SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

TSX-V: SRG

SRG GRAPHITE INC.
(Formerly Sama Graphite Inc.)

CONSOLIDATED FINANCIAL STATEMENT

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April 16, 2018

Independent Auditor's Report

To the Shareholders of
SRG Graphite Inc.

We have audited the accompanying consolidated financial statements of SRG Graphite Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 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.

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 SRG Graphite Inc. as at December 31, 2017 and 2016 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 SRG Graphite Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

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

SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and 2016 **(in Canadian dollars)**

	Notes	2017	2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	3,251,456	2,263,162
Sales taxes receivable		69,827	4,493
Prepaid expenses and deposits		10,865	4,036
		3,332,148	2,271,691
Non-current assets			
Deposit on property and equipment		110,078	-
Deposit on exploration and evaluation assets		47,907	-
Property and equipment	7	75,135	24,276
Exploration and evaluation assets	8	2,635,255	653,355
		2,868,375	677,631
Total assets		6,200,523	2,949,322
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		557,032	264,722
Due to the major shareholder, without interest, due on demand		-	267,590
Due to a related company, without interest, due on demand		16,418	115,206
Total liabilities		573,450	647,518
SHAREHOLDERS' EQUITY			
Capital	9	7,044,172	2,518,176
Contributed surplus	10	3,050,139	1,868,280
Deficit		(4,467,238)	(2,084,652)
Total shareholders' equity		5,627,073	2,301,804
Total liabilities and shareholders' equity		6,200,523	2,949,322

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

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.

SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended December 31, 2017 and 2016 **(in Canadian dollars)**

	Notes	2017	2016
		$	$
Operating expenses			
Consulting		406,510	32,159
Office administration		221,103	41,223
Travel and representation		120,999	7,002
Accounting fees		87,606	12,536
Legal fees		31,549	8,699
Audit fees		37,312	39,375
Office supplies, utilities and rent		97,979	17,435
Investor relations fees		87,800	-
Transfert agent and filing fees		28,179	-
Shareholders' information		14,890	-
Insurance		8,175	-
Depreciation	7	546	1,457
Loss on disposal of property and equipment	7	25,712	-
Stock-based compensation	10	1,128,072	-
Listing expense	2	-	589,017
Total operating expenses		2,296,432	748,903
Other expenses (income)			
Interest revenue		(7,989)	-
Foreign exchange loss (gain)		94,143	(4,407)
Total other expenses (income)		86,154	(4,407)
Net loss and comprehensive loss for the year		2,382,586	744,496
Net loss per common share, basic and diluted		0.04	0.03
Weighted average number of common shares outstanding		53,327,754	24,727,929

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

SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2017 and 2016 **(in Canadian dollars)**

	Notes	Capital		Contributed surplus	Deficit	Total
		Number	$	$	$	$
Balance on January 1st, 2016		24,658,267	1,419	-	(1,340,156)	(1,338,737)
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	9	17,550,000	1,755,000	-	-	1,755,000
Issuance of shares as part of finder's fee	9	1,000,000	100,000	-	-	100,000
Share issuance costs	9	-	(32,888)	5,363	-	(27,525)
Net loss and comprehensive loss		-	-	-	(744,496)	(744,496)
Balance on December 31, 2016		50,154,719	2,518,176	1,868,280	(2,084,652)	2,301,804
Issuance of shares under a private placement	9	7,500,000	3,000,000	-	-	3,000,000
Exercise of warrants	9	2,805,000	1,344,863	(5,363)	-	1,339,500
Exercise of stock options	9	820,000	212,145	(108,145)	-	104,000
Share issuance costs	9	-	(31,012)	-	-	(31,012)
Stock-based compensation	10	-	-	1,295,367	-	1,295,367
Net loss and comprehensive loss		-	-	-	(2,382,586)	(2,382,586)
Balance on December 31, 2017		61,279,719	7,044,172	3,050,139	(4,467,238)	5,627,073

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

SRG GRAPHITE INC.

(Formerly Sama Graphite Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016 **(in Canadian dollars)**

	Notes	2017	2016
		$	$
CASH PROVIDED FROM (USED FOR):			
OPERATING ACTIVITIES			
Net loss for the year		(2,382,586)	(744,496)
Items not affecting cash			
Depreciation	7	546	1,457
Stock-based compensation	10	1,128,072	-
Loss on disposal of property and equipment		25,712	-
Listing expense	2	-	398,132
		(1,228,256)	(344,907)
Change in non-cash working capital items			
Sales taxes receivable		(65,334)	(4,493)
Prepaid expenses and deposits		(6,829)	(3,578)
Accounts payables and accrued liabilities		16,333	189,757
		(55,830)	181,686
		(1,284,086)	(163,221)
INVESTING ACTIVITIES			
Cash acquired through the Reverse Takeover transaction	2	-	499,231
Deposit on property and equipment		(110,078)	-
Deposit on exploration and evaluation assets		(47,907)	-
Property and equipment additions	7 and 12	(63,128)	-
Exploration and evaluation expenditures	8 and 12	(1,552,617)	(253,557)
		(1,773,730)	245,674
FINANCING ACTIVITIES			
Issuance of shares and/or units under a private placement	9	3,000,000	1,755,000
Exercise of warrants	9	1,339,500	-
Exercise of stock options	10	104,000	-
Share issuance costs	9	(31,012)	(27,525)
Due to the major shareholder		(267,590)	377,169
Due to a related company		(98,788)	73,511
		4,046,110	2,178,155
Increase in cash during the year		988,294	2,260,608
Cash and cash equivalents, beginning of year		2,263,162	2,554
Cash and cash equivalents, end of year		3,251,456	2,263,162

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

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. 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 consolidated financial statements were authorized for publication by the Board of Directors on April 16, 2018.

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".

On June 30, 2017, the Company changed its name to SRG Graphite Inc.

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

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. The Company has incurred a net loss and comprehensive loss for the year ended December 31, 2017 of $2,382,586 (for year ended December 31, 2016 – $744,496) and has an accumulated deficit of $4,467,238 (December 31, 2016 – $2,084,652). In addition, the Company had working capital of $2,758,698 as at December 31, 2017 (December 31, 2016 – $1,624,173), including cash and cash equivalents of $3,251,456 (December 31, 2016 – $2,263,162). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company's ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company's discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly. Based on the extent of the Company's current plan and anticipated exploration, the Company will need to raise additional financing within the next 6-12 months to complete the feasibility study of the Lola Graphite project.

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, 12 months from the end of the reporting period. Management has assessed its liquidity needs and estimates that these funds will not be sufficient to meet the Company's obligations, budgeted expenditures and commitments through December 31, 2018. Based on the extent of the Company's current stage and anticipated plan, the Company will need to raise additional financing, which cast significant doubt on the Company's ability to continue as a going concern. 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, that such sources of funding will be available to the Company or that they will be available on terms acceptable to the Company.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

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.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

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 ("SRG 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 SRG 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 SRG 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 stock option holders at the time of the transaction and SRM's net assets deemed acquired. This transaction thus is recognized in substance as if SRG Guinee had proceeded to the issuance of share and stock 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 per stock option 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 SRG 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

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 2. REVERSE TAKEOVER TRANSACTION (Continued)

	$
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.

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, except for the new accounting standards adopted in 2017 (Note 4).

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
In addition to the Company, the consolidated financial statements include all subsidiaries. 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.

The subsidiaries of the Company are as follows:

Subsidiaries	Jurisdiction of incorporation	December 31, 2017 % of ownership	December 31, 2016 % of ownership
Sama Resources Guinee SARL ("SRG Guinee")	Guinea	100%	100%
SRG Graphite International Inc. ("SRG Intl")	Cayman Island	100%	-%

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

Functional and presentation currency
The functional currency for the parent entity, and its subsidiaries, 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 subsidiaries are prepared in the local currency of its home jurisdiction. Consolidation of the subsidiaries 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.

These 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 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.

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 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.

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.

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

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

	Straight-line 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.

The Company changed its property and equipment depreciation accounting policy from a decline balance method to a straight-line method. This change had no significant impact.

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.

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:

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

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 and cash equivalents	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.

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

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 stock options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

NOTE 4. CHANGES IN ACCOUNTING POLICIES

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 was mandatory for reporting periods beginning on or after January 1, 2017. The adoption of these amendments to IAS 7 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 Company is currenty assessing the impact of adoption of IFRS 9 on its financial statements, and doesn't expect significant changes.

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 Company is currenty assessing the impact of adoption of IFRIC 22 on its financial statements, and doesn't expect significant changes.

NOTE 4. CHANGES IN ACCOUNTING POLICIES (Continued)

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 Company is currenty assessing the impact of adoption of IFRS 2 on its financial statements, and doesn't expect significant changes.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, Leases, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019 with early application permitted in certain circumstances. The extent of the impact of adoption of IFRS 16 has not yet been determined.

NOTE 5. 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).

NOTE 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

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.

Fair value of stock options
The estimation of share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the volatility, the probable life of stock options granted and the time of exercise of those stock options. Given the limited trading history of the Company's common shares, the expected volatility was determined by reference to historical data of comparable mining exploration companies' share over the expected average life of the stock options.

Provision for foreign tax and value-added tax
The Company is subject to foreign tax and value-added tax in numerous jurisdictions. Significant judgment is required in determining the provision for foreign tax and value-added taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current foreign tax and value-added tax liabilities in the period in which such determination is made.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 6. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash	3,231,456	2,263,162
Guaranteed investment certificate, 0,85%, maturing on June 1, 2018, redeemable on demand	20,000	-
	3,251,456	2,263,162

NOTE 7. PROPERTY AND EQUIPMENT

	Exploration equipment (a)	Furniture	Computer equipment	Total
	$	$	$	$
Cost				
Balance as at January 1st, 2016 and December 31, 2016	59,140	9,778	3,991	72,909
Acquisitions	78,186	3,385	1,382	82,953
Write-off	(60,737)	(9,778)	(3,991)	(74,506)
Balance as at December 31, 2017	76,589	3,385	1,382	81,356
Accumulated amortization				
Balance as at January 1st, 2016	35,342	4,268	2,806	42,416
Depreciation	4,760	1,102	355	6,217
Balance as at December 31, 2016	40,102	5,370	3,161	48,633
Depreciation	5,836	339	207	6,382
Write-off	(40,262)	(5,371)	(3,161)	(48,794)
Balance as at December 31, 2017	5,676	338	207	6,221
Carrying amount				
Balance as at December 31, 2016	19,038	4,408	830	24,276
Balance as at December 31, 2017	70,913	3,047	1,175	75,135

During the year ended December 31, 2017, a depreciation expense of $546 ($1,457 in 2016) was recorded in the consolidated statement of loss and comprehensive loss and $5,836 ($4,760 in 2016) was recorded under E&E assets.

(a) Include an amount of $19,826 for an equipment in construction.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 8. EXPLORATION AND EVALUATION ASSETS

Lola Graphite Property

SRG Guinee owns four licenses to explore a combined 187 square kilometers of property in eastern Guinea. SRG Guinee has agreed to complete an exploration program of GNF 9,361,376,000 (approximately $1,313,087 as at December 31, 2017) by August 29, 2018. The Lola Graphite Property is 100% owned by SRG Guinee.

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

	December 31, 2015	Activity	December 31, 2016	Activity	December 31, 2017
	$	$	$	$	$
Lola Graphite Property					
Geology and prospecting	55,197	57,829	113,026	230,869	343,895
Geophysics	16	10,148	10,164	41,665	51,829
Geochemistry	12,140	-	12,140	139,353	151,493
Drilling	24,439	235	24,674	423,145	447,819
Metallurgical tests	5,345	7,829	13,174	199,188	212,362
Environmental study	-	-	-	185,010	185,010
Engineering study	-	-	-	243,538	243,538
Camp operations, field supplies and other expenses	317,707	162,470	480,177	351,837	832,014
Stock-based compensation	-	-	-	167,295	167,295
Total E&E assets	414,844	238,511	653,355	1,981,900	2,635,255

NOTE 9. 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.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 9. SHARE CAPITAL (Continued)

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 stock options were exercised at a price of $0.05 per stock option for total proceeds of $31,000.

On August 23 and 29, 2017, a total of 3,000 warrants were exercised at a price of $0.15 per warrant for total proceeds of $450.

On August 30, 2017, the Company closed the first tranche of a non-brokered private placement by issuing 5,250,000 units at a price of $0.40 per unit for gross proceeds of $2,100,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $0.50 per share for a period of 24 months from the date of issuance. Based on the residual method, the fair value of the warrants is nil. The Company incurred $16,012 in legal and filing fees associated with this private placement, which were included as share issuance costs.

On October 16, 2017, a total of 23,250 warrants were exercised at a price of $0.15 per warrant for total proceeds of $3,488.

On October 24, 2017, the Company closed the second tranche of a non-brokered private placement by issuing 2,250,000 units at a price of $0.40 per unit for gross proceeds of $900,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $0.50 per share for a period of 24 months from the date of issuance. Based on the residual method, the fair value of the warrants is nil. The Company incurred $15,000 in legal and filing fees associated with this private placement, which were included as share issuance costs.

On October 27 and 30, 2017, a total of 45,750 warrants were exercised at a price of $0.15 per warrant for total proceeds of $6,863.

On November 24, 2017, a total of 2,625,000 warrants were exercised at a price of $0.50 per warrant for total proceeds of $1,312,500.

On December 5, 2017, a total of 200,000 stock options were exercised at a price of $0.365 per stock option for total proceeds of $73,000.

Warrants

The following table shows the changes in warrants:

		2017		2016
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	180,000	0.15	-	-
Issued	3,750,000	0.50	180,000	0.15
Exercised	(2,805,000)	0.48	-	-
Outstanding and exercisable, end of year	1,125,000	0.50	180,000	0.15

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 9. SHARE CAPITAL (Continued)

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

	2017		2016	
Expiration date	Exercise price	Number of warrants outstanding	Exercise price	Number of warrants outstanding
	$		$	
November 3, 2017	0.15	-	0.15	180,000
October 24, 2019	0.50	1,125,000	-	-
		1,125,000		180,000

NOTE 10. 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:

	2017		2016	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		$		$
Outstanding, beginning of year	620,000	0.05	-	-
Deemed issued as part of the Reverse Takeover transaction (Note 2)	-	-	620,000	0.05
Granted	4,633,000	0.44	-	-
Exercised	(820,000)	0.13	-	-
Expired	(100,000)	0.365	-	-
Forfeited	(100,000)	0.365	-	-
Outstanding, end of year	4,233,000	0.45	620,000	0.05
Exercisable, end of year	1,935,250	0.42	620,000	0.05

Weighted average share price at the date of exercise was $0.74.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 10. STOCK OPTIONS (Continued)

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

		2017		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
June 21, 2022	0.41	200,000	100,000	-	-
February 20, 2027	0.365	3,383,000	1,591,500	-	-
March 31, 2027	0.50	200,000	100,000	-	-
April 25, 2027	0.50	100,000	50,000	-	-
June 14, 2027	0.36	25,000	12,500	-	-
November 22, 2027	1.30	325,000	81,250	-	-
		4,233,000	1,935,250	620,000	620,000

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

	2017	2016
Weighted average price at the grant date	0.44 $	0.10 $
Weighted average exercise price	0.44 $	0.05 $
Expected dividend	- $	- $
Expected average volatility	98 %	105 %
Risk-free average interest rate	1.65 %	0.73 %
Expected average life	9.44 years	2.38 years
Weighted fair value per stock option	0.38 $	0.07 $

Given the limited trading history of the Company's common shares, the expected volatility was determined by reference to historical data of comparable mining exploration companies' share on over the expected average life of the stock options.

An expense for stock-based compensation of $1,295,367 was recognized during the year ended December 31, 2017 (for the year ended December 31, 2016 – nil). An amount of $1,128,072 was recognized in the consolidated statement of loss and comprehensive loss and $167,295 was capitalized to the exploration and evaluation assets.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 11. INCOME TAXES

Major components of tax expense (income)

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

	2017	2016
	$	$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(348,118)	(117,514)
Change in tax rate	2,540	-
Deferred tax expense arising from the write-down of a deferred tax asset	345,578	117,514
Total deferred tax expense (income)	-	-

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:

	2017	2016
	$	$
Loss before income taxes	(2,382,586)	(744,496)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.80% (26.90% in 2016)	(638,533)	(199,290)
Difference between Canadian and foreign statutory tax rate	(12,610)	-
Change in tax rate	2,540	-
Listing expense	-	80,198
Stock-based compensation	302,323	-
Other	702	1,578
Change in unrecognized temporary differences	345,578	117,514
Deferred income tax expense (income)	-	-

Unrecognized deferred tax assets and liabilities

As at December 31, 2017 and 2016, the Company has the following temporary differences for which no deferred tax has been recognized:

	2017		2016	
	Federal	Provincial	Federal	Provincial
	$	$	$	$
Issuance costs	285,273	285,273	323,773	323,773
Non-capital losses	1,027,559	1,023,511	103,945	103,945
	1,312,832	1,308,784	427,718	427,718

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 11. INCOME TAXES (Continued)

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, 2017, deferred tax assets totalling $347,435 ($113,346 at December 31, 2016) have not been recognized.

The Company's 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 over the following years and are as follow:

	Federal	Provincial
	$	$
2036	104,126	104,126
2037	923,433	919,385
	1,027,559	1,023,511

NOTE 12. ADDITIONAL CASH FLOW INFORMATION

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

	2017	2016
	$	$
Depreciation included in E&E assets	5,836	4,760
Stock-based compensation included in E&E assets	167,295	-
Change in accounts payable and accrued liabilities included in E&E assets	256,152	(19,806)
Change in accounts payable and accrued liabilities included in PP&E assets	19,825	-

NOTE 13. 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 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, 2017.

The changes in the capital are disclosed in the consolidated statement of equity.

NOTE 14. 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 is exposed to credit concentration risk by holding cash and cash equivalents. This risk is minimized by holding cash and cash equivalents 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, 2017, the Company had cash and cash equivalents of $3,251,456 to settle accounts payables and accrued liabilities of $557,032 and an advance received from a related company of $16,418.

As at December 31, 2017, management doesn't consider current funds to be sufficient for the Company to continue operating considering the intention to complete the feasability study on Lola Graphite (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, 2017 consist of cash and cash equivalents, accounts payables and accrued liabilities and to an advance from the 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, 2017, the majority of the Company's cash and cash equivalents balances were held in Canada in Canadian dollars and US dollars. As at December 31, 2017, a total of $613,851 was held in US dollars (December 31, 2016 – nil). Assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollars would result in an increase or a decrease of approximately $61,385 (December 31, 2016 – nil) in the Company's consolidated statement of loss and comprehensive loss.

As at December 31, 2017, accounts payable and accrued liabilities for an amount of $267,077 (December 31, 2016 – $15,602) 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 $26,708 (December 31, 2016 – $1,560) in the Company's consolidated statement of loss and comprehensive loss.

NOTE 14. FINANCIAL RISK FACTORS (Continued)

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.

NOTE 15. 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, 2017, the Company incurred fees of $69,000 (for the year ended December 31, 2016 – $31,770) with the CFO. These fees are recorded under accounting fees (for the year ended December 31, 2016 – recorded under listing expenses) in the consolidated statement of loss and comprehensive loss. As at December 31, 2017, $10,000 (December 31, 2016 – $31,770) is due to the CFO. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2017, the Company incurred fees of $20,500 (for the year ended December 31, 2016 – nil) with an officer. These fees are recorded under legal fees. As at December 31, 2017, no amount was due to the officer.

During the year ended December 31, 2017, the Company incurred fees of $122,085 (for the year ended December 31, 2016 – $13,875) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of $60,417 was recorded under consulting fees (for the year ended December 31, 2016 – nil) in the consolidated statement of loss and comprehensive loss and $61,668 (for the year ended December 31, 2016 – $13,875) have been capitalized to the Company's E&E assets. As at December 31, 2017, $45,000 (December 31, 2016 – $13,875) is due to that corporation. This amount is included in accounts payable and accrued liabilities (December 31, 2016 – included in the Due to the major shareholder as these fees were charged to SRG Guinee prior to the Reverse Takeover transaction).

During the year ended December 31, 2017, the Company recognized a stock-based compensation of $592,214 (for the year ended December 31, 2016 – nil) in connection with stock options granted to officers and directors solely, which was recognized in the consolidated statement of loss and comprehensive loss.

Transactions with related parties
During the year ended December 31, 2017, the Company incurred fees of $61,050 (for the year ended December 31, 2016 – nil) with a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer of that corporation. This amount was recorded under consulting fees. These fees were for legal and technical services which were rendered by employees of that corporation. As at December 31, 2017, $1,351 (December 31, 2016 – nil) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

At December 31, 2017 and 2016 (in Canadian dollars)

NOTE 15. RELATED PARTIES (Continued)

During the year ended December 31, 2017, the Company incurred fees of $56,250 (for the year ended December 31, 2016 – nil) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. This amount was recorded under consulting fees. As at December 31, 2017, $64,673 (December 31, 2016 – nil) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2017, the major shareholder, Sama, charged a total amount of $56,958 to the Company. An amount of $12,918 was recorded under office supplies, utilities and rent, $1,679 under travel and representation fees, $1,549 under audit fees and $261 under shareholders' information fees in the consolidated statement of loss and comprehensive loss and $40,652 was capitalized to the Company's E&E assets. As at December 31, 2017, an amount of $41,231 is due to the major shareholder. This amount is included in accounts payable and accrued liabilities.

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. These amounts were included in the due to the major shareholder of $267,590 at December 31, 2016.

As of December 31, 2017, the related company, a subsidiary of Sama, advanced a total amount of $16,418 (the major shareholder and related company had advanced a total of $382,796 as at December 31, 2016). This advance is non-interest bearing, unsecured and due on demand.

NOTE 16. COMMITMENTS

The Company has operating lease commitments for office premises in Guinea, expiring until May 31, 2019, which will call for total payments of GNF 208,750,000 (approximately $29,281 at December 31, 2017: $23,986 in 2018 and $5,295 in 2019).

The Company has entered into consulting agreements expiring until August 23, 2018 which will call for total payments of $100,100 in 2018.

The Company has also entered into consulting agreements with officers for total annual payments of $96,000. One of the consulting agreements contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2018, the total amounts payable to the executive member in respect of severance would amount to $72,000. If a change of control would occur during the year December 31, 2018, the total amount payable in respect of severance, if elected by the executive member would amount to $72,000.

Minimum annual payments relating to the above commitments in each of the next two fiscal years are as follows:

	$
2018	161,502
2019	5,295
	166,797

NOTE 17. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at December 31, 2017 and 2016, the Company's non-current assets are all located in the one geographic area which is Guinea, Africa.

NOTE 18. SUBSEQUENT EVENTS

During the first quarter of 2018, a total of 125,000 stock options were exercised at a price of $0.365 per stock option and 100,000 stock options were exercised at a price of $0.50 per stock option for total proceeds of $95,625.

On January 1, 2018, the Company signed an operating lease for office premises in Montreal, Quebec, Canada, expiring in December 2018, which will call for total rent payments of $37,416 in 2018.

On January 1, 2018, the Company has entered into consulting agreements with a director and an officer for total annual payments of $150,000. These consulting agreements contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2018, the total amounts payable in respect of severance would amount to $262,500. If a change of control would occur during the year December 31, 2018, the total amount payable in respect of severance, if elected by the executive members would amount to $262,500.

On January 1, 2018, the Company has entered into an employment agreement with an officer for a total annual payment of $170,000. This agreement contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2018, the total amount payable in respect of severance would amount to $340,000. If a change of control would occur during the year December 31, 2018, the total amount payable in respect of severance, if elected by the executive member would amount to $340,000.

On January 14, 2018, the Company granted 135,000 stock options to its employees at an exercise price of $1.72 per stock option.

On March 1, 2018, the Company signed a consulting agreement expiring in June 2018, which will call for total payments of $40,000 in 2018.