



SAMA GRAPHITE INC.

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

TSX-V: SRG

SAMA GRAPHITE INC.

CONSOLIDATED FINANCIAL STATEMENT

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April 26, 2017

Independent Auditor's Report

**To the Shareholders of
Sama Graphite Inc.**

We have audited the accompanying consolidated financial statements of Sama Graphite Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sama Graphite Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sama Graphite Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A110416

SAMA GRAPHITE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and 2015

(in Canadian dollars)

	Notes	2016	2015
		\$	\$
ASSETS			
Current assets			
Cash		2,263,162	2,554
Taxes receivable		4,493	-
Prepaid expenses and deposits		<u>4,036</u>	<u>458</u>
		<u>2,271,691</u>	<u>3,012</u>
Non-current assets			
Property and equipment	5	24,276	30,493
Exploration and evaluation assets	6	<u>653,355</u>	<u>414,844</u>
		<u>677,631</u>	<u>445,337</u>
Total assets		<u><u>2,949,322</u></u>	<u><u>448,349</u></u>
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		264,722	35,408
Due to the major shareholder, without interest, due on demand	2	267,590	1,709,983
Due to a related company, without interest due on demand		<u>115,206</u>	<u>41,695</u>
Total liabilities		<u>647,518</u>	<u>1,787,086</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital	7	2,518,176	1,419
Contributed surplus		1,868,280	-
Deficit		<u>(2,084,652)</u>	<u>(1,340,156)</u>
Total shareholders' equity (deficiency)		<u>2,301,804</u>	<u>(1,338,737)</u>
Total liabilities and shareholders' equity (deficiency)		<u><u>2,949,322</u></u>	<u><u>448,349</u></u>

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

On behalf of the Board of Directors,

Signed: “Marc Filion”, Director

Signed: “Marc-Antoine Audet”, Director

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

SAMA GRAPHITE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended December 31, 2016 and 2015

(in Canadian dollars)

	Notes	2016	2015
		\$	\$
Operating expenses			
Depreciation	5	1,457	2,012
Consulting		32,159	-
Audit fees		39,375	-
Accounting fees		12,536	6,687
Legal fees		8,699	-
Office supplies, utilities and rent		17,435	18,957
Office administration		41,223	27,695
Travel		7,002	6,778
Exploration and evaluation assets impairment		-	959,222
Listing expense	2	589,017	-
Total operating expenses		<u>748,903</u>	<u>1,021,351</u>
Other expenses (income)			
Foreign exchange loss (gain)		(4,407)	9,956
Total other expenses (income)		(4,407)	9,956
Net loss and comprehensive loss for the year		<u>744,496</u>	<u>1,031,307</u>
Net loss per common share, basic and diluted		<u>0.03</u>	<u>0.04</u>
Weighted average number of common shares outstanding		<u>24,727,929</u>	<u>24,658,267</u>

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

SAMA GRAPHITE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

Years ended December 31, 2016 and 2015

(in Canadian dollars)

	Notes	Capital		Contributed surplus	Deficit	Total
		Number	\$	\$	\$	\$
Balance on January 1st, 2015		24,658,267	1,419	-	(308,849)	(307,430)
Net loss and comprehensive loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,031,307)</u>	<u>(1,031,307)</u>
Balance on December 31, 2015		<u>24,658,267</u>	<u>1,419</u>	<u>-</u>	<u>(1,340,156)</u>	<u>(1,338,737)</u>
Issuance of shares as part of the Reverse Takeover transaction	2	6,946,452	694,645	-	-	694,645
In-substance settlement of Sama Guinee debts	2	-	-	1,819,562	-	1,819,562
Stock options deemed issued to SRM's existing optionholders	2	-	-	43,355	-	43,355
Issuance of shares under a private placement	7	17,550,000	1,755,000	-	-	1,755,000
Issuance of shares as part of finder's fee	7	1,000,000	100,000	-	-	100,000
Share issuance costs	7	-	(32,888)	5,363	-	(27,525)
Net loss and comprehensive loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>(744,496)</u>	<u>(744,496)</u>
Balance on December 31, 2016		<u>50,154,719</u>	<u>2,518,176</u>	<u>1,868,280</u>	<u>(2,084,652)</u>	<u>2,301,804</u>

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

SAMA GRAPHITE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 2015

(in Canadian dollars)

	Notes	2016	2015
		\$	\$
CASH PROVIDED FROM (USED FOR):			
OPERATING ACTIVITIES			
Net loss for the year		(744,496)	(1,031,307)
Items not affecting cash			
Depreciation	5	1,457	2,012
Exploration and evaluation assets impairment	6	-	959,222
Listing expense	2	398,132	-
		<u>(344,907)</u>	<u>(70,073)</u>
Change in non-cash working capital items			
Taxes receivable		(4,493)	-
Prepaid expenses and deposits		(3,578)	8,757
Accounts payables and accrued liabilities		189,757	-
		<u>181,686</u>	<u>8,757</u>
		<u>(163,221)</u>	<u>(61,316)</u>
INVESTING ACTIVITIES			
Cash acquired through the Reverse Takeover transaction	2	499,231	-
Property and equipment additions	5	-	(43)
Exploration and evaluation expenditures		(253,557)	(122,928)
		<u>245,674</u>	<u>(122,971)</u>
FINANCING ACTIVITIES			
Due to the major shareholder		377,169	153,231
Due to a related company		73,511	24,455
Issuance of shares under a private placement	7	1,755,000	-
Share issuance costs	7	(27,525)	-
		<u>2,178,155</u>	<u>177,686</u>
Increase (decrease) in cash during the year		<u>2,260,608</u>	<u>(6,601)</u>
Cash, beginning of year		<u>2,554</u>	<u>9,155</u>
Cash, end of year		<u><u>2,263,162</u></u>	<u><u>2,554</u></u>

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

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 1. NATURE OF OPERATIONS AND GOING CONCERN

Sama Graphite Inc. ("SRG" or the "Company") is a Canadian-based mineral exploration and development business with activities in Africa. The Company was incorporated on April 16, 1996 under the Canada Business Corporations Act. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete exploration and development programs and, ultimately, upon future profitable production.

Prior to the completion of the Reverse Takeover transaction described in Note 2, the Company was operating under the name of Section Rouge Media Inc. ("SRM") and its common shares were listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SRO.V". Following the completion of the Reverse Takeover transaction, SRM changed its name for Sama Graphite Inc. and the Company's common shares are presently listed on the TSX-V under the trading symbol "SRG.V".

The Company's principal office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8.

These consolidated financial statements were authorized for publication by the Board of Directors on April 26, 2017.

The Company's exploration and evaluation assets are located in the Republic of Guinea ("Guinea"), Africa, and hence are subject to the risks normally associated with unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

Going concern uncertainty

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern.

The Company had a working capital of \$1,624,173 (working capital deficiency of \$1,784,074 as at December 31, 2015) and an accumulated deficit of \$2,084,652 as at December 31, 2016 (\$1,340,156 as at December 31, 2015).

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations, its exploration and evaluation programs and pay general and administration costs. Management doesn't considers current funds to be sufficient for the Company to continue operating. Any future funding shortfall may be met in a number of ways, including the issuance of new shares by the Company, cost reductions and other measures. While the Company has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future. If Management is unable to obtain the required funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary should the going concern assumption not be appropriate. These adjustments could be material.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 2. REVERSE TAKEOVER TRANSACTION

Pursuant to the terms and conditions of a Share Exchange Agreement, signed on August 5, 2016, between Sama Resources Inc. ("Sama"), the major shareholder and Section Rouge Media Inc. ("SRM"), SRM acquired on December 31, 2016, 100% of the issued and outstanding shares of Sama Resources Guinee SARL ("Sama Guinee"), a wholly-owned subsidiary of Sama in exchange of 24,658,267 common shares of SRM at a deemed price of \$0.10 per share. This transaction resulted in a Reverse Takeover (the "Reverse Takeover" or the "Transaction") of SRM by Sama, whereby Sama acquired 49.16% of SRM's outstanding common shares. Following the completion of the Reverse Takeover, SRM changed its name to Sama Graphite Inc. Consequently, these consolidated financial statements reflect only the assets, liabilities, operations and cash flows of Sama Guinee for dates and periods prior to December 31, 2016 and include also SRM's assets and liabilities on December 31, 2016.

The Transaction does not meet the definition of a business combination under IFRS 3 Business Combinations; accordingly, the purchase of SRM's net assets was an equity-settled share-based payment under IFRS 2 Share-based Payment.

In accordance with IFRS 2, equity instruments from this transaction were recognized at fair value of net assets acquired and services received. Services received from the Company consist in the listing of Sama Guinee as a publicly listed Company and are measured at the amount of the excess of the fair value of equity instruments deemed issued to SRM's shares and option holders at the time of the transaction and SRM's net assets deemed acquired. This transaction thus is recognized in substance as if Sama Guinee had proceeded to the issuance of share and options to acquire SRM's net assets together with a concurrent private placement. SRM had an authorized share capital consisting of an unlimited number of common shares, of which 6,946,452 shares were issued and outstanding. There were also 620,000 stock options at an exercise price of \$0.05 outstanding.

The capital structure of the Company is unchanged from SRM's capital structure, other than for the issuance of the shares issued in the Transaction. As part of the Transaction, SRM legally acquired the debts due by Sama Guinee to Sama. As those debts are now eliminated in consolidation, a Contributed Surplus amounting to \$1,819,562 was recognized upon the in-substance settlement of these debts.

In connection with the Transaction, the Company paid a finder's fee of \$100,000 by the issuance of 1,000,000 common shares of the Company and incurred transaction costs of \$190,885.

	\$
Net assets of SRM acquired	
Cash	499,231
Accounts payables and accrued liabilities	(59,363)
	439,868
Consideration paid	
6,946,645 common shares deemed issued to the shareholders of SRM	694,645
620,000 stock options deemed issued to SRM's existing optionholders	43,355
1,000,000 common shares of the Company as Finder's fee	100,000
Transaction costs paid	190,885
	1,028,885
Listing expense	589,017

The amount for stock options was determined by measuring the fair value of stock options outstanding at the time of the Transaction. The fair value of \$43,355 was estimated using the Black & Scholes valuation model using the following weighted average assumptions: useful life of 2.38 years, a volatility of 105%, a risk-free interest rate of 0.73%, an exercise price of \$0.05 and a share price of \$0.10. The expected volatility was determined using the historical data of Sama, the major shareholder operating in the same sector according to the expected life of the stock options.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all the periods presented in these consolidated financial statements.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

The consolidated financial statements include those of the parent company and its wholly-owned subsidiary Sama Resources Guinee SARL. The annual reporting date of the subsidiary is December 31.

Subsidiaries are all companies over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

Functional and presentation currency

The functional currency for the parent entity, and its subsidiary, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. The consolidated financial statements of the Company's subsidiary are prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The determination of the functional currency may involve certain judgments as to defining the primary economic environment, and the parent entity will reconsider the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment in which these entities operate.

The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

Cash

Cash is comprised of cash on hand.

Exploration and evaluation ("E&E") assets

The Company is in the exploration stage with respect to its investment in E&E assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. E&E expenditures include overhead expenses directly attributable to the related activities.

The aggregate costs related to abandoned mineral properties are recognized as an impairment charge in the consolidated statement of loss and comprehensive loss at the time of any abandonment, when the permits expired and are not renewed or when it has been determined that there is evidence of a permanent impairment.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

Property and equipment ("P&E")

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

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

P&E are recorded at cost and depreciated as follows:

	Decline balance method
Computer equipment	30%
Furniture	20%
Exploration equipment	20%

P&E are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of loss and comprehensive loss. Depreciation expense is capitalized to E&E assets when related to a specific E&E project.

Impairment of non-financial assets

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

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

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

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Loans and receivables: Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Other financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Other financial liabilities, if any, would be measured at amortized cost using the effective interest method.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Due to the major shareholder and a related company	Other financial liabilities

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss in the consolidated statement of loss and comprehensive loss, as follows:

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Capital

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

Equity financing

The equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and warrants. Depending on the terms and conditions of the equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached warrants.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The fair value, at the grant date, of equity-settled share-based awards is recognized as an expense over the period for which the benefits of employee and others providing similar services are expected to be received using the graded vesting method. The corresponding accrued entitlement is recorded in contributed surplus. The fair value of awards is calculated using the Black-Scholes valuation model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price of the underlying
- Expected forfeitures

The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service and vesting conditions are met. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

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

Current and deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss. Current tax expense, if any, is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

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

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

(in Canadian dollars)

NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards and interpretations issued and in effect

IAS 1 – Presentation of financial statements

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of consolidated financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments are effective from 1 January 2016. The adoption of these amendments to IAS 1 had no effect on the Company's consolidated financial statements.

Accounting standards and interpretations issued but not yet adopted

IFRS 9 – Financial instruments, classification and measurement

In July 2014, the IASB issued IFRS 9 – Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability and own credit. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 7 – Statement of cash flows

In January 2016, IASB amended IAS 7, "Statement of Cash Flows". The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017. The extent of the impact of adoption of IFRS 7 has not yet been determined.

IFRS 2 – Share-based Payment

In 2016, the IASB issued the final amendments to IFRS 2 Share-based Payment ("IFRS 2") in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas: the effects of vesting conditions on the measurement of cash-settled share-based payments; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is permitted if elected for all three amendments and other criteria are met. The extent of the impact of adoption of IFRS 2 has not yet been determined.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

In 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (“IFRIC 22”), which provides requirements about which exchange rate to use when recognizing revenue in circumstances where an entity has received advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. On initial application, entities have the option to apply either retrospectively or prospectively. The extent of the impact of adoption of IFRIC 22 has not yet been determined.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant judgments and estimation uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant estimates and judgments used in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Going concern

The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

Impairment of non-financial assets

The recoverable amounts with respect to non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company’s control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company’s consolidated financial position and results of operations. Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted graphite prices.

Determination of the functional currency of the subsidiary

A number of judgments were made in the determination of the subsidiary functional currency. If a different conclusion had been reached for any one of those assumptions, it could have resulted in the identification of functional currency different from the one actually identified by the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Recognition of deferred taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessment by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

Management continually evaluates the likelihood that it is probable that its deferred tax assets will be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

NOTE 5. PROPERTY AND EQUIPMENT

	Exploration equipment	Furniture	Computer equipment	Total
	\$	\$	\$	\$
Cost				
Balance as at January 1st, 2015	59,097	9,778	3,991	72,866
Acquisitions	43	-	-	43
	<u>59,140</u>	<u>9,778</u>	<u>3,991</u>	<u>72,909</u>
Balance as at December 31, 2015 and 2016	<u>59,140</u>	<u>9,778</u>	<u>3,991</u>	<u>72,909</u>
Accumulated amortization				
Balance as at January 1st, 2015	28,958	2,814	2,248	34,020
Depreciation	6,384	1,454	558	8,396
	<u>35,342</u>	<u>4,268</u>	<u>2,806</u>	<u>42,416</u>
Balance as at December 31, 2015	<u>35,342</u>	<u>4,268</u>	<u>2,806</u>	<u>42,416</u>
Depreciation	4,760	1,102	355	6,217
	<u>40,102</u>	<u>5,370</u>	<u>3,161</u>	<u>48,633</u>
Balance as at December 31, 2016	<u>40,102</u>	<u>5,370</u>	<u>3,161</u>	<u>48,633</u>
Carrying amount				
Balance as at December 31, 2015	<u>23,798</u>	<u>5,510</u>	<u>1,185</u>	<u>30,493</u>
Balance as at December 31, 2016	<u>19,038</u>	<u>4,408</u>	<u>830</u>	<u>24,276</u>

During the year ended December 31, 2016, a depreciation expense of \$1,457 (\$2,012 in 2015) was recorded in the consolidated statement of loss and comprehensive loss and \$4,760 (\$6,384 in 2015) was recorded under E&E assets.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(in Canadian dollars)

NOTE 6. EXPLORATION AND EVALUATION ASSETS

Lola Base Metal Property

The Lola Base Metal Property is located in eastern Guinea.

During the year ended December 31, 2015, management centralized its efforts in order to focus on its core exploration and evaluation assets; as a result, the Company recorded an impairment charge of \$959,222 against the carrying value of the Lola Base Metal Property as the licences were not renewed at their expiration in November 2015.

Lola Graphite Property

On September 2, 2013, the Company obtained four licences to explore a combined 380 square kilometers of property in eastern Guinea. The licences were renewed on August 29, 2016 for two years and per legislation, the surface area was reduced by 51% from 380 square kilometers to 187 square kilometers. This reduction in the surface area did not required an impairment of capitalized E&E assets since the Company did not ceased area were exploration and evaluation expenditures were done. The Company has agreed to complete an exploration program of GNF 9,361,376,000 (approximately \$1,343,211 as at December 31, 2016) by August 29, 2018. The Lola Graphite Property is 100% owned by the Company and is located in eastern Guinea.

The following table shows the E&E expenditures by property.

	December 31, 2014 (unaudited)	Activity	December 31, 2015	Activity	December 31, 2016
	\$	\$	\$	\$	\$
Lola Base Metal Property					
Geology and prospecting	268,936	-	268,936	-	268,936
Drilling	90,859	-	90,859	-	90,859
Camp operations, field supplies and expenses	583,838	15,589	599,427	-	599,427
Impairment charge	-	(959,222)	(959,222)	-	(959,222)
	943,633	(943,633)	-	-	-
Lola Graphite Property					
Geology and prospecting	29,108	26,089	55,197	57,829	113,026
Geophysics	16	-	16	10,148	10,164
Geochemistry	12,140	-	12,140	-	12,140
Drilling	22,392	2,047	24,439	235	24,674
Metallurgical tests	5,345	-	5,345	7,829	13,174
Camp operations, field supplies and expenses	230,643	87,064	317,707	162,470	480,177
	299,644	115,200	414,844	238,511	653,355
Total E&E assets	1,243,277	(828,433)	414,844	238,511	653,355

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

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NOTE 7. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value.

Transactions on share capital

On November 4, 2016, the Company closed a non-brokered private placement by issuing 17,550,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,755,000. The Company paid a cash commission of \$18,000 in finder's fees and issued 180,000 finder's warrants to purchase common shares exercisable at a price of \$0.15 per share for a period of 12 months. The fair value of the 180,000 finders' warrants was estimated at \$5,363 using the Black & Scholes option pricing formula with the following assumptions: expected dividend yield 0%, expected volatility 108.30%, risk free rate of return 0.52%, a share price of \$0.10 and an expected maturity of one year. The Company also incurred \$9,525 in legal and filing fees associated with this private placement, which were included as share issuance costs.

Warrants

The following table shows the changes in warrants:

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	-	-	-	-
Issued	<u>180,000</u>	0.15	<u>-</u>	-
Outstanding and exercisable, end of year	<u><u>180,000</u></u>	0.15	<u><u>-</u></u>	-

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

	December 31, 2016		December 31, 2015	
Expiration date	Exercise price	Number of warrants outstanding	Exercise price	Number of warrants outstanding
November 3, 2017	\$ 0.15	180,000	\$ -	-

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NOTE 8. STOCK OPTIONS

The Company has a rolling stock 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 exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX-V and, in any event, the exercise price per Option will not be less than \$0.05, being the minimum exercise price allowable under TSX-V policy.

The following table shows the changes in stock options:

	December 31, 2016		December 31, 2015	
Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	\$
Outstanding, beginning of year	-	-	-	-
Issued as part of the Reverse Takeover transaction (Note 2)	620,000	0.05	-	-
Outstanding, end of year	620,000	0.05	-	-
Exercisable, end of year	620,000	0.05	-	-

NOTE 9. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2016	2015
	\$	\$
Current tax expense (income)	-	-
Deferred tax expense (income)		
Origination and reversal of temporary differences	(117,514)	(309,392)
Deferred tax expense arising from the write-down of a deferred tax asset	117,514	309,392
Total deferred tax expense (income)	-	-
Total income tax expense (income)	-	-

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 9. INCOME TAXES (Continued)

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined income tax rate in Canada and the reported tax expense in the consolidated statement of loss and comprehensive loss can be reconciled as follows:

	2016	2015
	\$	\$
Loss before income taxes	(744,496)	(1,031,307)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.90% (30% in 2015)	(199,290)	(309,392)
Listing expense	80,198	-
Other	1,578	-
Change in unrecognized temporary differences	117,514	309,392
Deferred income tax expense (income)	-	-

The statutory tax rate is 26.50% in 2016 (30% in 2015).

Unrecognized deferred tax assets and liabilities

As at December 31, 2016 and 2015, the Company has the following temporary differences for which no deferred tax has been recognized:

	2016		2015	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Issuance costs	323,773	323,773	-	-
Non-capital losses	103,945	103,945	-	-
	427,718	427,718	-	-

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2016, deferred tax assets totalling \$113,346 (nil at December 31, 2015) have not been recognized.

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried until 2036.

	Federal	Provincial
	\$	\$
	103,945	103,945
	103,945	103,945

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

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NOTE 10. ADDITIONAL CASH FLOW INFORMATION

The following significant non-cash transactions have been excluded from the consolidated statements of cash flows:

	December 31, 2016	December 31, 2015
Depreciation included in E&E assets	\$ 4,760	\$ 6,384
Change in E&E assets included in accounts payable and accrued liabilities	(19,806)	1,477

NOTE 11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its exploration and evaluation activities. Therefore, the Company monitors the level of risk associated with its E&E assets relative to its capital structure.

The Company considers its capital structure to include working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets and capital markets. In order to facilitate the management of capital and the exploration and evaluation of its E&E assets, the Company prepares annual expenditure budgets which are monitored and updated as considered necessary.

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its E&E assets for cash and/or expenditure commitments from optionees and enter into joint venture arrangements or dispose of E&E assets.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2016.

NOTE 12. FINANCIAL RISK FACTORS

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 financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company views credit risk on other amounts receivable as minimal. The Company is also exposed to credit concentration risk by holding cash. This risk is minimized by holding cash balances with large Canadian financial institutions and a minimal amount in its subsidiary in Africa.

Liquidity risk:

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its E&E programs. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2016, the Company had cash of \$2,263,162 to settle account payable and accrued liabilities of \$264,722. While due on demand, the advances received from the major shareholder and related company of \$267,590 and \$115,206 respectively are not expected to be settled in the foreseeable future.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2016 and 2015

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NOTE 12. FINANCIAL RISK FACTORS (Continued)

As at December 31, 2016, Management doesn't consider current funds to be sufficient for the Company to continue operating (Note 1).

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments, further expenditures reductions or other measures. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

Fair value

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and other information about financial instruments.

The Company's financial instruments as at December 31, 2016 consist of cash, accounts payables and accrued liabilities and advances from the major shareholder and related company. The Company's financial assets and liabilities approximate their fair values due to their relatively short periods to maturity.

Market risk

Foreign exchange risk:

As at December 31, 2016, the majority of the Company's cash balances were held in Canada in Canadian dollars. As a result, the Company's exposure to fluctuations in foreign exchange rates on cash is limited.

As at December 31, 2015, the majority of the Company's cash balances were held in Guinean Franc ("GNF") which is exposed to fluctuations in foreign exchange rates. However, the level of cash held in its bank account is not significant and therefore, the fluctuations in foreign exchange rates is limited.

As at December 31, 2016, accounts payable and accrued liabilities for an amount of \$15,602 (December 31, 2015 - \$35,408) were payable in Guinean Franc ("GNF"). Assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the foreign currency would result in an increase or a decrease of approximately \$1,560 (December 31, 2015 - \$3,541) in the Company's consolidated statement of loss and comprehensive loss.

Commodity price risk:

Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and other currencies, as outlined above. As the Company has not yet developed commercial mineral interests, the Company is not a party to financial instruments exposed to the price of commodities. However, the Company is indirectly exposed to commodity price risk as it impacts the Company's access to capital and funding.

SAMA GRAPHITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13. RELATED PARTIES

Related parties include the Company's key management personnel and related companies. Unless otherwise stated, balances are usually settled in cash.

Key management personnel are the members of the Board of Directors, the President and the Chief Financial Officer ("CFO"). The remuneration of key management personnel includes the following:

Transactions with key management personnel:

During the year ended December 31, 2016, the Company incurred accounting fees of \$31,770 (for the year ended December 31, 2015 – nil) with the CFO. These fees are recorded under listing expenses. As at December 31, 2016, \$31,770 (December 31, 2015 – nil) is due to the CFO. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2016, the Company incurred E&E expenditures of \$13,875 (for the year ended December 31, 2015 – \$12,334) with a corporation controlled by a director who is also the President and Chief Executive Officer. All of these fees have been capitalized to the Company's E&E assets. As at December 31, 2016, \$13,875 (December 31, 2015 – \$12,334) is included in the Due to the major shareholder as these fees were charged to Sama Guinee prior to the Reverse Takeover transaction.

Transactions with related parties

During the year ended December 31, 2016, the major shareholder charged a total amount of \$168,081 to the Company. An amount of \$31,200 was recorded under Consulting fees, \$6,275 under Office supplies, utilities and rent, \$23,095 under administrative fees, \$76,311 under listing expenses and \$31,200 was capitalized to the Company's E&E assets (for the year ended December 31, 2015 – nil). These amounts are included in the Due to the major shareholder of \$267,590 at December 31, 2016 (for the year ended December 31, 2015 – nil).

As of December 31, 2016, the major shareholder and related company had advanced a total of \$382,796 (\$1,751,678 as at December 31, 2015) to the Company to fund the Company's ongoing activities. These advances are non-interest bearing, unsecured and due on demand.

NOTE 14. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at December 31, 2016 and 2015, the Company's non-current assets are all located in the one geographic area as set out below:

	December 31, 2016	December 31, 2015
	Guinea	Guinea
	\$	\$
Property and equipment	24,276	30,493
Exploration and evaluation assets	653,355	414,844
	677,631	445,337

SAMA GRAPHITE INC.

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NOTE 15. SUBSEQUENTS EVENTS

Consulting agreements

The Company entered into consulting agreements which will call for total payments of \$248,557, as \$238,057 in 2017 and \$10,500 in 2018.

The Company has also entered into consulting agreements with officers and/or corporation controlled by a director who is also the President and Chief Executive Officer for total annual payments of \$243,000.

Termination and Change of Control Provisions

Certain agreements between the executive team and the Company contain termination without cause and change of control provisions.

Assuming that all members of the executive team would be terminated without cause during the year ended December 31, 2017, total amounts payable to the executive team in respect of severance would amount \$225,000. If a change of control would occur during the year December 31, 2017, total amounts payable to the executive team in respect of severance, if elected by each executive team member would amount \$225,000.

However, the severance payable to the President and Chief Executive Officer of \$185,000 would be paid jointly between the Company and Sama Resources Inc., the major shareholder since the services performed under the agreement are to be allocated between both companies on the pro-rata basis on the time spent to each company.

Options and warrants

In January 2017, a total of 108,000 warrants were exercised at a price of \$0.15 per warrant for total proceeds of \$16,200 and 620,000 options were exercised at a price of \$0.05 for total proceeds of \$31,000.

On February 21, 2017, the Company granted 3,583,000 stock options to officers, directors, consultants and employees at an exercise price of \$0.365 per share expiring on February 20, 2027.

On February 28, 2017, the Company granted 200,000 stock options to a consultant at an exercise price of \$0.365 per share expiring on February 28, 2019.

On March 1, 2017, the Company granted 200,000 stock options to a consultant at an exercise price of \$0.50 per share expiring on March 31, 2027.