FLINDERS RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JULY 31, 2014

This discussion and analysis of financial position and results of operation is prepared as at September 29, 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended July 31, 2014 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: failure to successfully complete the Arrangement (as defined); 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. The Company's decision to restart production at the Woxna Project is based on historical production and the Company's PEA. The Company has no current plans to complete a pre-feasibility or feasibility study on the Woxna Project and as a result, there is an increased risk of technical and economical failure of the Woxna Project. 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"). The Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. 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.

Corporate Development

Potential Merger

On December 12, 2013 the Company and Tasman Metals Ltd. ("Tasman") announced they had initiated preliminary negotiations with regard to a potential merger of the two companies (the "Potential Merger"). On May 20, 2014 the Company and Tasman announced that negotiations with regard to the Potential Merger concluded, with a decision to not proceed. This decision not to proceed with the merger was made mutually by the boards of directors of both companies after discussion with various stakeholders including shareholders and customers.

Proposed Acquisition

Effective August 28, 2014 the Company and Big North Graphite Corp. ("Big North"), a public company trading on the TSXV under the symbol NRT, entered into a binding letter agreement, under which the Company has agreed to acquire all of the issued and outstanding common shares of Big North by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia). Upon completion of the arrangement, Big North will become a wholly owned subsidiary of the Company.

Under the terms of the arrangement, Big North shareholders will receive one common share of the Company for each nine Big North common shares resulting in the issuance of approximately 9,000,000 shares by the Company in exchange for 81,000,000 Big North shares.

Terms of the Arrangement

Pursuant to the letter agreement:

(i) Big North shareholders will receive one Company share for each nine Big North shares held.

(ii) All outstanding Big North options and warrants will be exchanged or assumed by the Company and adjusted in accordance with the same exchange ratio.

(iii) It is a condition to closing of the Arrangement that all outstanding convertible debentures of Big North (the "Debentures") be converted into Big North shares or redeemed in accordance with their terms and no Debentures remain outstanding as at the closing of the Arrangement.

(iv) Each of the Company and Big North will undertake a due diligence investigation of the other which must be completed on or before October 6, 2014, or such later date as the parties mutually agree.

(v) The Company and Big North have agreed to negotiate in good faith and enter into a definitive arrangement agreement relating to the Arrangement (the "Definitive Agreement") incorporating the terms of the letter agreement together with additional representations, warranties, covenants, conditions and agreements as are standard for a transaction of this nature on or before October 17, 2014, or such later date as the parties mutually agree.

(vi) The obligation of the Company and Big North to enter into the Definitive Agreement is subject to each party being satisfied, in its sole discretion, with its due diligence investigation of the other.

(vii) Concurrently with the execution of the Definitive Agreement, each director and officer of Big North will enter into a support agreement with the Company pursuant to which such director or officer will agree, among other things, to vote any Big North shares which such director or officer holds or exercises control or direction over in favour of the Arrangement.

(viii) Big North will pay the Company a break fee in the amount of $500,000 should Big North terminate the letter agreement in certain circumstances.

(ix) Big North has agreed that it will not solicit or initiate any discussions concerning any other acquisition proposals.

It is contemplated that the current management team of the Company will manage Big North after completion of the Arrangement.

The Arrangement will be subject to standard closing conditions for a transaction of this nature including, without limitation, receipt of all required shareholder, court and regulatory approvals.

The Arrangement may be terminated by either party if closing has not occurred by December 31, 2014, or such later date as the parties mutually agree.

Big North will hold a shareholder meeting to consider and approve the Arrangement no later than December 15, 2014. The terms of the Arrangement will be described in further detail in the Management Information Circular of Big North to be filed with regulatory authorities and mailed to Big North shareholders in accordance with applicable securities laws.

Big North is a company focused on the restarting of the El Tejon flake graphite project in Mexico. The El Tejon flake graphite project lies within the Oaxaca Terrane of the Sierra Madre del Sur Province of southern Mexico. The project consists of one concession totaling 500 hectares. The mine and mill were built in 1980 by the Government of Mexico with a total estimated investment in excess of $30,000,000. The plant started operations in 1981 and in 1989 was expanded to twin process line with a rated production capacity of 3,500 - 7,000 tonnes per year of high quality flake graphite. In 1989, the project was sold to private interests and operated until 2002, when low graphite prices forced the closure of the mine. Since then, the El Tejon Project has been held on care and maintenance, and is ready to be brought back to production.

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.

Restart of Production

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

Procurement of equipment (new and used) and design work commenced in late 2013. Site works commenced in earnest in January 2014. The Company purchased floatation cells in January 2014 and, in February 2014, placed orders for a number of short lead time and key items, such as vertical regrind mills and process control hardware. The processing plant equipment refurbished work was completed July 2014. The tailings storage facility refurbishment works was completed in August 2014. 4500 tons of graphitic rock has been crushed for feeding into the processing plant and additional graphitic rock will be crushed from the 20,000 ton stockpile of graphitic rock as required. The Woxna processing plant and facility is operational and an official opening ceremony took place on September 17, 2014. The Company is working with customers to secure sales contracts and will ramp up production to meet those sales contracts over the next 12 months.

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 worked to establish marketing in-roads and is confident the Woxna brand will continue to be well received throughout Europe.

As at July 31, 2014 commercial production, as defined under IFRS, has not been achieved.

History of Project

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 with access to water and connections to power grid. The site has good roads in place which 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") measured and indicated 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 being refurbished, which is rated to produce up to 13,000 tonnes/year 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 tonnes/year graphitic rock 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 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.

Preliminary Economic Analysis

On September 3, 2013, as amended October 29, 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 four 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.

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, which work is in process. These historic resources are not included in the economic analysis of the PEA.

The Company advises that it has not based its production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that production will begin as anticipated or at all or that anticipated production costs will be achieved. Failure to commence production would have a material adverse impact on the Company's ability to generate revenue and cash flow to fund operations. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability.

The Company further cautions that the Woxna PEA is preliminary in nature. No mining study has been completed. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the Woxna PEA will be realized.

Qualified Person

The qualified person for the Company's project, Mr. Blair Way B.S. (Geology) M.B.A., a Fellow of the Australasian Institute of Mining and Metallurgy, the Company's President and CEO, has reviewed and verified the contents of this document.

Selected Financial Data

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

	Fiscal 2014			Fiscal 2013				Fiscal 2012
Three Months Ended	**July 31, 2014 $**	**April 30, 2014 $**	**January 31, 2014 $**	**October 31, 2013 $**	**July 31, 2013 $**	**April 30, 2013 $**	**January 31, 2013 $**	**October 31, 2012 $**
Operations								
Expenses	(594,671)	(767,754)	(459,159)	(1,616,104)	(334,935)	(737,880)	(937,817)	(1,265,882)
Other items	28,043	20,824	12,026	27,706	43,070	53,280	22,701	85,138
Net loss	(566,628)	(746,930)	(447,133)	(1,588,398)	(291,865)	(684,600)	(915,116)	(1,180,744)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Financial Position								
Working capital	7,215,788	8,802,420	10,284,604	11,047,446	12,532,476	13,370,213	14,786,708	16,647,891
Total assets	21,550,631	21,967,272	21,996,000	22,289,984	23,229,065	23,955,041	24,557,453	26,068,070
Total non-current liabilities	(5,001,587)	(4,882,060)	(4,489,454)	(4,259,830)	(4,382,988)	(4,750,292)	(4,311,482)	(5,059,633)

Results of Operations

Three Months Ended July 31, 2014 Compared to Three Months Ended April 30, 2014

During the three months ended July 31, 2014 ("Q3") the Company reported a net loss of $566,628 compared to a net loss of $746,930 for the three months ended April 30, 2014 ("Q2"), for a decrease in loss of $180,302. The decrease in loss is primarily attributed to the recognition of share based compensation of $293,744 in Q2 compared to $22,458 in Q3.

Nine Months Ended July 31, 2014 Compared to Nine Months Ended July 31, 2013

During the nine months ended July 31, 2014 (the "2014 period") the Company reported a net loss of $1,760,691 ($0.04 per share), compared to a net loss of $1,891,581 ($0.04 per share) for the nine months ended July 31, 2013 (the "2013 period"), a decrease in loss of $130,890. The decrease in loss is primarily attributed a general decrease in overall expenses in the 2014 period compared to the 2013 period. During the 2013 period the Company was focused on refurbishing the Woxna plant, resulting in higher activities, particularly in salaries and casual labour costs. As a result salaries and benefits incurred during the 2014 period was $249,290 compared to $493,522 during the 2013 period, a decrease of $244,232. Partially offsetting the overall decrease in expenses was the recognition of share-based compensation of $345,183 in the 2014 period compared to $74,105 in the 2013 period.

General and administrative expenses decreased by $189,048 from $2,010,632 in the 2013 period to $1,821,584 in the 2014 period. Specific general and administrative expenses of note during the 2014 period are as follows:

- incurred a total of $80,444 (2013 - $102,055) for accounting and administrative services of which $23,450 (2013 - $26,500) was for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, a director and the CFO of the Company, and $56,994 (2013 - $75,555) was for third party accounting services provided in Sweden;
- recorded $345,183 (2013 - $74,105) share-based compensation on the granting and vesting of share options granted;
- incurred consulting fees of $190,332 (2013 - $205,096) of which $105,137 (2013 - $110,875) was paid to consultants in Sweden for mine management and maintenance, $76,695 (2013 - $94,221) was paid to consultants in Canada for financial advisory services and $8,500 (2013 - $nil) was incurred by directors of the Company;
- incurred $149,994 for management fees charged by the Company's current President and CEO. During the 2013 period the Company incurred $121,500 for management fees charged by the Company's former President and CEO;
- incurred $54,260 (2013 - $114,734) for equipment rentals and $67,115 (2013 - $124,634) for plant maintenance. During the 2013 period the Company incurred significant equipment rental costs and plant and maintenance expenses to facilitate the refurbishment of the Woxna plant;

- incurred salaries and benefits expense of $249,290 (2013 - $493,522) for staff in the mining office and Woxna Project in Sweden, During the 2013 period the Company hired employees specifically for the refurbishment of the Woxna plant; and
- incurred travel expense of $123,102 (2013 - $149,758) for ongoing travel by Company management, personnel and geologists to oversee the Company's exploration programs and for general corporate activities.

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 the 2014 period the Company reported interest of $104,099, a decrease of $43,395, compared to $147,494 during the 2013 period, reflecting the higher levels of cash held and higher yields obtained during the 2013 period.

During the 2014 period the Company received proceeds of $87,500 on the exercise of 162,500 share options and 10,000 warrants. During the 2013 period the Company received proceeds of $36,250 on the exercise of 57,500 share options and 10,000 warrants.

Exploration and Evaluation Assets

	As at July 31 2014			**As at October 31 2013**		
	Acquisition Costs $	**Deferred Exploration Costs $**	**Total $**	**Acquisition Costs $**	**Deferred Exploration Costs $**	**Total $**
Woxna Graphite Mine	4,408,046	1,522,952	5,930,998	3,778,659	1,398,679	5,177,338

Expenditures capitalized for the nine months ended July 31, 2014 and fiscal 2013 are as follows:

	$
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
Exploration costs:	
Consulting	11,636
Crushing	39,664
Depreciation	893
Exploration site costs	3,910
Salaries and benefits	68,170
	124,273
Acquisition costs:	
Adjustment to provision for site restoration	629,387
Balance at July 31, 2014	5,930,998

During the 2014 period the Company incurred $124,609 (fiscal 2013 - $597,943) for exploration costs. The Company also recorded an adjustment of $629,381 (fiscal 2013 - credit adjustment of $956,081) 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 estimate.

Property, Plant and Equipment

Cost:	**Vehicles** $	**Equipment and Tools** $	**Buildings** $	**Processing Plant** $	**Mine Development** $	**Total** $
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
Additions	-	1,018,558	-	1,079,023	116,531	2,548,926
Balance - July 31, 2014	122,251	1,268,675	294,861	4,366,131	1,660,060	8,046,792
Accumulated Depreciation:						
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)
Depreciation	(18,224)	(19,576)	-	(17,928)	-	(55,728)
Balance - July 31, 2014	(51,274)	(43,907)	-	(53,455)	-	(148,636)
Carrying Value:						
Balance - October 31, 2012	89,201	225,786	294,861	3,251,581	1,543,529	5,404,958
Balance - July 31, 2014	70,977	1,224,768	294,861	4,312,676	1,994,874	7,898,156

During the 2014 period the Company focused its capital activities on the refurbishment of the processing plant facility and the procurement of new equipment. The Company recorded total additions of $2,548,926 (fiscal 2013 - $2,263,608) to property, plant and equipment, of which $1,079,023 (fiscal 2013 - $1,441,629) was for the processing plant, $116,531 (fiscal 2013 - $667,678) for mine development and $1,018,558 (fiscal 2013 - $154,501) for equipment and vehicles. See also "Woxna Project - Production Plan".

Cash Flows

During the 2014 period cash decreased by $4,179,466. Operations utilized $1,533,986 and investing activities, mainly for additions to property, plant and equipment and expenditures on exploration and evaluation assets, utilized $2,732,980 and financing activities, from issuances of common shares, generated $87,500.

During the 2013 period cash decreased by $4,367,342. Operations utilized $1,831,412, investing activities, mainly for additions to property, plant and equipment and expenditures on exploration and evaluation assets, utilized $2,572,180 and financing activities, from issuances of common shares, generated $36,250.

Financial Condition / Capital Resources

As at July 31, 2014 the Company had cash resources of $7,259,087 a decrease of $4,179,466 from $11,438,553 as at October 31, 2013. The decrease in cash resources is attributed to the use of cash in operating activities and additions to property, plant and equipment during the 2014 period.

As at July 31, 2014 the Company had working capital of $7,215,788 non-current liabilities of $5,001,587 and an accumulated deficit of $12,529,284. The Company is currently completing the refurbishment and reactivation of 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 Company has sufficient funding to implement the staged production plan at Woxna and meet anticipated levels of corporate administration and overheads for the ensuing twelve months. However, the Company may need additional financing should it complete the acquisition of Big North and commence refurbishment of the mine and mill at the El Tejon project. 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

Effective August 28, 2014 the Company entered into a binding letter agreement under which the Company will acquire all of the issued and outstanding common shares of Big North by way of a plan of arrangement under the Business Corporations Act (British Columbia). Upon completion of the arrangement, Big North will become a wholly owned subsidiary of the Company. See "Company Overview - Corporate Development" for details.

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 the nine months ended July 31, 2014 and 2013 the following amounts were incurred with respect to the Company's current President and CEO (Mr. Blair Way), the former President and CEO (Mr. Martin McFarlane) and the Company's CFO (Mr. Nick DeMare):

	2014 **$**	**2013** **$**
Management fees - Mr. Way	149,994	-
Management fees - Mr. McFarlane	-	121,500
Professional fees - Mr. DeMare	2,500	-
	152,494	121,500

The Company has a management agreement with Mr. Way which provides that in the event Mr. Way'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 July 31, 2014, the amount payable under the agreement would be $200,004.

(b) *Transactions with other Related Parties*

(i) During the nine months ended July 31, 2014 and 2013 the following amounts were incurred with respect to non-management directors of the Company:

	2014 **$**	**2013** **$**
Professional fees	6,000	-

As at July 31, 2014, $6,000 remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During nine months ended July 31, 2014 the Company incurred $23,450 (2013 - $26,500) 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 $3,015 (2013 - $1,675) for rent. As at July 31, 2014, $5,020 (2013 - $5,670) remained unpaid.

(iii) During nine months ended July 31, 2014 the Company incurred $5,953 (2013 - $52,108) for shared administration costs with Tasman Metals Ltd., Tumi Resources Limited and Mawson Resources Limited, public companies with common directors and officers. As at July 31, 2014, $1,025 (2013 - $7,285) remained unpaid.

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 the 2014 period the Company paid Albis $54,000 (2013 - $77,067).

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 29, 2014, there were 46,820,730 issued and outstanding common shares, 2,390,000 share options outstanding at an exercise prices ranging from $0.10 to $1.25 per share and 9,570,000 warrants at an exercise price of $0.75 per share.