FLINDERS RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2013

This discussion and analysis of financial position and results of operation is prepared as at February 7, 2014 and should be read in conjunction with the audited consolidated financial statements for the years ended October 31, 2013 and 2012 of Flinders Resources Limited ("Flinders" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

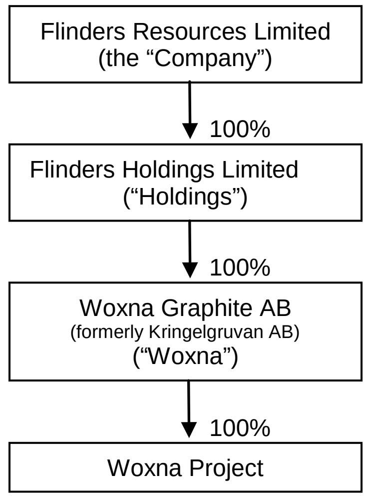
Certain information set out in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things: the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in the Company's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and the Company's ability to attract and train key personnel; changes in world metal markets and equity markets beyond the Company's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; the Company does not maintain insurance against environmental risks; and management of the Company have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although the Company believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, the Company does not intend, or assume any obligation, to update these Forward-Looking Statements.

Company Overview

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, the Company 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. On February 22, 2012 the Company changed its name to Flinders Resources Limited in conjunction with the completion of its acquisition as described below. The Company's common shares trade on the TSXV as a Tier 1 mining issuer under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

On February 22, 2012 the Company completed the acquisition of Burke Resources Limited ("Burke") (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.

Corporate Structure



Management Changes

On September 16, 2013 the Company announced that the Board of Directors of the Company had accepted the resignation of Mr. Martin McFarlane as the President and Chief Executive Officer ("CEO") and as a director of the Company. Mr. Blair Way was appointed President and CEO and added to the Board of Directors to fill the vacancy from the resignation of Mr. McFarlane. Mr. Way is a seasoned resource professional with a career spanning over 25 years, that has encompassed exploration, development, and mining construction throughout Australia, Asia, Canada, the United States and the United Kingdom. Mr. Way has been successful in building and managing teams that have commissioned mines into production. His previous employers include Strike Graphite, Ventana Gold, Oceanagold Hatch Associates and BHP Billiton. Mr. Way holds a Bachelor of Science (Geology) from Acadia University in Nova Scotia, Canada, as well as a Masters of Business Administration from the University of Queensland, Australia.

Woxna Project

Location

The Woxna Project is located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301.

The Woxna Project produced flake graphite from 1996 to 2001, when it closed due to depressed graphite prices. Since then the Woxna Project has been held on care and maintenance. The Woxna Project was acquired in August 2011 and since then the Company has been working to bring the property back to the production stage. The Woxna Project comprises four exploitation (mining) concessions located in the vicinity of the town of Edsbyn, northwest of the city of Gavle in Central Sweden. The Woxna Project comprises a partially depleted open pit and associated processing facility on the Kringel concession which had been in production from 1996 to 2001. The other three concessions remain undeveloped. Graphite is developed in distinct zones in silicified metasedimentary and metavolcanic rocks. This type of mineralisation is particularly suited to discovery by electromagnetic geophysical methods. The project area is well placed in terms of infrastructure connected to grid power and water. Roads give good access to European graphite markets as well as surrounding regional facilities and infrastructure.

The Woxna graphite product is known to the graphite market in Europe. All four mining concessions were drilled by prior operators in the period 1988-1993 and Flinders drilled the Kringel concession in 2012. A National Instrument 43-101 ("NI 43-101") compliant resource was announced on September 18, 2012 at the Kringel deposit and significant historical resources exist at the other three deposits.

The Woxna Project is unique due to its strategic position within the European Union and a fully permitted and constructed status as well as being attractive due to its proven ability to produce high grade large flake graphite, long life high grade resource and considerable upside potential. Major assets include:

- The Kringel exploitation concession containing a NI 43-101 measured and indicated mineral resource totalling 2.6 million tonnes averaging 10.5% graphitic carbon ("Cg"), when applying a 7% Cg lower cut-off.
- Kringel also hosts a fully permitted constructed mine and beneficiation plant, currently on care and maintenance, which is rated to produce up to 13,000 t/yr graphite. Total historic investment in the plant plus infrastructure is SEK 90 million (approximately CDN $13 million).
- A valid environmental permit exists for mining and processing of 100,000 t/yr ore at the Kringel concession.
- Three graphite exploitation concessions ("MLs") with combined historic mineral resources over 5.6 Mt @ 8.2% graphitic carbon ("C"). These MLs are namely Gropabo (2.1Mt @ 6.9% C historic mineral resource) located 16 km NW of Kringel, Mattsmyra (2.2Mt @ 8.8% C historic mineral resource) located 13 km NW of Kringel and Månsberg (1.3Mt @ 9.4% C historic mineral resource) located 29 km SE of Kringel.

The NI 43-101 resource estimate was completed by qualified and independent geologist, Mr. Geoffrey Reed of Reed Leyton Consultants. A technical report was filed on SEDAR and www.flindersresources.com in November 2012.

The historical mineral resource estimates quoted are based on reports by independent geologist Lars-Åke Claesson in August 2002. The mineral resource was calculated using a polygonal method and is broadly similar to CIM definitions "indicated" and "inferred". Data is historical in nature and was compiled prior to the implementation of NI 43-101 reporting standards. Flinders has not completed sufficient exploration to verify the estimates. Flinders is not treating them as NI 43-101 defined mineral resources or mineral reserves verified by a Qualified Person, and the historical estimate should not be relied upon. Flinders does not have, and is not aware of, any more recent mineral resource estimates that conform to the standards set out in NI 43-101. The historic resources have been drilled to a nominal depth of 50 m below surface. Graphite mineralization remains open along strike and at depth.

Coffey Mining completed a NI 43-101 compliant technical report on the Woxna Project and the report was filed on SEDAR in January 2012.

Inventory of Graphite

The Woxna assets acquired also included inventory of graphite. This graphite had been produced prior to the shutdown of the mine, however being lower grade product was considered unsaleable in the depressed graphite markets at that time. Since acquiring Woxna in August 2011, the Company initiated a program to upgrade the graphite stockpile and market this production to European consumers. A portion of the processing plant was started up to clean, sort and pack the graphite. The Company has identified customers for this graphite. Benefits of upgrading and selling this graphite include cleaning up the Kringel site, confirmation that the sections of the processing plant can be successfully restarted with minimal effort and confirmation that graphite markets are considerably improved when compared to a decade ago. The drying, screening and packing circuits of the Kringel processing plant were successfully restarted in May 2013 after the winter break and production of graphite from stockpiled material continued until December 2013. 158 tons of graphite product was disposed of and the proceeds were credited to inventory. The remaining inventory costs were charged to plant maintenance.

Preliminary Economic Analysis

On September 3, 2013 the Company announced positive results from its preliminary economic analysis ("PEA") of the Woxna Project.

Financial Highlights

Estimated in the PEA:

- Low start-up capital costs of US $16,700,000 including contingency and working capital.
- Average production costs of US $662 per tonne of graphite concentrate.
- US $26,600,000 post tax net present value ("NPV") (8% discount).
- 34% post-tax internal rate of return ("IRR").

- Payback period of 3.9 years.
- Conservative average graphite sales price of US $1,199 per tonne used.
- Post tax NPV increases to US $37,300,000 (8% discount) in a sensitivity analysis when 10% higher graphite prices of US $1,318 per tonne are used.

Operational Highlights

Estimated in the PEA:

- 155,000 tonnes/year of mined material delivered to Run of Mine ("ROM") with 10.3% average graphite head grade.
- Design production rate of 16, 600 tonnes/year of graphite concentrate.
- Excellent graphite recovery of 96%.
- 88% to 95% graphite purity and 40% by weight as premium large or extra-large flake graphite.
- 13 year mine life.
- Stripping ratio of 5.3:1 overall, starting at 4:1.

The PEA was prepared by GBM Minerals Engineering Consultants of the United Kingdom ("GBM") (Mineral Project Engineering), with contributions from Golder Associates AB of Sweden ("Golder") (Mining Plan), Reed Leyton Consulting (Mineral Resource), Aminpro Metallurgical Services of Chile ("Aminpro") (Metallurgical Test Work and Process Design), Tailings Consultants Scandinavia ("TCS") (Tailings Facility Design) and the Company.

Mineral Resources

Woxna Graphite AB, Flinders' 100% owned Swedish subsidiary, owns 4 mining concessions over graphite deposits (Kringel, Gropabo, Mattsmyra and Mansberg - the Woxna Project) located along a 40km trend in central Sweden. The PEA considers only one of these deposits, the Kringel deposit. The partially mined Kringel deposit lies adjacent to the processing plant, tailings dam and related infrastructure, and is fully permitted for an immediate restart. Woxna is currently reprocessing graphite and last mined graphite in 2001.

The Kringel mineral resource estimate was completed by independent geologist, Mr. Geoffrey Reed of Reed Leyton Consultants in April 2012. The resource estimate was recalculated for the PEA using more accurate drill hole collar locations and this has resulted in a moderately increased resource tonnage with higher grades.

The recalculated mineral resource at Kringel is drilled across an area approximately 1200 metres ("m") length by 100m to 200m width. Mineralization was intersected on all drill sections and continues to at least 150m below the surface. Mineralization strikes east-west, and dips between 60 and 80 degrees to the south. Mineralization is present as four main and five smaller mineralized bodies. The thickness in the section of the plane is usually more than 10m, but varies between 5m and more than 15m. Mineralization at Kringel remains open along strike and at depth, and geophysical data suggests potential for significant expansion.

A total of 90 diamond drill holes for 6,581m drilled between 1988 and 2012 were included in the current mineral resource estimation. Hole spacing is on a 50 metre by 50 metre drill pattern. A lower cut-off grade of 7% graphite was used as the base case to calculate the resource. Flinders considers the cut-off grade to be conservative.

Table 1 - Kringel Mineral Resource Estimate (7 % Cg lower cut-off grade)

Classification	Tonnes (Mt)	Graphite ("Cg")
Measured	1.0	10.7%
Indicated	1.8	10.7%
Total	**2.8**	**10.7%**

Cautionary Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The PEA is preliminary in nature and there is no certainty that the PEA will be realized.

In addition to the Kringel graphite resource, the Gropabo, Mattsmyra and Mansberg flake graphite deposits contain historic resources. These will continue to be classified as historic resources until Flinders has the opportunity to upgrade them to NI43-101 standards. These historic resources are not included in the economic analysis of the PEA.

Mining

The PEA estimates for the life of the mine ("LOM"):

- Mining costs of US $240/tonne of graphite; US $25.80/tonne to ROM; US $4.1/tonne mined.
- Average graphite grade to ROM 10.3%.
- Graphite mineralization mined per year 155,000 tonnes.
- Average stripping ratio 5.3:1.
- Mine life 13 years.

Golder completed the mining study for this PEA. Pit optimisation, pit design and mine production schedules were performed using industry standard Gemcom Whittle™ 4x optimisation software, Maptek Vulcan™ and Gemcom Surpac™ mine planning software using only graphite under Measured and Indicated mineral resources categories within the provided resource model. The model produced a quantity of mineralized material and waste tonnes, distributed over the life of the mine. Inferred resources were not used in the mining or economic models produced in the PEA.

The model shell was then used to generate operational pit designs. Two distinct open pits were designed around the Whittle shells. The pits included haulage ramps located on the south wall of the pits.

Table 2: Materials contained in proposed pits

Source	Mineralised Material (Mt)	Graphite Grade (%)	Waste (Mt)	Total (Mt)	Stripping Ratio
East Pit	8.9	10.5	3.8	4.8	4.4
West Pit	9.3	11.4	5.7	6.6	6.1
Total	**18.2**	**11.0**	**9.5**	**11.4**	**5.3**

The pits were then scheduled over the LOM by months for the first year, quarters for years 2 and 3 and then annually for the remainder of the life of the project. The Whittle production schedule was set at 100,000 t/a ROM however, for the purposes of economic modelling, the mine throughput was increased to 155,000 t/a ROM, and therefore the Whittle production schedule was accelerated on a pro rata basis accordingly. The waste to mineralised material ratio increases over time due to the depth of the pits and designed strip ratios until the final years when the benches are predominantly mineralised material.

The Company plans to use contract mining and the operating costs were derived from contractor quotes obtained by Golder.

Processing & Recovery

The PEA estimates:

- Processing costs US $662/tonne of graphite concentrate, US $71/tonne of material processed.
- Annual average processing rate 155,000 tonnes.
- Annual average production 16,600 tonnes of graphite concentrate.
- Average graphite recovery 96%.

The Woxna Project has an existing graphite processing plant which was last fully operated in 2001. A comprehensive metallurgical test work programme by Aminpro led to a new process flow sheet designed by Aminpro and GBM. This flow sheet predicts a significant improvement in quantity, grade and graphite flake size distribution compared to historic production. Engineering under the PEA proposes utilising as much of the existing facilities and infrastructure as possible in line with the new design, to minimise the initial capital cost and enable production to commence in the shortest possible time.

The process flow sheet incorporates conventional mineral processing technology starting with two-stage crushing of the ROM material followed by grinding in the existing rod mill. The ground product is treated by flash and rougher flotation to maximise the recovery of large flake. The rougher tailings are treated in a scavenger flotation circuit to maximise recovery. The flash and rougher concentrates then undergo two stages of regrinding and cleaner flotation while scavenger concentrate has three stages of regrinding and cleaner flotation. Most of the flotation section uses new equipment. Graphite concentrate is dewatered in a new filter press then dried in the existing drier. Screening and packing of graphite product largely utilises existing equipment. A new flake product exceeding 250 micron and 94% purity is produced in addition to the graphite grades produced historically.

The nominal throughput of the plant is 155,000 tonne/year based on the maximum rate that can be milled in the existing rod mill. There is potential to significantly increase throughput by using an existing re-grinding mill as a ball mill in the primary milling circuit along with commensurate expansions of the flotation, drying, screening and packing sections. An expansion of capacity would be considered once markets permit.

Graphite Markets, Prices & Sales Revenue

The European graphite market is estimated to consume approximately 20% of the global demand for natural flake graphite of circa 500,000 tonnes/year. Today more than 90% of Europe's graphite demand is imported, mainly from China.

The Woxna Project will primarily target the European graphite market due to its proximity to Sweden, short transit times and low transport costs. At 16,600 tonnes/year, the design production volume in the PEA is deliberately sized so that graphite sales may be readily absorbed into the European market without creating an oversupply situation. Further expansion of the Woxna Project is possible and will be evaluated when European market conditions permit.

Graphite prices have risen considerably since the Woxna mine was last operated in 2001. In 2010, following a long period of flat prices, graphite prices, particularly for flake grades, rose rapidly as a result of a surge in demand due to restocking, growth from China and lithium batteries. Simultaneously, the imposition of taxes and permits on Chinese graphite exports restricted supply. Graphite prices peaked in 2012 and eased to today be approximately double the level seen in 2001. Graphite market commentators predict that prices may be approaching the bottom and with signs of economic recovery in the USA and the worst of the recession behind Europe, graphite prices may again strengthen.

Graphite is not an openly traded mineral with prices negotiated privately between customers and producers under spot or term contracts. The sale price used in the PEA was based on graphite prices published by Industrial Minerals magazine ("IM").

It has been common practice to use a 24 month trailing average graphite price in graphite PEAs. The Woxna PEA utilized a 12 month trailing average graphite price so as to exclude the peak price period occurring in 2011/12. Applying Woxna's planned product distribution to IM's 12 month trailing average graphite prices produces an average selling price of US $1,199/tonne for the Woxna PEA. This selling price is considered to be conservative when compared to the 24 month trailing average graphite price of US $1,548/tonne or prices used in other graphite project PEAs.

Table 3: Woxna average sale price and revenue estimated in the PEA

Size (μm)	Purity	Proportion of Production	1 year trailing average (US $/t)	Annual Quantity (t)	Revenue (US $M/year)
+ 250	95%	18%	1,824	2,990	5.5
+ 180, - 250	94%	22%	1,526	3,650	5.6
+ 100, - 180	92%	28%	1,009	4,650	4.7
- 100	88%	32%	787	5,310	4.2
Average / Total			**1,199**	**16,600**	**20.0**

Infrastructure and Permits

The Woxna mine site is fully permitted and has a partially exploited open pit, waste rock dump areas, mine site roads, processing facility, tailings management facility and clarification ponds. Woxna is connected to public roads and has a sufficient water and electricity supply.

Modest upgrades are contemplated to the infrastructure with the most significant change being the upgrade of the tailings storage facility to both increase its capacity and improve environmental performance to current best practice. As this work has to be performed when the ground is not frozen, this task is the critical item in a re-start schedule.

The Woxna Project is fully permitted to extract 100,000 tonnes / annum of mineralised rock for processing. The PEA proposes increasing production to 155,000 tonnes / annum of mineralised rock. The PEA assumes that production can commence under the existing permit (concession) while an increase in capacity is sought. Expanded capacity is assumed in the second year once the permit is obtained.

Capital & Operating Costs, Financial Assumptions & Sensitivity

Table 4: Initial Capital Breakdown

Item	Cost US $ Million ("M")
Mining	0.2
Processing	6.4
Tailings and Water Management	2.9
Infrastructure	1.0
Direct Capital	**10.5**
Indirect Capital including Contingency	**3.8**
Working Capital	**2.4**
Total	**16.7**

Table 5: LOM Average operating cost breakdown per tonne graphite concentrate

Item	Cost US $/ tonne
Mining	240
Reagent	18
Labour	217
Grinding Media	17
Power	37
G&A	34
Fuel	39
Maintenance	49
Tailings Management	10
Total	**661**

Table 6: Key financial model assumptions

Item	Value
Plant availability	85%
Swedish Kronor: US $ exchange rate	6.54
Swedish corporation tax rate	22%
End of mine life rehabilitation cost	US $6.0M
Discount rate	8%
Historical loss and depreciation carry forward	US $8.7M

Table 7: Woxna Project Financial Sensitivity (8% discount rate)

Item	Base Case		+ 10% Case		-10% Case	
	Value	NPV (US $M)	Value	NPV (US $M)	Value	NPV (US $M)
Graphite Price US $/t	1,199	26.6	1,319	37.3	1,079	15.9
Exchange Rate	6.54	26.6	7.19	32.0	5.89	20.0
Capex US $M	16.7	26.6	18.4	24.8	15.0	28.5
Mining Costs US $/t Cg	240	26.6	264	24.5	216	28.7
Labour Costs US $/t Cg	217	26.6	239	24.7	196	28.6

Quality Control and Assurance

Chris Stinton, BSc (Hons) (Minerals Engineering), CEng MIMMM, Senior Process Engineer with GBM Minerals Engineering Consultants of the United Kingdom, an independent consultant to the Company, is the qualified person as defined under National Instrument NI 43-10 and has reviewed and approved the PEA disclosure within this release.

Geoffrey Reed of Reed Leyton Consulting completed the verification of data on which the Kringel Resource Estimate was based. This verification included an assessment of QA/QC data, sample preparation and assay methodologies, density data, data inputs and survey data used in the estimate. Data was validated by using field checks, statistical methods and evaluating the Company's protocols.

Production Plan for Woxna Graphite

November 2013 the Flinders Board approved the staged production plan for commencing production of graphite from Woxna. This staged plan spreads the PEA capital cost over the next 4 years as sales contracts are established but permits for lower production levels and costs until the sales warrant capacity expansion.

The open pit mine has been dewatered and is ready to put in service. The front end (grinding) and backend of the plant (drying/sorting/packing) are in serviceable condition, however the middle floatation section requires some additional equipment to enable optimized production according to the improved flow sheet defined in the PEA. Procurement of equipment (new and used) and design work has commenced and site works are underway. The Company currently exceeds all environmental statutory requirements and has established water balance control measures at site that will be upgraded to match the staged production plan to ensure all discharges are within environmental requirements.

The Company believes that the staged production plan will facilitate marketing of its products and allow the Woxna project to re-establish its former position as a key supplier of graphite to Europe. Flinders aims to position itself as the supplier of choice in terms of price, supply security and quality to the European graphite market. The production model being implemented will ensure the Company has developed an adequate customer base before ramping up to larger scale production and that the graphite products consistently meet end user specifications. Through the sale of reprocessed graphite over the last 12 months the Company has made substantial marketing in-roads and is confident the Woxna brand will continue to be well received throughout Europe.

Selected Financial Data

The following selected financial information is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS.

	Year Ended October 31, 2013 $	Year Ended October 31, 2012 $	Period From February 17, 2011 to October 31, 2011 $
Operations			
Expenses	(3,626,736)	(3,131,633)	(861,203)
Other items	146,757	(3,295,120)	(658)
Net loss	(3,479,979)	(6,426,753)	(861,861)
Basic and diluted loss per share	(0.08)	(0.18)	(0.14)
Dividends per share	Nil	Nil	Nil
Balance Sheet			
Working capital	11,047,446	16,647,891	950,032
Total assets	22,284,984	26,068,070	7,750,181
Total non-current liabilities	(4,259,830)	(5,059,633)	(5,157,819)

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2013				Fiscal 2012			
Three Months Ended	**October 31, 2013 $**	**July 31, 2013 $**	**April 30, 2013 $**	**January 31, 2013 $**	**October 31, 2012 $**	**July 31, 2012 $**	**April 30, 2012 $**	**January 31, 2012 $**
Operations								
Expenses	(1,616,104)	(334,935)	(737,880)	(937,817)	(1,265,882)	(499,204)	(1,090,055)	(276,492)
Other items	27,706	43,070	53,280	22,701	85,138	46,739	(3,417,102)	(9,895)
Net loss	(1,588,398)	(291,865)	(684,600)	(915,116)	(1,180,744)	(452,465)	(4,507,157)	(286,387)
Basic and diluted loss per share	(0.04)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)	(0.14)	(0.05)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Fiscal 2013				Fiscal 2012			
Three Months Ended	**October 31, 2013 $**	**July 31, 2013 $**	**April 30, 2013 $**	**January 31, 2013 $**	**October 31, 2012 $**	**July 31, 2012 $**	**April 30, 2012 $**	**January 31, 2012 $**
Balance Sheet								
Working capital	11,047,446	12,532,476	13,370,213	14,786,708	16,647,891	17,768,914	18,640,291	547,116
Total assets	22,289,984	23,229,065	23,955,041	24,557,453	26,068,070	26,620,560	26,422,853	7,751,537
Total non-current liabilities	(4,259,830)	(4,382,988)	(4,750,292)	(4,311,482)	(5,059,633)	(5,459,285)	(5,418,841)	(5,392,294)

Results of Operations

Three Months Ended October 31, 2013 Compared to Three Months Ended October 31, 2012

During the three months ended October 31, 2013 ("2013 Q") the Company reported a net loss of $1,588,398 compared to a net loss of $1,180,744 for the three months ended October 31, 2012 ("2012 Q"), for an increase in loss of $407,654. The increase in loss is mainly attributed to the termination payment of $324,000 to Mr. McFarlane, the Company's former President and CEO.

Year Ended October 31, 2013 Compared to Year Ended October 31, 2012

During the year ended October 31, 2013 ("fiscal 2013"), the Company incurred a net loss of $3,479,979 ($0.08 per share), a decrease in loss of $2,946,774, compared to a loss of $6,426,753 ($0.18 per share) during the year ended October 31, 2012 ("fiscal 2012"). During fiscal 2012, the Company recorded a public company listing expense of $3,425,351 on completion of the Acquisition. This non-cash amount was recorded based on the IFRS requirement to ascribe a fair value of $3,475,000 to issuance of 17,715,000 common shares of the Company to complete the Acquisition.

Specific general and administrative expenses of note during fiscal 2013 are as follows:

- incurred $136,463 (2012 - $72,261) of which $35,000 (2012 - $35,650) was for accounting and administration services charged by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, a director and the CFO of the Company, and $101,463 (2012 - $36,611) was for third party accounting services provided in Sweden. The third party accounting services provided in Sweden commenced April 15, 2012. Prior to April 15, 2012 accounting services were conducted by salaried employees;
- recorded $415,733 (2012 - $1,196,359) share-based compensation on the granting and vesting of share options granted;
- incurred consulting fees of $260,626 (2012 - $196,925) of which 139,738 (2012 - $77,641) was paid to consultants in Sweden, for mine management and maintenance, and $120,888 (2012 - $119,284) was paid to consultants in Canada, for financial advisory services;
- incurred $148,500 (2012 - $145,000) for management fees and, pursuant to the management contract, a $324,000 termination fee paid to Mr. McFarlane, the Company's former President and CEO. On September 16, 2013, Mr. Way was appointed as the Company's President and CEO. Mr Way signed a management contract whereby he was paid a signing bonus of $66,000 and is currently compensated $200,000 per annum. During fiscal 2013 the Company paid Mr. Way $26,165 compensation and $66,000 for the signing bonus;
- incurred audit fees of $51,888 (2012 - $32,366). The change between fiscal 2013 and fiscal 2012 was due to the increased scope and complexities in the audit of the Company;
- incurred $20,941 (2012 - $69,243) for repairs and maintenance, $126,634 (2012 - $34,480) for utilities, $117,606 (2012 - $70,729) for plant maintenance, $149,796 (2012 - $128,399) for equipment rentals and $155,658 (2012 - $148,599) for plant supplies and consumables for the ongoing care and maintenance of the Woxna Project;
- incurred salaries and benefits expense of $875,165 (2012 - $283,858) for staff in the mining office and Woxna Project in Sweden. Activities in fiscal 2012 were primarily of a start-up nature with personnel being hired in the latter part of fiscal 2012. During fiscal 2013 the Company hired additional employees to facilitate the maintenance and operations of the Woxna Project. The Company also changed its personnel and employed more senior technical and management personnel at higher compensation. In addition in October 2013 the Company accrued $160,160 severance pay to Mr. Craig Griffiths, Woxna's former general manager; and

- incurred travel expense of $189,758 (2012 - $242,416) for ongoing travel by Company management, personnel and geologists to oversee the Company's exploration programs and for general corporate activities.

The Company is in the exploration stage of investigating and evaluating its unproven mineral interests. Interest and other income is primarily generated from cash on deposit with the Bank of Montreal and short-term money market instruments issued by major financial institutions. During fiscal 2013 the Company reported interest of $186,888, an increase of $52,777, compared to $134,111 during fiscal 2012. The increase was due to higher levels of cash held during fiscal 2013 as the financings were not completed until April 2012. Fiscal 2012 included $48,240 miscellaneous income from the processing of stockpiled graphite material.

During fiscal 2013 the Company received proceeds of $113,410 on the exercise of 57,500 share options and 10,000 warrants and 257,200 agent's warrants. During fiscal 2012 the Company completed financings of 19,223,530 common shares for gross proceeds of $20,200,001 and received proceeds of $921,500 on the exercise of 1,145,000 share options and 740,000 warrants and 100,000 agent's warrants.

Exploration and Evaluation Assets

	As at October 31 2013			As at October 31 2012		
	Acquisition Costs $	Deferred Exploration Costs $	Total $	Acquisition Costs $	Deferred Exploration Costs $	Total $
Woxna Graphite Mine	3,778,659	1,398,679	5,177,338	4,734,740	800,736	5,535,476

Expenditures capitalized for fiscal 2013 and 2012 are as follows:

	$
Balance at October 31, 2011	4,913,512
Exploration costs:	
Consulting	25,806
Database analysis	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
Exploration costs:	
Consulting	402,482
Database analysis	64,486
Depreciation	1,129
Equipment rental	10,900
Exploration site costs	295
Field supplies	1,946

	$
Freight	17,635
Salaries and benefits	94,297
Travel	4,773
	597,943
Acquisition costs:	
Adjustment to provision for site restoration	(956,081)
Balance at October 31, 2013	5,177,338

During fiscal 2013 the Company incurred $597,943 (2012 - $800,736) for exploration costs and $nil (2012 - $11,237) for acquisition costs. The Company also recorded a credit adjustment of $956,081 (2012 - $190,009) as a result of an adjustment to the Company's provision for site restoration on the Woxna Project, due to the impact of the revised discounted cash flow estimate and foreign exchange estimates.

Property, Plant and Equipment

Cost:	Vehicles $	Equipment and Tools $	Buildings $	Processing Plant $	Mine Development $	Total $
Balance - 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 - October 31, 2012	67,746	150,121	294,861	1,845,479	875,851	3,234,058
Additions	54,505	99,996	-	1,441,629	667,678	2,263,808
Balance - October 31, 2013	122,251	250,117	294,861	3,287,108	1,543,529	5,497,866
Accumulated Depreciation:						
Balance - October 31, 2011	-	-	-	-	-	-
Depreciation	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Balance - October 31, 2012	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Depreciation	(24,399)	(22,316)	-	(24,004)	-	(70,719)
Balance - October 31, 2013	(33,050)	(24,331)	-	(35,527)	-	(92,908)
Carrying Value:						
Balance - October 31, 2012	59,095	148,106	294,861	1,833,956	875,851	3,211,869
Balance - October 31, 2013	89,201	225,786	294,861	3,251,581	1,543,529	5,404,958

During fiscal 2013 the Company recorded total additions of $2,263,808 (2012 - $1,529,621) on property, plant and equipment, of which $1,441,629 (2012 - $478,851) was for processing plant, $667,678 (2012 - $875,851) for mine development and $154,501 (2012 - $174,919) for other.

Cash Flows

During fiscal 2013 cash decreased by $5,424,856. Operations utilized $2,755,398, investing activities mainly for additions to property, plant and equipment and expenditures on exploration and evaluation assets utilized $2,782,868 and financing activities generated $113,410.

During fiscal 2012 cash increased by $15,998,732. Operations utilized $1,674,412, investing activities mainly for additions to property, plant and equipment and expenditures on exploration and evaluation assets utilized $2,001,640 and financing activities mainly from equity financing generated $19,674,784.

Financial Condition / Capital Resources

The Company is a junior exploration company currently engaged in the development of the Woxna Graphite Mine. 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 October 31, 2013 the Company had cash resources of $11,438,553 a decrease of $5,424,856 from $16,863,409 as at October 31, 2012. The decrease in cash resources is attributed to the use of cash in the increase of operating activities and additions to property, plant and equipment in fiscal 2013.

As at October 31, 2013 the Company had working capital of $11,047,446, non-current liabilities of $4,259,830 and an accumulated deficit of $10,768,593. The Company has now reviewed the preliminary economic assessment ("PEA") on the Woxna Graphite Mine and has developed a staged production 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 first stage of starting production is approved for $5,000,000 to achieve commencement of production in the third quarter of 2014. Working capital required for the next two years is estimated at $2,500,000 per year, subject to adjustments based on results from the staged plan. The Company has sufficient funding to implement the staged production 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the October 31, 2013 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Transactions and Balances

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 fiscal 2013 and 2012 the following amounts were incurred with respect to the Company's current President and CEO (Mr. Way), the former President and CEO (Mr. McFarlane) and the Company's Chief Financial Officer (Mr. Nick DeMare):

	2013 $	2012 $
Management fees - Mr. Way	26,165	-
Signing bonus - Mr. Way	66,000	-
Management fees - Mr. McFarlane	148,500	145,000
Termination fee - Mr. McFarlane	324,000	-
Share-based compensation - Mr. Way	336,000	-
Share-based compensation - Mr. McFarlane	-	36,000
Share-based compensation - Mr. DeMare	-	18,000
	900,665	199,000

(b) *Transactions with other Related Parties*

(i) During fiscal 2013 and 2012 the following amounts were incurred with respect to the Company's non-management directors (Messrs. Michael Hudson, Mark Saxon and Robert Atkinson) and the Company's corporate secretary (Ms. Mariana Bermudez):

	2013 $	2012 $
Health benefits - Ms. Bermudez	632	-
Share-based compensation - Mr. Hudson	-	18,000
Share-based compensation - Mr. Saxon	-	18,000
Share-based compensation - Mr. Atkinson	-	18,000
Share-based compensation - Ms. Bermudez	-	7,200
	632	61,200

(ii) During fiscal 2013 the Company incurred $35,000 (2012 - $35,650) to Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and for $2,680 (2012 - $nil) rent. As at October 31, 2013, $8,670 (2012 - $5,350) remained unpaid.

(iii) During fiscal 2013 the Company incurred $72,260 (2012 - $56,381) for shared administration costs with Tasman Metals Ltd., Tumi Resources Limited and Mawson Resources Limited, public companies with common directors and officers. As at October 31, 2013, $8,373 (2012 - $8,549) remained unpaid.

(iv) During fiscal 2012 a former director of the Company acquired 41,600 common shares of a private placement at a price of $0.50 per share.

Investor Relations Activities

Effective February 23, 2012 the Company engaged Albis Capital Corp. ("Albis") to act as investor relations consultants to the Company. The principal of Albis is Mr. James Powell. Albis works with the Company to, among other things, develop a strategy to enhance and expand the Company's exposure in North America and Europe, provide market awareness, promotion and arrange road shows. Under the contract, Albis is currently paid a monthly fee of $6,000. During fiscal 2013 the Company paid Albis $95,067 (2012 - $82,333).

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at February 7, 2014, there were 46,198,230 issued and outstanding common shares, 2,327,500 share options outstanding at an exercise prices ranging from $0.10 to $1.25 per share, 699,750 finder's options outstanding at an exercise price of $0.50 per share and 14,574,287 warrants at exercise prices ranging from $0.75 to $2.20 per share.