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**FLINDERS RESOURCES LIMITED**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
JANUARY 31, 2014

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Flinders Resources Limited (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 standards established by The Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

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

	Note	January 31, 2014 \$	October 31, 2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		10,632,960	11,438,553
GST/VAT receivables		92,004	106,141
Amounts receivable		752	27,331
Prepaid expenses and deposit		<u>28,408</u>	<u>50,397</u>
<b>Total current assets</b>		<u>10,754,124</u>	<u>11,622,422</u>
<b>Non-current assets</b>			
Property, plant and equipment	3	5,767,380	5,404,958
Exploration and evaluation assets	4	5,384,410	5,177,338
Reclamation deposit	5	<u>90,086</u>	<u>85,266</u>
<b>Total non-current assets</b>		<u>11,241,876</u>	<u>10,667,562</u>
<b>TOTAL ASSETS</b>		<u>21,996,000</u>	<u>22,289,984</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>469,520</u>	<u>574,976</u>
<b>Non-current liabilities</b>			
Provision for site restoration	5	4,063,601	3,873,138
Property acquisition obligation	4	<u>425,853</u>	<u>386,692</u>
<b>Total non-current liabilities</b>		<u>4,489,454</u>	<u>4,259,830</u>
<b>TOTAL LIABILITIES</b>		<u>4,958,974</u>	<u>4,834,806</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	25,228,188	25,228,188
Share-based payments reserve		3,024,564	2,995,583
Deficit		<u>(11,215,726)</u>	<u>(10,768,593)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>17,037,026</u>	<u>17,455,178</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>21,996,000</u>	<u>22,289,984</u>

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 14, 2014 and are signed on its behalf by:

/s/ Blair Way  
Blair Way  
Director

/s/ Nick DeMare  
Nick DeMare  
Director

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

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

	Notes	Three Months Ended	
		January 31,	
		2014	2013
		\$	\$
<b>Expenses</b>			
Accounting and administration		34,805	33,233
Accretion of provision for site restoration	5	22,851	23,576
Audit		32,116	42,480
Bank charges		934	1,490
Consulting		44,272	217,479
Corporate development		7,063	14,067
Depreciation		8,767	8,198
Equipment rentals and related		16,195	103,014
Fuel, electricity and utilities		24,533	9,462
General exploration		-	7,088
Interest	4	16,434	13,024
Investor relations		18,000	30,000
Legal		5,830	21,062
Management fees		49,998	40,500
Office		27,199	42,397
Plant maintenance		1,570	11,643
Plant supplies and consumables		13,906	48,025
Regulatory		2,983	1,693
Rent		1,005	11,701
Repairs and maintenance		-	6,300
Salaries, benefits and personnel costs		60,198	187,013
Share-based compensation	6(d)	28,981	(6,140)
Shareholder costs		2,850	550
Transfer agent		1,387	2,555
Travel		37,282	67,407
		<u>459,159</u>	<u>937,817</u>
<b>Loss before other items</b>		<u>(459,159)</u>	<u>(937,817)</u>
<b>Other items</b>			
Interest and other income		39,104	56,178
Foreign exchange		<u>(27,078)</u>	<u>(33,477)</u>
		<u>12,026</u>	<u>22,701</u>
<b>Net loss and comprehensive loss</b>		<u>(447,133)</u>	<u>(915,116)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.01)</u>	<u>\$(0.02)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>46,198,230</u>	<u>45,881,502</u>

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

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

<b>Three Months Ended January 31, 2014</b>					
<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>	
<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at October 31, 2013</b>	46,198,230	25,228,188	2,995,583	(10,768,593)	17,455,178
Share-based compensation	-	-	28,981	-	28,981
Net loss for the period	-	-	-	(447,133)	(447,133)
<b>Balance at January 31, 2014</b>	<b>46,198,230</b>	<b>25,228,188</b>	<b>3,024,564</b>	<b>(11,215,726)</b>	<b>17,037,026</b>

<b>Three Months Ended January 31, 2013</b>					
<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>	
<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at October 31, 2012</b>	45,873,530	25,030,116	2,664,512	(7,288,614)	20,406,014
Common shares issued for cash:					
- exercise of share options	37,500	18,750	-	-	18,750
- exercise of warrants	10,000	7,500	-	-	7,500
Transfer on exercise of share options	-	28,594	(28,594)	-	-
Share-based compensation (recovery)	-	-	(6,140)	-	(6,140)
Net loss for the period	-	-	-	(915,116)	(915,116)
<b>Balance at January 31, 2013</b>	<b>45,921,030</b>	<b>25,084,960</b>	<b>2,629,778</b>	<b>(8,203,730)</b>	<b>19,511,008</b>

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

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

	<b>Three Months Ended</b>	
	<b>January 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(447,133)	(915,116)
Adjustments for:		
Accretion of provision for site restoration	22,851	23,576
Depreciation	8,767	8,198
Interest	16,434	13,024
Foreign exchange	17,907	(381)
Share-based compensation (recovery)	28,981	(6,140)
	<u>94,940</u>	<u>38,277</u>
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	26,579	(18,193)
Decrease in GST/VAT receivables	14,137	31,249
Decrease in prepaid expenses and deposit	21,989	20,968
(Decrease) increase in accounts payable and accrued liabilities	(127,529)	233,311
	<u>(64,824)</u>	<u>267,335</u>
<b>Net cash used in operating activities</b>	<u>(417,017)</u>	<u>(609,504)</u>
<b>Investing activities</b>		
Additions to property, plant and equipment	(358,525)	(1,040,489)
Expenditures on exploration and evaluation assets	(30,051)	(76,410)
<b>Net cash used in investing activities</b>	<u>(388,576)</u>	<u>(1,116,899)</u>
<b>Financing activity</b>		
Issuance of common shares	-	26,250
<b>Net cash provided by financing activity</b>	<u>-</u>	<u>26,250</u>
<b>Net change in cash</b>	(805,593)	(1,700,153)
<b>Cash at beginning of period</b>	<u>11,438,553</u>	<u>16,863,409</u>
<b>Cash at end of period</b>	<u>10,632,960</u>	<u>15,163,256</u>

**Supplemental cash flow information** - See Note 9

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

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
*(Unaudited - Expressed in Canadian Dollars)*

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**1. Nature of Operations**

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

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

As at January 31, 2014 the Company had working capital of \$10,284,604, non-current liabilities of \$4,489,454 and an accumulated deficit of \$11,215,726. The Company has now reviewed the preliminary economic assessment ("PEA") on the Woxna Graphite Mine and has developed a staged implementation plan for the commencement of operations. The staged plan spreads the PEA capital costs over several years as sales contracts are established but permits lower production levels and costs until sales warrant capacity expansion. The Company has sufficient funding to implement the staged plan and meet anticipated levels of corporate administration and overheads for the ensuing twelve months. The Company's ability to continue as a going concern may be dependent upon the ability of the Company to obtain necessary financing to further develop its properties and to establish future profitable production. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

**2. Basis of Preparation**

***Statement of Compliance***

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

***Basis of Presentation***

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

***Basis of Measurement***

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
*(Unaudited - Expressed in Canadian Dollars)*

**3. Property, Plant and Equipment**

<b>Cost:</b>	<b>Vehicles \$</b>	<b>Equipment and Tools \$</b>	<b>Building \$</b>	<b>Processing Plant \$</b>	<b>Mine Development \$</b>	<b>Total \$</b>
Balance at October 31, 2012	67,746	150,121	294,861	1,845,479	875,851	3,234,058
Additions	<u>54,505</u>	<u>99,996</u>	<u>-</u>	<u>1,441,629</u>	<u>667,678</u>	<u>2,263,808</u>
Balance at October 31, 2013	122,251	250,117	294,861	3,287,108	1,543,529	5,497,866
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,899</u>	<u>61,099</u>	<u>380,998</u>
Balance at January 31, 2014	<u>122,251</u>	<u>250,117</u>	<u>294,861</u>	<u>3,607,007</u>	<u>1,604,628</u>	<u>5,878,864</u>
<b>Accumulated Depreciation:</b>						
Balance at October 31, 2012	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Depreciation	<u>(24,399)</u>	<u>(22,316)</u>	<u>-</u>	<u>(24,004)</u>	<u>-</u>	<u>(70,719)</u>
Balance at October 31, 2013	(33,050)	(24,331)	-	(35,527)	-	(92,908)
Depreciation	<u>(6,075)</u>	<u>(6,525)</u>	<u>-</u>	<u>(5,976)</u>	<u>-</u>	<u>(18,576)</u>
Balance at January 31, 2014	<u>(39,125)</u>	<u>(30,856)</u>	<u>-</u>	<u>(41,503)</u>	<u>-</u>	<u>(111,484)</u>
<b>Carrying Value:</b>						
Balance at October 31, 2013	<u>89,201</u>	<u>225,786</u>	<u>294,861</u>	<u>3,251,581</u>	<u>1,543,529</u>	<u>5,404,958</u>
Balance at January 31, 2014	<u>83,126</u>	<u>219,261</u>	<u>294,861</u>	<u>3,565,504</u>	<u>1,604,628</u>	<u>5,767,380</u>

**4. Exploration and Evaluation Assets**

	<b>As at January 31, 2014</b>			<b>As at October 31, 2013</b>		
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>
Sweden						
Woxna Graphite Mine	<u>3,946,271</u>	<u>1,438,139</u>	<u>5,384,410</u>	<u>3,778,659</u>	<u>1,398,679</u>	<u>5,177,338</u>



**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

	\$
<b>Balance at October 31, 2012</b>	<u>5,535,476</u>
<b>Exploration costs:</b>	
Consulting	402,482
Database analysis	64,486
Depreciation	1,129
Equipment rental	10,900
Exploration site costs	295
Field supplies	1,946
Freight	17,635
Salaries and benefits	94,297
Travel	<u>4,773</u>
	<u>597,943</u>
<b>Acquisition costs:</b>	
Adjustment to provision for site restoration	<u>(956,081)</u>
<b>Balance at October 31, 2013</b>	<u>5,177,338</u>
<b>Exploration costs:</b>	
Consulting	14,540
Depreciation	296
Exploration site costs	864
Salaries and benefits	<u>23,760</u>
	<u>39,460</u>
<b>Acquisition costs:</b>	
Adjustment to provision for site restoration	<u>167,612</u>
<b>Balance at January 31, 2014</b>	<u>5,384,410</u>

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

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

- (i) it acquired the Kringel concession for an initial payment of SEK 150,000 and a further amount of SEK 4,000,000 ("property acquisition obligation") is to be paid upon the commencement of production from the Kringel concession; and
- (ii) it acquired the Mattsmyra, Gropabo and Mansberg concessions for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions is to be paid upon commencement of production from these concessions.

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

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

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

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

	\$
<b>Balance at October 31, 2012</b>	306,446
Accretion of discounted cash flows	57,227
Foreign exchange adjustment	<u>23,019</u>
<b>Balance at October 31, 2013</b>	386,692
Accretion of discounted cash flows	16,434
Foreign exchange adjustment	<u>22,727</u>
<b>Balance at January 31, 2014</b>	<u>425,853</u>

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

**5. Provision for Site Restoration**

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

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 2.22% (October 31, 2013 - 2.29%) and an inflation factor of negative 0.20% (October 31, 2013 - 0.10%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

	\$
<b>Balance at October 31, 2012</b>	4,753,187
Accretion	76,032
Revision of estimates	(1,271,451)
Foreign exchange adjustment	<u>315,370</u>
<b>Balance at October 31, 2013</b>	3,873,138
Accretion	22,851
Revision of estimates	118,590
Foreign exchange adjustment	<u>49,022</u>
<b>Balance at January 31, 2014</b>	<u>4,063,601</u>

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

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
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**5. Provision for Site Restoration** (continued)

A reclamation deposit of \$90,086 has been paid to the Gavleborg County Administration Board and has been accounted for as a non-current deposit. The reclamation deposit was placed as security for site restoration on the Kringel concession.

**6. Share Capital**

(a) *Authorized Share Capital*

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

(b) *Reconciliation of Changes in Share Capital*

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

(c) *Warrants*

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

	2014		2013	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	14,574,287	1.22	14,841,487	1.21
Exercised	-	0.32	(10,000)	0.75
Balance end of period	14,574,287	1.22	14,831,487	1.21

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

Number	Exercise Price \$	Expiry Date
9,650,000	0.75	February 22, 2015
4,411,766	2.20	April 17, 2014
512,521	1.70	April 17, 2014
14,574,287		

During the three months ended January 31, 2014 the Company extended the term of 9,650,000 warrants by one year. The warrants were issued with an original expiry date of February 22, 2014 and were extended to February 22, 2015. All other terms of the warrants will remain the same.

(d) *Share Option Plan*

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

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
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**6. Share Capital (continued)**

During the three months ended January 31, 2014 the Company granted 200,000 share options to a consultant and recorded compensation expense of \$24,542. During the three months ended January 31, 2013 the Company did not grant any share options.

During the three months ended January 31, 2014 the Company recorded compensation expense of \$4,439 on the vesting of share options previously granted. During the three months ended January 31, 2013 the Company recorded a compensation recovery of \$6,140 on the adjustment to previously recognized amounts to the vesting of share options granted.

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

	<b>2014</b>	<b>2013</b>
Risk-free interest rate	1.11% - 1.28%	1.16%
Estimated volatility	120% - 121%	154%
Expected life	2.25 years - 3 years	2.25 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during the three months ended January 31, 2014 was \$0.39 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 January 31, 2014 and 2013 and the changes for the three months ended on those dates is as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price \$</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price \$</b>
Balance beginning of period	2,927,500	0.62	2,590,000	0.71
Granted	200,000	0.45	-	-
Exercised	-	-	(37,500)	0.50
Expired	<u>(800,000)</u>	0.58	<u>-</u>	-
Balance end of period	<u>2,327,500</u>	0.69	<u>2,552,500</u>	0.71

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2014**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Share Capital (continued)**

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

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
360,000	360,000	0.50	September 12, 2014
347,500	347,500	0.50	February 23, 2015
250,000	250,000	1.25	October 11, 2015
100,000	100,000	0.60	March 15, 2016
25,000	25,000	0.61	March 18, 2016
100,000	75,000	0.46	April 17, 2016
145,000	145,000	0.10	June 08, 2016
800,000	800,000	0.57	September 17, 2016
<u>200,000</u>	<u>50,000</u>	0.45	January 6, 2017
<u>2,327,500</u>	<u>2,152,500</u>		

**7. Related Party Disclosures**

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

(a) *Transactions with Key Management Personnel*

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

	2014 \$	2013 \$
Management fees	<u>49,998</u>	<u>40,500</u>

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

The Company has a management agreement with the President of the Company which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on January 31, 2014, the amount payable under the agreement would be \$200,000.

(b) *Transactions with other Related Parties*

(i) During the three months ended January 31, 2014 the Company incurred \$8,200 (2013 - \$8,500) 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 \$1,005 (2013 - \$nil) for rent. As at January 31, 2014, \$7,370 (2013 - \$7,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended January 31, 2014 the Company incurred \$2,218 (2013 - \$216) for shared administration costs with public companies with common directors and officers. As at January 31, 2014, \$2,080 (2013 - \$2,216) remained unpaid and has been included in accounts payable and accrued liabilities.

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**8. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

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

<b>Financial Instrument</b>	<b>Category</b>	<b>January 31, 2014 \$</b>	<b>October 31, 2013 \$</b>
Cash	FVTPL	10,632,960	11,438,553
Amounts receivable	Loans and receivables	752	27,331
Reclamation deposit	Loans and receivables	90,086	85,266
Accounts payable and accrued liabilities	Other liabilities	(469,520)	(574,976)
Property acquisition obligation	Other liabilities	(425,853)	(386,692)

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

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

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

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

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

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

*Credit Risk*

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

*Liquidity Risk*

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

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**8. Financial Instruments and Risk Management (continued)**

	<b>Contractual Maturity Analysis at January 31, 2014</b>				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	10,632,960	10,632,960	10,632,960	-	-
Amounts receivable	752	752	752	-	-
Reclamation deposit	90,086	90,086	-	-	90,086
Accounts payable and accrued liabilities	(469,520)	(469,520)	(469,520)	-	-
Property acquisition obligation	(425,853)	(679,588)	-	(679,588)	-

  

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

*Market Risk*

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

*Interest Rate Risk*

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

*Foreign Currency Risk*

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At January 31, 2014, 1 Canadian Dollar was equal to SEK 5.89.

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	1,796,316	304,977
Amounts receivable	270,800	45,976
Reclamation deposit	530,238	90,086
Accounts payable and accrued liabilities	(2,512,540)	(425,577)
Property acquisition obligation	(2,506,539)	(425,853)
	<u>(2,421,725)</u>	<u>(410,391)</u>

Based on the net exposures as of January 31, 2014 and assuming that all other variables remain constant, a 10% fluctuation the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$37,500 higher (or lower).

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**8. Financial Instruments and Risk Management (continued)**

*Capital Management*

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

**9. Supplemental Cash Flow Information**

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

	2014 \$	2013 \$
Operating activities		
Depreciation	9,809	8,471
Provision for site restoration	167,612	(797,851)
Increase in accounts payable and accrued liabilities	83,968	173,029
	<u>261,389</u>	<u>(616,351)</u>
Investing activities		
Revisions of estimates on exploration and evaluation assets	(167,612)	797,851
Additions to property, plant and equipment	(9,809)	(8,471)
Expenditures on exploration and evaluation assets	(83,968)	(173,029)
	<u>(261,389)</u>	<u>616,351</u>
Financing activities		
Issuance of common shares	-	28,594
Share-based payments reserve	-	(28,594)
	<u>-</u>	<u>-</u>

**10. Segmented Information**

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



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**10. Segmented Information** (continued)

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

	<u>As at January 31, 2014</u>		
	<u>Corporate Canada \$</u>	<u>Mineral Operations Sweden \$</u>	<u>Total \$</u>
Current assets	10,388,592	365,532	10,754,124
Property, plant and equipment	-	5,767,380	5,767,380
Exploration and evaluation assets	-	5,384,410	5,384,410
Reclamation deposit	-	<u>90,086</u>	<u>90,086</u>
	<u>10,388,592</u>	<u>11,607,408</u>	<u>21,996,000</u>