869	1,704,437
Exploration and evaluation assets	8	5,535,476	4,913,512
Reclamation deposit	9	70,411	76,462
Total non-current assets		8,817,756	6,694,411
TOTAL ASSETS		26,068,070	7,750,181
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		602,423	105,738
Non-current liabilities			
Provision for site restoration	9	4,753,187	4,892,703
Property acquisition obligation	8	306,446	265,116
Total non-current liabilities		5,059,633	5,157,819
TOTAL LIABILITIES		5,662,056	5,263,557
SHAREHOLDERS' EQUITY			
Share capital	10	25,030,116	2,687,617
Share-based payments reserve		2,664,512	660,868
Deficit		(7,288,614)	(861,861)
TOTAL SHAREHOLDERS' EQUITY		20,406,014	2,486,624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,068,070	7,750,181

Events after the Reporting Period - See Note 16

These consolidated financial statements were approved for issue by the Board of Directors on February 12, 2013 and are signed on its behalf by:

*/s/ **Martin McFarlane***
Martin McFarlane
Director

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

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

FLINDERS RESOURCES LIMITED
(formerly Tasex Capital Limited)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended October 31, 2012 $	Period February 17, 2011 (Date of Incorporation) to October 31, 2011 $
Expenses			
Accounting and administration		72,261	3,200
Accretion of provision for site restoration	9	50,493	2,630
Audit		32,366	10,000
Bank charges		5,313	-
Consulting		196,925	5,406
Corporate development		46,617	-
Depreciation	7 & 8	5,684	-
Due diligence		-	89,103
Equipment rentals and related		128,399	-
General exploration		32,499	32,499
Interest	8	45,069	7,397
Investor relations		82,333	-
Legal		43,461	29,408
Management fees		145,000	-
Office		106,016	3,007
Plant maintenance		70,739	99,052
Plant supplies and consumables		148,559	-
Regulatory		43,827	-
Rent		17,163	-
Repairs and maintenance		69,243	-
Salaries and benefits		283,858	-
Share-based compensation	10(e)	1,196,359	612,000
Shareholder costs		10,032	-
Transfer agent		22,521	-
Travel		242,416	-
Utilities		34,480	-
		3,131,633	861,203
Loss before other items		(3,131,633)	(861,203)
Other items			
Public company listing expense	4(a)	(3,425,351)	-
Interest and other income		182,351	-
Foreign exchange		(52,120)	(658)
		(3,295,120)	(658)
Net loss and comprehensive loss		(6,426,753)	(861,861)
Loss per share - basic and diluted		$(0.18)	$(0.14)
Weighted average number of common shares outstanding - basic and diluted		35,337,398	6,007,949

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

FLINDERS RESOURCES LIMITED
(formerly Tasex Capital Limited)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Year Ended October 31, 2012				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance at October 31, 2011	17,715,000	2,687,617	660,868	(861,861)	2,486,624
Adjustment to reflect recapitalization	6,950,000	3,475,000	-	-	3,475,000
Common shares issued for cash:					
- private placements	19,223,530	20,200,001	-	-	20,200,001
- exercise of share options	1,145,000	356,500	-	-	356,500
- exercise of warrants	740,000	555,000			555,000
- exercise of agent's warrants	100,000	10,000	-	-	10,000
Share issue costs	-	(2,555,427)	-	-	(2,555,427)
Transfer on exercise of share options	-	301,425	(301,425)	-	-
Share-based compensation for:					
- share options	-	-	1,196,359	-	1,196,359
- finders' option	-	-	216,923	-	216,923
- finders' warrants	-	-	891,787	-	891,787
Net loss for the year	-	-	-	(6,426,753)	(6,426,753)
Balance at October 31, 2012	45,873,530	25,030,116	2,664,512	(7,288,614)	20,406,014

	Period February 17, 2011 (Date of Incorporation) to October 31, 2011				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Equity $
Balance at February 17, 2011	-	-	-	-	-
Common shares issued for cash:					
- initial incorporation	2	2	-	-	2
- private placements	17,715,000	2,814,500	-	-	2,814,500
Share issue costs	-	(126,883)	-	-	(126,883)
Cancellation of shares	(2)	(2)	-	-	(2)
Share-based compensation for:					
- share options	-	-	612,000	-	612,000
- finders' warrants	-	-	48,868	-	48,868
Net loss for the period	-	-	-	(861,861)	(861,861)
Balance at October 31, 2011	17,715,000	2,687,617	660,868	(861,861)	2,486,624

FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Year Ended October 31, 2012 $	Period February 17, 2011 (Date of Incorporation) to October 31, 2011 $
Operating activities		
Net loss for the period	(6,426,753)	(861,861)
Adjustments for:		
Accretion of provision for site restoration	50,493	2,630
Depreciation	5,684	-
Public company listing expense	3,425,351	-
Interest	45,069	7,397
Foreign exchange	2,312	(1,220)
Share-based compensation	1,196,359	612,000
	(1,701,485)	(241,054)
Changes in non-cash working capital items:		
Increase in amounts receivable	(167,589)	(24,993)
Increase in prepaid expenses and deposit	(32,429)	(9,640)
Decrease in inventory	4,206	7,684
Increase in accounts payable and accrued liabilities	222,885	42,405
	27,073	15,456
Net cash used in operating activities	(1,674,412)	(225,598)
Investing activities		
Acquisition of Woxna	-	(1,646,210)
Additions to property, plant and equipment	(1,260,057)	-
Expenditures on exploration and evaluation assets	(791,232)	-
Working capital acquired on acquisition of Tasex	49,649	-
Net cash used in investing activities	(2,001,640)	(1,646,210)
Financing activities		
Issuance of common shares	21,121,501	2,814,502
Cancellation of common shares	-	(2)
Share issue costs	(1,446,717)	(78,015)
Net cash provided by financing activities	19,674,784	2,736,485
Net change in cash	15,998,732	864,677
Cash at beginning of period	864,677	-
Cash at end of period	16,863,409	864,677

Supplemental cash flow information - See Note 14

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

1. Nature of Operations

The Company was incorporated on October 27, 2010 under the Business Corporations Act (British Columbia) as Tasex Capital Limited ("Tasex"). On April 29, 2011 the Company filed its final prospectus and, on May 3, 2011, received final receipts for the prospectus and became a reporting issuer in British Columbia and Alberta. On June 8, 2011 the Company completed its initial public offering (the "Offering") and, on June 10, 2011, the Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company. Effective February 22, 2012 the Company completed its Qualifying Transaction and acquired, all of the issued and outstanding common shares of Burke Resources Limited ("Burke"). Burke held 100% of Woxna Graphite AB ("Woxna") (formerly Kringelgruvan AB), a private Swedish company. Woxna has a 100% ownership interest of the Woxna Graphite Mine located in central Sweden. See also Note 4(a). The Company also changed its name from Tasex Capital Limited to Flinders Resources Limited in conjunction with the completion of the Qualifying Transaction. The Company's common shares now trade under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company is a junior exploration company currently engaged in the development of the Woxna Graphite Mine. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain any additional funding that may be necessary to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

As at October 31, 2012 the Company had working capital of $16,647,891, non-current liabilities of $5,059,633 and an accumulated deficit of $7,288,614. Based on current information the Company estimates that it has adequate funding in place to complete the development of the Woxna Graphite Mine. However, if development cost estimates were to change the Company may require additional financing. The Company's ability to continue as a going concern may be dependent upon the ability of the Company to obtain necessary financing to develop its properties and to establish future profitable production. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements are audited and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Details of the Group

In addition to the Company, the consolidated financial statements include its 100% owned subsidiaries, Flinders Holdings Limited, which is incorporated in British Columbia, and Woxna, which is incorporated and operated in Sweden. Subsidiaries are considered by the Company to include all corporations over which the Company is able, directly or indirectly, to control the financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed..

(iv) Although, the Company takes steps to verify title to exploration and evaluation assets 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.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. Significant Accounting Policies (continued)

(ii) Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/ depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

(iii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Cash and Cash Equivalents

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. At October 31, 2012 and 2011, the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Inventory

Processed graphite inventory is valued at the lower of cost and net realizable value. Cost is determined as the average production cost of saleable graphite and net realizable value is determined as the calculated selling price less selling costs.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

3. Significant Accounting Policies (continued)

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed consolidated statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets commencing when the related asset is available for use.

The expected useful lives are as follows:

Vehicles	20.0%
Equipment and tools	20.0%
Buildings	5.0%
Processing plant	6.5%
Mine development	Unit of production basis

Depreciation of certain of the assets will commence when the plant and equipment are available for use and in the condition necessary for them to be operating in the manner intended by management.

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Significant Accounting Policies (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for Site Restoration

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current risk free discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and reclamation deposit are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary. As at October 31, 2012 and 2011 the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities and property acquisition obligation are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At October 31, 2012 and 2011 the Company has not classified any financial liabilities as fair value through profit or loss.

3. Significant Accounting Policies (continued)

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. Expected volatility is based on available historical volume of the Company’s share price. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Significant Accounting Policies (continued)

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of the Company's foreign subsidiary are prepared in Swedish Kronors ("SEK"), the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

3. Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Adopted

The following accounting standards, amendments and interpretations have been issued but are not effective until annual periods beginning after January 1, 2012. Unless otherwise indicated, earlier application is permitted. As at the date of these consolidated financial statements, the following standards, amendments and interpretations have not been applied in these consolidated financial statements.

(i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(v) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(vi) IFRIC 20 *Stripping Costs to the Production Phase of a Surface Mine;* effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRIC 20 establishes principles for accounting for stripping costs, as well as how to measure benefits both initially and subsequently.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Acquisitions

(a) *Reverse Acquisition*

The Company and Burke entered into a letter agreement dated September 14, 2011, and a definitive amalgamation agreement, dated October 31, 2011, pursuant to which Tasex agreed to acquire (the "Acquisition") all of the issued and outstanding common shares of Burke. On February 22, 2012 (the "Effective Date") the Company completed the Acquisition under which the Company issued 17,715,000 common shares to the Burke shareholders. Burke and 0923098 B.C. Ltd., a wholly-owned subsidiary of the Company, then completed an amalgamation to form Flinders Holdings Limited. The Company also changed its name to Flinders Resources Limited.

(Expressed in Canadian Dollars)

4. Acquisitions (continued)

The Acquisition resulted in the former shareholders of Burke holding the majority interest in the Company. The Acquisition is not considered to be a business combination for accounting purposes as Tasex is not considered to be a business for accounting purposes. The Acquisition has been accounted for in the consolidated financial statements as the continuation of the financial statements of Burke together with an issuance of common shares, equivalent to the common shares held by the former shareholders of Tasex, and a recapitalization of the equity of Burke. Fair value was based on the latest trading price of Tasex's shares before the control was transferred. In accounting for this transaction:

(i) Burke was deemed to be the parent company for accounting purposes. Accordingly, its net assets were included in the consolidated balance sheets at their historical book value; and

(ii) control of the net assets of Tasex was acquired on the Effective Date. The consideration of $3,475,000 was allocated to the identifiable assets and liabilities as follows: $107,588 to cash, $18,527 to amounts receivable, $62,970 to prepaid expenses, $139,436 to accounts payable and accrued liabilities and $3,425,351 was expensed as a public company listing expense.

The net assets and liabilities of Tasex were recorded at their fair values, as follows:

	$
Cash	107,588
Amounts receivable	18,527
Prepaid expenses	62,970
Accounts payable and accrued liabilities	(139,436)
Net assets acquired	49,649

(b) *Woxna Acquisition*

On August 25, 2011 Burke and Tricorona AB (Publ) ("Tricorona") entered into a share purchase agreement (the "Woxna Acquisition") whereby Burke purchased a 100% ownership interest in Woxna in consideration of a cash purchase price of $1,567,610 (Euro 1,100,000) and reimbursement to Tricorona of $78,600 (SEK 500,000) for a reclamation deposit.

The Woxna Acquisition cost was allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. The results of operations were recorded from the effective date of purchase.

Cost of the net assets acquired consists of:

	$
Net working capital	100,811
Property, plant and equipment	1,704,437
Exploration and evaluation assets	5,397,382
Reclamation deposit	78,600
Provision for site restoration	(5,373,943)
Property acquisition obligation	(261,077)
Cost of Woxna Acquisition	1,646,210

(Expressed in Canadian Dollars)

5. Cash

	2012 $	2011 $
Cash on hand	369,573	864,677
Demand deposits	16,493,836	-
	16,863,409	864,677

6. Amounts Receivable

	2012 $	2011 $
HST receivable	30,240	3,870
Foreign value added tax receivable	172,674	26,082
Other	6,968	12,341
	209,882	42,293

7. Property, Plant and Equipment

Cost:	Vehicles $	Equipment and Tools $	Building $	Processing Plant $	Mine Development $	Total $
Balance at February 17, 2011	-	-	-	-	-	-
Additions	-	115,608	222,201	1,366,628	-	1,704,437
Balance at October 31, 2011	-	115,608	222,201	1,366,628	-	1,704,437
Additions	67,746	34,513	72,660	478,851	875,851	1,529,621
Balance at October 31, 2012	67,746	150,121	294,861	1,845,479	875,851	3,234,058

Accumulated Depreciation:	Vehicles $	Equipment and Tools $	Building $	Processing Plant $	Mine Development $	Total $
Balance at February 17, 2011	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Balance at October 31, 2011	-	-	-	-	-	-
Depreciation	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Balance at October 31, 2012	(8,651)	(2,015)	-	(11,523)	-	(22,189)

Carrying Value:	Vehicles $	Equipment and Tools $	Building $	Processing Plant $	Mine Development $	Total $
Balance at October 31, 2011	-	115,608	222,201	1,366,628	-	1,704,437
Balance at October 31, 2012	59,095	148,106	294,861	1,833,956	875,851	3,211,869

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets

	$
Balance at February 17, 2011	-
Acquisition costs:	
Acquired through Woxna Acquisition	5,397,382
Adjustment to provision for site restoration	(483,870)
Balance at October 31, 2011	4,913,512
Exploration costs:	
Consulting	25,806
Database	981
Depreciation	16,505
Drilling	446,755
Equipment rental	33,764
Exploration site costs	14,711
Field supplies	7,996
Geochemistry	111,557
Maps	10,580
Repairs and maintenance	2,477
Salaries and benefits	94,921
Travel	33,360
Vehicles	1,323
	800,736
Acquisition costs:	
Tenement and related costs	11,237
Adjustment to provision for site restoration	(190,009)
	(178,772)
Balance at October 31, 2012	5,535,476

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

In 1993 Woxna entered into agreements under which:

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

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

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

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets (continued)

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringel concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. The discounted value is then accreted to the estimated future value over the period of the payment obligation. As at October 31, 2012 the Company applied a discount rate of 17% to expected future payments and has made the assumption that the obligation will be discharged in 2016 through 2017.

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

	$
Balance at February 17, 2011	-
Property acquisition obligation (SEK 4,000,000)	617,240
Less adjustment to amortized cost	(356,163)
Fair value of obligation on acquisition	261,077
Accretion of discounted cash flows	7,397
Foreign exchange adjustment	(3,358)
Balance at October 31, 2011	265,116
Accretion of discounted cash flows	45,069
Foreign exchange adjustment	(3,739)
Balance at October 31, 2012	306,446

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

9. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringel concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 41,500,000 to be incurred over the next 26 years with the majority of the costs to be incurred between 2036 and 2037.

(Expressed in Canadian Dollars)

9. Provision for Site Restoration (continued)

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 1.531% (October 31, 2011 - 1.932%) and an inflation factor of 0.40% (October 31, 2011 - 0.90%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	$
Balance at February 17, 2011	-
Assumed through Woxna Acquisition	5,373,943
Accretion	2,630
Revision of estimates	(445,308)
Foreign exchange adjustment	(38,562)
Balance at October 31, 2011	4,892,703
Accretion	50,493
Revision of estimates	(111,310)
Foreign exchange adjustment	(78,699)
Balance at October 31, 2012	4,753,187

As at October 31, 2012 there are no property restoration obligations for the Mattsmyra, Gropabo and Mansberg concessions.

A reclamation deposit of $70,411 (SEK 500,000) has been paid to the Gavleborg County Administration Board and has been accounted for as a long term deposit. The reclamation deposit was placed as security for site restoration on the Kringel concession.

10. Share Capital

(a) *Authorized Share Capital*

As at October 31, 2012 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Share Transactions for the Year Ended October 31, 2012*

(i) Concurrent with the completion of the Acquisition, on February 22, 2012 the Company completed a private placement of 10,400,000 units at a price of $0.50 per unit for gross proceeds of $5,200,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.75 per share on or before February 22, 2014. The Company had received $5,200,000 share subscription proceeds prior to the Effective Date.

The Company paid finders' fees consisting of $349,875 cash and the issuance of 699,750 finders' options, with each finders' option exercisable to purchase one common share of the Company and one warrant at a price of $0.50 per option on or before February 22, 2014. Each warrant issued on the exercise of a finders' option will be exercisable to purchase an additional common share at a price of $0.75 per share on or before February 22, 2014. The $216,923 fair value assigned to the finders' options has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.13%; expected volatility of 125%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The finders' options remained outstanding at October 31, 2012.

10. Share Capital (continued)

The Company incurred $22,741 for legal and filing fees associated with this private placement.

A director of the Company acquired 41,600 common shares of this private placement.

(ii) On April 17, 2012 the Company completed a private placement of 8,823,530 units at a price of $1.70 per unit for gross proceeds of $15,000,001. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $2.20 per share on or before April 17, 2014.

The Company paid finders' fees consisting of $871,284 cash and the issuance of 512,521 finders' warrants. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of $1.70 per share on or before April 17, 2014. The $891,787 fair value assigned to the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.13%; expected volatility of 125%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred $202,818 for legal and filing fees and other related costs associated with this private placement.

(c) *Share Transactions for the Period February 17, 2011 to October 31, 2011*

(i) The Company issued 10,000,000 common shares, at $0.05 for gross proceeds of $500,000. Certain directors and family members acquired 4,000,000 common shares of the private placement.

(ii) The Company issued 7,715,000 common shares at $0.30 for gross proceeds of $2,314,500.

The Company paid a finder's fee of $78,015 and issued 257,200 finders' warrants as consideration for the placement of 3,215,000 common shares of the private placement. Each finders' warrant entitles the holder to purchase one additional share at a price of $0.30 per share on or before September 12, 2013. The $48,868 fair value assigned to the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.40%; expected volatility of 125%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

Certain directors, officers and family members acquired 2,146,000 common shares of this private placement.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at October 31, 2012 and 2011 and the changes for the year ended on October 31, 2012 and the period February 17, 2011 to October 31, 2011 is as follows:

	2012		2011	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance at beginning of period	257,200	0.30	-	-
Adjustment to reflect recapitalization	100,000	0.10	-	-
Issued	15,324,287	1.20	257,200	0.30
Exercised	(840,000)	0.67	-	-
Balance at end of period	14,841,487	1.21	257,200	0.30

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at October 31, 2012:

Number	Exercise Price $	Expiry Date
257,200	0.30	September 12, 2013
9,660,000	0.75	February 22, 2014
4,411,766	2.20	April 17, 2014
512,521	1.70	April 17, 2014
14,841,487		

(e) *Share Option Plan*

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

During the year ended October 31, 2012 the Company granted 1,425,000 share options and recorded compensation expense of $1,028,500. In addition, the Company also recorded further compensation expense of $167,859 on the vesting of certain share options.

During the period February 17, 2011 to October 31, 2011 the Company granted 1,700,000 share options and recorded compensation expense of $612,000.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

The fair value of share options granted during the year ended October 31, 2012 and the period February 17, 2011 to October 31, 2011 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2012	2011
Risk-free interest rate	1.16% - 1.33%	1.61%
Estimated volatility	110% - 125%	125%
Expected life	2.5 years - 4 years	3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted and vested during the year ended October 31, 2012 was $0.89 per option. The weighted average fair value of all share options granted during the period February 17, 2011 to October 31, 2011 was $0.36 per option.

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

A summary of the Company's share options at October 31, 2012 and the changes for the year ended on October 31, 2012 and the period February 17, 2011 to October 31, 2011 is as follows:

	2012		2011	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance beginning of period	1,700,000	0.50	-	-
Adjustment to reflect recapitalization	685,000	0.10	-	-
Granted	1,425,000	0.99	1,700,000	$0.50
Exercised	(1,145,000)	0.31	-	-
Cancelled	(75,000)	1.91	-	-
Balance end of period	2,590,000	0.71	1,700,000	$0.50

The following table summarizes information about the share options outstanding and exercisable at October 31, 2012:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
1,190,000	1,190,000	0.50	September 12, 2014
530,000	455,000	0.50	February 23, 2015
150,000	150,000	1.91	April 23, 2015
75,000	75,000	1.11	September 12, 2015
250,000	250,000	1.25	October 11, 2015
145,000	145,000	0.10	June 08, 2016
250,000	250,000	1.11	September 12, 2016
2,590,000	2,515,000		

(Expressed in Canadian Dollars)

10. Share Capital (continued)

The weighted average share price on the date of exercise of share options during fiscal 2012 was $1.38 (2011 - $nil) per share.

The weighted average remaining contractual life of the outstanding share options at October 31 2012 is 2.42 (2011 - 2.87) years.

(f) *Shares Held in Escrow*

As at October 31, 2012 there were 8,250,778 common shares which remained held in escrow and will be released in accordance with the requirements of the TSXV.

(g) See also Note 16.

11. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the year ended October 31, 2012 and the period February 17, 2011 to October 31, 2011 the following amounts were incurred with respect to the Company's President and Chief Financial Officer ("CFO"):

	2012 $	2011 $
Management fees	145,000	-
Share-based compensation	54,000	129,600
	199,000	129,600

The Company has a management agreement with the President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at $13,500 per month, is payable. If the termination had incurred on October 31, 2012, the amount payable under the agreement would be $324,000.

(b) *Transactions with other Related Parties*

During the year ended October 31, 2012 and the period February 17, 2011 to October 31, 2011 the following amounts were incurred with respect to other officers and directors of the Company:

	2012 $	2011 $
Share-based compensation	61,200	-

In addition, during the year ended October 31, 2012 the Company incurred $35,650 (2011 - $3,200) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, exclusive of the CFO, and for rent.

(Expressed in Canadian Dollars)

11. Related Party Disclosures (continued)

As at October 31, 2012, $5,350 (2011 - $2,400) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the year ended October 31, 2012 the Company incurred $56,381 (2011 - $nil) for shared administration costs with public companies with common directors and officers.

As at October 31, 2012, $8,549 (2011 - $nil) remained unpaid and has been included in accounts payable and accrued liabilities.

See also Notes 10(c) and (d).

12. Income Taxes

Deferred income tax assets are as follows:

	2012 $	2011 $
Deferred income tax assets (liabilities):		
Losses carried forward	729,000	62,100
Other	315,600	16,700
	1,044,600	78,800
Valuation allowance	(1,044,600)	(78,800)
Deferred income tax asset	-	-

The recovery of income taxes shown in the consolidated statements of comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2012 $	2011 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	25.25%	26.5%
Expected income tax recovery	1,622,800	234,400
Effect of income tax rate changes	(2,800)	-
Foreign income tax rate difference	11,700	-
Non-deductible share-based compensation	(302,000)	(162,200)
Other	(2,000)	(5,500)
Unrecognized benefit of income tax losses	(1,327,700)	(66,700)
Actual income tax recovery	-	-

As at October 31, 2012 the Company has non-capital losses of approximately $1,458,700 (2011 -$151,300) and cumulative pools of approximately $1,262,000 (2011 - $67,000) for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2031. The Company's subsidiary in Sweden has losses for income tax purposes of approximately $1,385,900 (2011 - $92,500) which may be carried forward indefinitely.

(Expressed in Canadian Dollars)

13. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	October 31, 2012 $	October 31, 2011 $
Cash	FVTPL	16,863,409	864,677
Amounts receivable	Loans and receivables	209,882	42,293
Reclamation deposit	Loans and receivables	70,411	76,462
Accounts payable and accrued liabilities	Other liabilities	(602,423)	(105,738)
Property acquisition obligation	Other liabilities	(306,446)	(265,116)

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

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

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

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

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

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

Credit Risk

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

13. Financial Instruments and Risk Management (continued)

Liquidity Risk

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

	Contractual Maturity Analysis at October 31, 2012				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	16,863,409	-	-	-	16,863,409
Amounts receivable	209,882	-	-	-	209,882
Reclamation deposit	-	-	-	70,411	70,411
Accounts payable and accrued liabilities	(602,423)	-	-	-	(602,423)
Property acquisition obligation	-	-	(306,446)	-	(306,446)

	Contractual Maturity Analysis at October 31, 2011				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	864,677	-	-	-	864,677
Amounts receivable	42,293	-	-	-	42,293
Reclamation deposit	-	-	-	76,462	76,462
Accounts payable and accrued liabilities	(105,738)	-	-	-	(105,738)
Property acquisition obligation	-	-	-	(265,116)	(265,116)

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At October 31, 2012, 1 Canadian Dollar was equal to SEK6.64.

(Expressed in Canadian Dollars)

13. Financial Instruments and Risk Management (continued)

Balances are as follows:

	SEK	CDN $ Equivalent
Cash	1,151,002	173,344
Amounts receivable	1,193,189	179,697
Reclamation deposit	500,000	70,411
Accounts payable and accrued liabilities	(3,650,894)	(549,833)
Property acquisition obligation	(2,035,608)	(306,446)
	(2,842,311)	(432,827)

Based on the net exposures as of October 31, 2012 and assuming that all other variables remain constant, a 10% fluctuation the Canadian Dollar against the SEK would result in the Company's net loss being approximately $38,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. Supplemental Cash Flow Information

During the year ended October 31, 2012 and the period February 17, 2011 to October 31, 2011 non-cash activities were conducted by the Company as follows:

	2012 $	2011 $
Operating activities		
Depreciation	16,505	-
Provision for site restoration	(190,009)	(483,870)
Increase in accounts payable and accrued liabilities	273,800	-
	100,296	(483,870)
Investing activities		
Revisions of estimates on exploration and evaluation assets	190,009	483,870
Additions to property, plant and equipment	(269,564)	-
Expenditures on exploration and evaluation assets	(20,741)	-
Reverse acquisition	(3,475,000)	-
	(3,575,296)	483,870

(Expressed in Canadian Dollars)

14. Supplemental Cash Flow Information (continued)

	2012 $	2011 $
Financing activities		
Issuance of common shares	3,776,425	48,868
Share issue costs	(1,108,710)	(48,868)
Share-based payments reserve	807,285	-
	3,475,000	-

15. Segmented Information

As at October 31, 2012 and 2011, the Company is involved in the exploration and development of resource properties in Sweden, with corporate operations in Canada. The Company is in the exploration and development stage and accordingly, has no reportable segment revenues or operating results.

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

	As at October 31, 2012		
	Corporate Canada $	Mineral Operations Sweden $	Total $
Current assets	16,762,458	487,856	17,250,314
Property, plant and equipment	-	3,211,869	3,211,869
Exploration and evaluation assets	-	5,535,476	5,535,476
Reclamation deposit	-	70,411	70,411
	16,762,458	9,305,612	26,068,070

	As at October 31, 2011		
	Corporate Canada $	Mineral Operations Sweden $	Total $
Current assets	845,576	210,194	1,055,770
Property, plant and equipment	-	4,913,512	4,913,512
Exploration and evaluation assets	-	1,704,437	1,704,437
Reclamation deposit	-	76,462	76,462
	845,576	6,904,605	7,750,181

16. Events after the Reporting Period

Subsequent to October 31, 2012 the Company issued 67,500 common shares on the exercise of share options and warrants for proceeds of $36,250.