



**SRG GRAPHITE INC.**  
(Formerly Sama Graphite Inc.)

*Interim condensed consolidated financial statements (unaudited)*

For the three-month and six-month periods ended on June 30, 2017 and 2016

TSX-V: SRG

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## **Notice to Reader**

The accompanying unaudited interim condensed consolidated financial statements of SRG Graphite Inc. (the "Company") for the three-month and six-month periods ended on June 30, 2017 and 2016 have been prepared by the management and are its responsibility. These unaudited interim condensed consolidated financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Company's Board of Directors. These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's auditors.

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	(Unaudited - in Canadian dollars)		
	Notes	June 30, 2017	December 31, 2016
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		541,807	2,263,162
Taxes receivable		16,625	4,493
Prepaid expenses and deposits		84,812	4,036
		643,244	2,271,691
<b>Non-current assets</b>			
Property and equipment		76,536	24,276
Exploration and evaluation assets	3	1,284,278	653,355
		1,360,814	677,631
<b>Total assets</b>		<b>2,004,058</b>	<b>2,949,322</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		27,467	264,722
Due to the major shareholder, without interest, due on demand		-	267,590
Due to a related company, without interest due on demand		56,060	115,206
<b>Total liabilities</b>		<b>83,527</b>	<b>647,518</b>
<b>SHAREHOLDER EQUITY</b>			
Capital	4	2,611,949	2,518,176
Contributed surplus	5	2,577,167	1,868,280
Deficit		(3,268,585)	(2,084,652)
<b>Total shareholders' equity</b>		<b>1,920,531</b>	<b>2,301,804</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,004,058</b>	<b>2,949,322</b>

Nature of operations and going concern (Note 1)

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 interim condensed consolidated financial statements.

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three-month and six-month periods ended on

(Unaudited - in Canadian dollars)

Notes	June 30, 2017 (3 months) \$	June 30, 2016 (3 months) \$	June 30, 2017 (6 months) \$	June 30, 2016 (6 months) \$
<b>Operating expenses</b>				
Depreciation	581	360	1,068	720
Consulting fees	24,183	-	67,408	-
Audit fees	263	-	263	-
Accounting fees	12,800	9,602	23,000	11,291
Legal fees	8,272	-	13,107	-
Insurance	2,452	-	3,270	-
Office supplies, utilities and rent	23,868	3,064	46,110	4,962
Office administration	57,808	3,796	86,912	10,015
Travel and representation	25,064	1,550	62,642	2,175
Investor relations fees	39,000	-	68,000	-
Transfert agent and filing fees	13,601	-	17,061	-
Shareholders' information	5,341	-	8,078	-
Stock-based compensation	5	331,053	-	755,460
<b>Total operating expenses</b>	<u>544,286</u>	<u>18,372</u>	<u>1,152,379</u>	<u>29,163</u>
<b>Other expenses (income)</b>				
Foreign exchange loss (gain)	15,158	(7,443)	31,554	(13,735)
<b>Total other expenses (income)</b>	15,158	(7,443)	31,554	(13,735)
<b>Net loss and comprehensive loss for the period</b>	<u>559,444</u>	<u>10,929</u>	<u>1,183,933</u>	<u>15,428</u>
<b>Net loss per common share, basic and diluted</b>	<u>0.01</u>	<u>0.00</u>	<u>0.02</u>	<u>0.00</u>
<b>Weighted average number of common shares outstanding</b>	<u>50,882,719</u>	<u>24,658,267</u>	<u>50,762,056</u>	<u>24,658,267</u>

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

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

For the six-month periods ended on June 30, 2017 and 2016

(Unaudited - in Canadian dollars)

	Notes	Capital		Contributed surplus	Deficit	Total
		Number	\$	\$	\$	\$
<b>Balance on January 1st, 2016</b>		24,658,267	1,419	-	(1,340,156)	(1,338,737)
Net loss and comprehensive loss		-	-	-	(15,428)	(15,428)
<b>Balance on June 30, 2016</b>		<u>24,658,267</u>	<u>1,419</u>	<u>-</u>	<u>(1,355,584)</u>	<u>(1,354,165)</u>
<b>Balance on January 1st, 2017</b>		50,154,719	2,518,176	1,868,280	(2,084,652)	2,301,804
Exercise of options	4	620,000	74,355	(43,355)	-	31,000
Exercise of warrants	4	108,000	19,418	(3,218)	-	16,200
Stock-based compensation	5	-	-	755,460	-	755,460
Net loss and comprehensive loss		-	-	-	(1,183,933)	(1,183,933)
<b>Balance on June 30, 2017</b>		<u>50,882,719</u>	<u>2,611,949</u>	<u>2,577,167</u>	<u>(3,268,585)</u>	<u>1,920,531</u>

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

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month and six-month periods ended on

(Unaudited - in Canadian dollars)

	Notes	June 30, 2017 (3 months)	June 30, 2016 (3 months)	June 30, 2017 (6 months)	June 30, 2016 (6 months)
		\$	\$	\$	\$
<b>CASH PROVIDED FROM (USED FOR):</b>					
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		(559,444)	(10,929)	(1,183,933)	(15,428)
Items not affecting cash					
Depreciation		581	360	1,068	720
Stock-based compensation	5	331,053	-	755,460	-
		<u>(227,810)</u>	<u>(10,569)</u>	<u>(427,405)</u>	<u>(14,708)</u>
Change in non-cash working capital items					
Taxes receivable		61,698	-	(12,132)	-
Prepaid expenses and deposits		96,217	59	(80,776)	82
Accounts payable and accrued liabilities		(40,553)	-	(229,998)	-
		<u>117,362</u>	<u>59</u>	<u>(322,906)</u>	<u>82</u>
		<u>(110,448)</u>	<u>(10,510)</u>	<u>(750,311)</u>	<u>(14,626)</u>
<b>INVESTING ACTIVITIES</b>					
Property and equipment additions		(56,263)	-	(60,887)	-
Exploration and evaluation expenditures	3 and 6	(325,698)	(36,477)	(630,621)	(54,760)
		<u>(381,961)</u>	<u>(36,477)</u>	<u>(691,508)</u>	<u>(54,760)</u>
<b>FINANCING ACTIVITIES</b>					
Due to the major shareholder		-	29,348	(267,590)	60,061
Due to a related company		(6,372)	10,574	(59,146)	10,170
Exercise of options	4	-	-	31,000	-
Exercise of warrants	4	-	-	16,200	-
		<u>(6,372)</u>	<u>39,922</u>	<u>(279,536)</u>	<u>70,231</u>
<b>Increase (decrease) in cash during the period</b>		<u>(498,781)</u>	<u>(7,065)</u>	<u>(1,721,355)</u>	<u>845</u>
<b>Cash and cash equivalents, beginning of period</b>		<u>1,040,588</u>	<u>10,464</u>	<u>2,263,162</u>	<u>2,554</u>
<b>Cash and cash equivalents, end of period</b>		<u><u>541,807</u></u>	<u><u>3,399</u></u>	<u><u>541,807</u></u>	<u><u>3,399</u></u>

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

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 1. NATURE OF OPERATIONS AND GOING CONCERN

On June 30, 2017, Sama Graphite Inc. ("SRG" or the "Company") changed its company name to SRG Graphite Inc.

SRG Graphite Inc. 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. The Company's common shares are listed on the TSX Venture Exchange (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. 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.

These interim condensed consolidated financial statements were authorized for publication by the Board of Directors on July 21, 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 \$559,717 (\$1,624,173 as at December 31, 2016) and an accumulated deficit of \$3,268,585 as at June 30, 2017 (\$2,084,652 as at December 31, 2016).

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.



# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The Company's interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2016. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016 which have been prepared according to IFRS as issued by the IASB.

#### Basis of measurement

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

#### Basis of consolidation

The interim condensed 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 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 interim condensed 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 interim condensed consolidated statement of loss and comprehensive loss.

#### Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that can be withdrawn at any time without penalty and which are subject to an insignificant risk of change in value.

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting standards and interpretations issued and in effect

##### *IAS 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. The adoption of these amendments to IAS 7 had no effect on the Company’s interim condensed 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 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.

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 2. 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 3. EXPLORATION AND EVALUATION ASSETS

#### **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 \$1,357,835 as at June 30, 2017) 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 exploration and evaluation expenditures by property.

	December 31, 2015	Activity	December 31, 2016	Activity	June 30, 2017
	\$	\$	\$	\$	\$
<b>Lola Graphite Property</b>					
Geology and prospecting	55,197	57,829	113,026	87,226	200,252
Geophysics	16	10,148	10,164	26,974	37,138
Geochemistry	12,140	-	12,140	24,952	37,092
Drilling	24,439	235	24,674	215,877	240,551
Metallurgical tests	5,345	7,829	13,174	75,407	88,581
Environmental study	-	-	-	74,065	74,065
Camp operations, field supplies and expenses	317,707	162,470	480,177	126,422	606,599
<b>Total exploration and evaluation assets</b>	<u>414,844</u>	<u>238,511</u>	<u>653,355</u>	<u>630,923</u>	<u>1,284,278</u>

# SRG GRAPHITE INC.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 4. SHARE CAPITAL

#### Authorized

Unlimited number of voting common shares without par value.

#### Transactions on share capital

##### 2016

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.

##### 2017

On January 31, 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.

#### Warrants

The following table shows the changes in warrants:

		June 30, 2017		December 31, 2016
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	180,000	0.15	-	-
Issued	-	-	180,000	0.15
Exercised	<u>(108,000)</u>	0.15	<u>-</u>	-
Outstanding and exercisable, end of period	<u>72,000</u>	0.15	<u>180,000</u>	0.15

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

		June 30, 2017		December 31, 2016
Expiration date	Exercise price	Number of warrants outstanding	Exercise price	Number of warrants outstanding
	\$		\$	
November 3, 2017	0.15	72,000	0.15	180,000

# SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 5. 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:

	June 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	620,000	0.05	-	-
Issued as part of the Reverse Takeover transaction	-	-	620,000	0.05
Granted	4,008,000	0.37	-	-
Exercised	(620,000)	0.05	-	-
Outstanding, end of period	<u>4,008,000</u>	<u>0.37</u>	<u>620,000</u>	<u>0.05</u>
Exercisable, end of period	<u>1,002,000</u>	<u>0.37</u>	<u>620,000</u>	<u>0.05</u>

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

	June 30, 2017		December 31, 2016		
Expiry date	Exercise price	Number outstanding	Number exercisable	Number outstanding	Number exercisable
	\$				
June 15, 2018	0.05	-	-	180,000	180,000
May 29, 2019	0.05	-	-	440,000	440,000
February 28, 2019	0.365	200,000	50,000	-	-
February 20, 2027	0.365	3,583,000	895,750	-	-
March 31, 2027	0.500	200,000	50,000	-	-
June 14, 2027	0.360	25,000	6,250	-	-
		<u>4,008,000</u>	<u>1,002,000</u>	<u>620,000</u>	<u>620,000</u>

# SRG GRAPHITE INC.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 5. STOCK OPTIONS (Continued)

The fair value of stock options granted was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	June 30, 2017	December 31, 2016
Weighted average price at the grant date	0.37 \$	0.10 \$
Weighted average exercise price	0.37 \$	0.05 \$
Expected dividend	- \$	- \$
Expected average volatility	107 %	105 %
Risk-free average interest rate	1.66 %	0.73 %
Expected average life	9.60 years	2.38 years
Weighted fair value per share option	0.33 \$	0.07 \$

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.

An expense for stock-based compensation of \$755,460 was recognized during the six-month period ended June 30, 2017 (for the six-month period ended June 30, 2016 – nil).

### NOTE 6. ADDITIONAL CASH FLOW INFORMATION

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

	June 30, 2017 (3 months)	June 30, 2016 (3 months)	June 30, 2017 (6 months)	June 30, 2016 (6 months)
	\$	\$	\$	\$
Depreciation included in Exploration and evaluation assets	6,350	1,197	7,559	2,393
Change in Exploration and evaluation assets included in accounts payable and accrued liabilities	(11,722)	7,001	(7,257)	(100)

### NOTE 7. 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 six-month period ended June 30, 2017, the Company incurred accounting fees of \$23,000 (for the six-month period ended June 30, 2016 – nil) with the CFO. These fees are recorded under accounting fees.

# SRG GRAPHITE INC.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016 and December 31, 2016

(Unaudited - in Canadian dollars)

### NOTE 7. RELATED PARTIES (Continued)

During the six-month period ended June 30, 2017, the Company incurred consulting fees of \$46,251 (for the six-month period ended June 30, 2016 – \$nil) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of \$37,001 of these fees have been capitalized to the Company's exploration and evaluation assets.

During the six-month period ended June 30, 2017, the Company recognized a stock-based compensation of \$345,901 (for the six-month period ended June 30, 2016 – nil) in connection with stock options granted to officers and directors.

#### Transactions with related parties

During the six-month period ended June 30, 2017, the major shareholder charged a total amount of \$6,145 which was recorded under utilities and rent (for the six-month period ended June 30, 2016 – nil).

As of June 30, 2017, the related company had advanced a total of \$56,060 (major shareholder and related company had advanced a total of \$382,796 as at December 31, 2016) to the Company to fund the Company's ongoing activities. These advances are non-interest bearing, unsecured and due on demand.

#### Termination and Change of Control Provisions

Certain employment 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 had been terminated without cause on June 30, 2017, the total amounts payable to the executive team in respect of severance would have totaled \$257,000. If a change of control had occurred on June 30, 2017, the total amounts payable to the executive team in respect of severance, if elected by each executive team member would have totaled \$257,000.

However, the severance payable to the President and Chief Executive Officer 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.

### NOTE 8. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at June 30, 2017 and December 31, 2016, the Company's non-current assets are all located in the one geographic area as set out below:

	June 30, 2017	December 31, 2016
	Guinea	Guinea
	\$	\$
Property and equipment	76,536	24,276
Exploration and evaluation assets	1,284,278	653,355
	<u>1,360,814</u>	<u>677,631</u>