SRG GRAPHITE INC.

Interim condensed consolidated financial statements (unaudited)

For the three-month and six-month periods ended on June 30, 2018 and 2017

(Expressed in Canadian dollars)

TSX-V: SRG

SRG GRAPHITE INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 and 2017 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.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		(Unaudited - in Canadian dollars)	
	Notes	June 30, 2018	December 31, 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		9,329,265	3,251,456
Accounts receivable		9,446	-
Sales taxes receivable		280,825	69,827
Prepaid expenses and deposits		57,583	10,865
		9,677,119	3,332,148
Non-current assets			
Deposits on property and equipment		-	110,078
Deposits on exploration and evaluation assets		291,238	47,907
Property and equipment		702,606	75,135
Exploration and evaluation assets	4	5,391,419	2,635,255
		6,385,263	2,868,375
Total assets		16,062,382	6,200,523
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		960,343	557,032
Due to a related company, without interest, due on demand		106,497	16,418
Total liabilities		1,066,840	573,450
SHAREHOLDERS' EQUITY			
Capital	5	16,976,346	7,044,172
Contributed surplus	6	3,973,857	3,050,139
Deficit		(5,954,661)	(4,467,238)
Total shareholders' equity		14,995,542	5,627,073
Total liabilities and shareholders' equity		16,062,382	6,200,523

Nature of operations and going concern (Note 1)
Subsequent events (Note 11)

On behalf of the Board of Directors,

Signed: *"Marc Filion"* **, Director**

Signed: *"Benoit La Salle"* **, Director**

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

SRG 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, 2018 (3 months)	June 30, 2017 (3 months)	June 30, 2018 (6 months)	June 30, 2017 (6 months)
		$	$	$	$
Operating expenses					
Salaries and benefits		127,840	-	238,471	-
Consulting fees		143,712	81,991	288,519	154,320
Travel and representation		99,627	25,064	193,301	62,642
General and office expenses		100,109	26,320	157,418	49,380
Professional fees		145,481	21,335	192,560	36,370
Graphite production for customers and tests		31,249	-	90,850	-
Investor relations fees		15,000	39,000	30,000	68,000
Transfert agent and filing fees		22,678	13,601	31,209	17,061
Shareholders' information		6,584	5,341	10,164	8,078
Depreciation		1,132	581	1,597	1,068
Stock-based compensation	6	55,347	331,053	263,971	755,460
Total operating expenses		748,759	544,286	1,498,060	1,152,379
Other expenses (income)					
Interest revenue		(13,609)	-	(18,204)	-
Foreign exchange loss		30,133	15,158	7,567	31,554
Total other expenses (income)		16,524	15,158	(10,637)	31,554
Net loss and comprehensive loss for the period		765,283	559,444	1,487,423	1,183,933
Net loss per common share, basic and diluted		0.01	0.01	0.02	0.02
Weighted average number of common shares outstanding		64,886,377	50,882,719	63,172,616	50,762,056

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

SRG GRAPHITE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended on June 30, 2018 and 2017 **(unaudited - in Canadian dollars)**

	Notes	Capital		Contributed surplus	Deficit	Total
		Number	$	$	$	$
Balance on January 1st, 2017		50,154,719	2,518,176	1,868,280	(2,084,652)	2,301,804
Exercise of stock options	5 and 6	620,000	74,355	(43,355)	-	31,000
Exercise of warrants	5	108,000	19,418	(3,218)	-	16,200
Stock-based compensation	6	-	-	755,460	-	755,460
Net loss and comprehensive loss		-	-	-	(1,183,933)	(1,183,933)
Balance on June 30, 2017		50,882,719	2,611,949	2,577,167	(3,268,585)	1,920,531
Balance on January 1st, 2018		61,279,719	7,044,172	3,050,139	(4,467,238)	5,627,073
Issuance of units as part of a public offering	5	6,134,100	8,747,760	453,390	-	9,201,150
Issuance of units as part of a private placement	5	1,333,333	1,946,667	53,333	-	2,000,000
Share issuance costs	5 and 7	-	(1,213,093)	167,123	-	(1,045,970)
Exercise of stock options	5 and 6	625,000	450,840	(209,215)	-	241,625
Stock-based compensation	6	-	-	459,087	-	459,087
Net loss and comprehensive loss		-	-	-	(1,487,423)	(1,487,423)
Balance on June 30, 2018		69,372,152	16,976,346	3,973,857	(5,954,661)	14,995,542

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

SRG 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, 2018 (3 months)	June 30, 2017 (3 months)	June 30, 2018 (6 months)	June 30, 2017 (6 months)
		$	$	$	$
CASH PROVIDED FROM (USED FOR):					
OPERATING ACTIVITIES					
Net loss for the period		(765,283)	(559,444)	(1,487,423)	(1,183,933)
Items not affecting cash					
Depreciation		1,132	581	1,597	1,068
Stock-based compensation	6	55,347	331,053	263,971	755,460
		(708,804)	(227,810)	(1,221,855)	(427,405)
Change in non-cash working capital items					
Accounts receivable		(7,862)	-	(9,446)	-
Sales taxes receivable		(125,996)	61,698	(210,998)	(12,132)
Prepaid expenses and deposits		(51,982)	96,217	(46,718)	(80,776)
Accounts payables and accrued liabilities		109,268	(40,553)	216,557	(229,998)
		(76,572)	117,362	(50,605)	(322,906)
		(785,376)	(110,448)	(1,272,460)	(750,311)
INVESTING ACTIVITIES					
Deposits on property and equipment		140,663	-	110,078	-
Deposits on exploration and evaluation assets		(66,470)	-	(243,331)	-
Property and equipment additions		(418,574)	(56,263)	(616,417)	(60,887)
Exploration and evaluation expenditures	4 and 7	(1,811,307)	(325,698)	(2,604,585)	(630,621)
		(2,155,688)	(381,961)	(3,354,255)	(691,508)
FINANCING ACTIVITIES					
Issuance of units as part of a public offering	5	9,201,150	-	9,201,150	-
Issuance of units as part of a private placement	5	2,000,000	-	2,000,000	-
Share issuance costs	5	(813,974)	-	(828,330)	-
Exercise of warrants	5	-	-	-	16,200
Exercise of stock options	5 and 6	146,000	-	241,625	31,000
Due to the major shareholder		-	-	-	(267,590)
Due to a related company		62,071	(6,372)	90,079	(59,146)
		10,595,247	(6,372)	10,704,524	(279,536)
Increase (decrease) in cash during the period		7,654,183	(498,781)	6,077,809	(1,721,355)
Cash and cash equivalents, beginning of period		1,675,082	1,040,588	3,251,456	2,263,162
Cash and cash equivalents, end of period		9,329,265	541,807	9,329,265	541,807

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

NOTE 1. NATURE OF OPERATIONS AND GOING CONCERN

SRG 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 interim condensed consolidated financial statements were authorized for publication by the Board of Directors on August 29, 2018.

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 six-month period ended June 30, 2018 of $1,487,423 (for year ended December 31, 2017 – $2,382,586) and has an accumulated deficit of $5,954,661 (December 31, 2017 – $4,467,238). In addition, the Company had working capital of $8,610,279 as at June 30, 2018 (December 31, 2017 – $2,758,698), including cash and cash equivalents of $9,329,265 (December 31, 2017 – $3,251,456). 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.

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 determined that the current funds will be sufficient to meet the Company's current obligations and budgeted expenditures for the next 12 months. However, based on the anticipated exploration program to further develop the Lola Graphite Property, the Company will have to raise additional financing in the next 9-12 months. 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.

If management is unable to obtain new funding in the future, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these interim condensed consolidated financial statements.

These interim condensed 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.

As at June 30, 2018 and 2017 and December 31, 2017 (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, 2017. 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, 2017 which have been prepared according to IFRS as issued by the IASB.

The Company reviewed the classification of its expenses. Management believes that this new classification provides a clearer picture of the Company's operations. Comparative periods have been presented accordingly. There is no other effect of this change in presentation.

Basis of measurement

These interim condensed consolidated 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

In addition to the Company, the interim condensed 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:

		June 30, 2018	December 31, 2017
Subsidiaries	Jurisdiction of incorporation	% of ownership	% of ownership
Sama Resources Guinee SARL (“SRG Guinee”)	Guinea	100%	100%
SRG Graphite International Inc. ("SRG Intl")	Cayman Island	100%	100%

NOTE 3. CHANGES IN ACCOUNTING POLICIES

Accounting standards and interpretations issued and in effect

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.

NOTE 3. CHANGES IN ACCOUNTING POLICIES (Continued)

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 adoption of IFRS 9 had no impact on the Company's financial statements.

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 adoption of IFRIC 22 had no impact on the Company's financial statements.

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 adoption of IFRS 2 had no impact on the Company's financial statements.

Accounting standards and interpretations issued but not yet adopted

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.

As at June 30, 2018 and 2017 and December 31, 2017 (Unaudited - in Canadian dollars)

NOTE 4. EXPLORATION AND EVALUATION ASSETS

Lola Graphite Property

On September 2, 2013, the Republic of Guinea awarded SRG Guinee, through ministerial order NoA2013/4543/MMG/SGG, the Lola Graphite research permit 4543 covering a surface area of 380 square kilometers for a first period of three years renewable for two additional periods of two years each.

On August 29, 2016, the Republic of Guinea awarded SRG Guinee, through ministerial order NoA2016/4059/MMG/SGG, the Lola Graphite research permit 4059 a first renewal period of two years. As per the legislation, the surface area was reduced to 187 square kilometers. This research permit was set to expire on August 29, 2018 but was renewed on August 10, 2018 (Note 11).

The Lola Graphite Property is 100% owned by SRG Guinee.

Gogota Property

The Gogota deposit was discovered during a regional exploration program carried out over portions of the Lola Graphite Property. It is approximately 5 kilometers away from the Lola Graphite deposit and has a prospective surface outline of 1.96 square kilometers.

The following table shows the exploration and evaluation ("E&E") expenditures by property.

	December 31, 2016	Activity	December 31, 2017	Activity	June 30, 2018
	$	$	$	$	$
Lola Graphite Property					
Geology and prospecting	113,026	230,869	343,895	116,365	460,260
Geophysics	10,164	41,665	51,829	9,158	60,987
Topography	-	-	-	33,181	33,181
Geochemistry	12,140	139,353	151,493	197,153	348,646
Drilling	24,674	423,145	447,819	1,483,335	1,931,154
Metallurgical tests	13,174	199,188	212,362	62,983	275,345
Environmental study	-	185,010	185,010	59,138	244,148
Engineering study	-	243,538	243,538	165,373	408,911
Camp operations, field supplies and other expenses	480,177	351,837	832,014	329,611	1,161,625
Stock-based compensation	-	167,295	167,295	195,116	362,411
	653,355	1,981,900	2,635,255	2,651,413	5,286,668
Gogota Property					
Geology and prospecting	-	-	-	7,500	7,500
Geochemistry	-	-	-	75,248	75,248
Engineering study	-	-	-	18,256	18,256
Camp operations, field supplies and other expenses	-	-	-	3,747	3,747
	-	-	-	104,751	104,751
Total E&E assets	653,355	1,981,900	2,635,255	2,756,164	5,391,419

NOTE 5. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value.

Transactions on share capital

2017

During the first quarter ended March 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.

2018

During the first quarter ended March 31, 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.

During the second quarter ended June 30, 2018, a total of 400,000 stock options were exercised at a price of $0.365 per stock option for total proceeds of $146,000.

On May 18, 2018, the Company closed its marketed public offering by issuing 5,334,000 units of the Company at a price of $1.50 per unit for gross proceeds of $8,001,000. Each unit comprises one common share of the Company and one common share purchase warrant of the Company. Each warrant will entitle the holder thereof to acquire one additional common share of the Company at an exercise price of $2.30 per common share at any time for a period of 12 months. Based on the residual method, a fair value of $213,360 was allocated to the warrants.

In connection with the offering, the Company paid to the underwriters a cash fee of $480,060 and issued 320,040 broker warrants, with each such broker warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of $1.50 for a period of 12 months. The fair value of the 320,040 broker warrants was estimated at $152,350 using the Black & Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 84.80%, risk free rate of return 1.99%, share price of $1.46 and expected maturity of one (1) year.

In addition, the Company has completed a concurrent non-brokered private placement with Coris Capital SA ("Coris"), pursuant to which Coris subscribed for 1,333,333 units of the Company, which were issued on the same terms and conditions as those issued under the marketed public offering, for gross proceeds of $2,000,000. Based on the residual method, a fair value of $53,333 was allocated to the warrants.

On June 15, 2018, the Company has fully exercised the overallotment option granted under the marketed public offering by issuing 800,100 additional units at a price of $1.50 per unit for additional gross proceeds of $1,200,150. Each unit comprises one common share of the Company and one common share purchase warrant of the Company. Each warrant will entitle the holder thereof to acquire one additional common share of the Company at an exercise price of $2.30 per common share at any time for a period of 12 months following the closing if the marketed public offering. Based on the residual method, a fair value of $240,030 was allocated to the warrants.

In connection with the overallotment option, the Company paid to the underwriters a cash fee of $72,009 and issued 48,006 broker warrants, with each such broker warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of $1.50 for a period of 12 months. The fair value of the 48,006 broker warrants was estimated at $14,773 using the Black & Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 83.30%, risk free rate of return 1.88%, share price of $1.20 and expected maturity of 11 months.

As part of the marketed public offering, the private placement and the overallotment option, the Company paid a total of $493,901 in legal fees, filings fees and other fees.

As at June 30, 2018 and 2017 and December 31, 2017 (Unaudited - in Canadian dollars)

NOTE 5. SHARE CAPITAL (Continued)

Warrants

The following table shows the changes in warrants:

	June 30, 2018 Number of warrants	June 30, 2018 Weighted average exercise price	December 31, 2017 Number of warrants	December 31, 2017 Weighted average exercise price
		$		$
Outstanding, beginning of period	1,125,000	0.50	180,000	0.15
Issued	7,835,479	2.26	3,750,000	0.50
Exercised	-	-	(2,805,000)	0.48
Outstanding and exercisable, end of period	8,960,479	2.04	1,125,000	0.50

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

	June 30, 2018 Exercise price	June 30, 2018 Number of warrants outstanding	December 31, 2017 Exercise price	December 31, 2017 Number of warrants outstanding
	$		$	
May 18, 2019	1.50	368,046	-	-
May 18, 2019	2.30	7,467,433	-	-
October 24, 2019	0.50	1,125,000	0.50	1,125,000
		8,960,479		1,125,000

NOTE 6. 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.

As at June 30, 2018 and 2017 and December 31, 2017 (Unaudited - in Canadian dollars)

NOTE 6. STOCK OPTIONS (Continued)

The following table shows the changes in stock options:

	June 30, 2018		December 31, 2017	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		$		$
Outstanding, beginning of period	4,233,000	0.45	620,000	0.05
Granted	135,000	1.72	4,633,000	0.44
Exercised	(625,000)	0.39	(820,000)	0.13
Expired	-	-	(100,000)	0.37
Forfeited	-	-	(100,000)	0.37
Outstanding, end of period	3,743,000	0.50	4,233,000	0.45
Exercisable, end of period	2,452,250	0.46	1,935,250	0.42

Weighted average share price at the date of exercise was $1.50 (for the year ended December 31, 2017 – $0.74).

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

		June 30, 2018		December 31, 2017	
Expiry date	Exercise price	Number outstanding	Number exercisable	Number outstanding	Number exercisable
	$				
June 21, 2022	0.41	200,000	150,000	200,000	100,000
February 20, 2027	0.365	2,858,000	1,962,250	3,383,000	1,591,500
March 31, 2027	0.50	100,000	50,000	200,000	100,000
April 25, 2027	0.50	100,000	75,000	100,000	50,000
June 14, 2027	0.36	25,000	18,750	25,000	12,500
November 22, 2027	1.30	325,000	162,500	325,000	81,250
January 14, 2028	1.72	135,000	33,750	-	-
		3,743,000	2,452,250	4,233,000	1,935,250

As at June 30, 2018 and 2017 and December 31, 2017 (Unaudited - in Canadian dollars)

NOTE 6. 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, 2018	December 31, 2017
Weighted average price at the grant date	1.72 $	0.44 $
Weighted average exercise price	1.72 $	0.44 $
Expected dividend	- $	- $
Expected average volatility	98 %	98 %
Risk-free average interest rate	2.17 %	1.65 %
Expected average life	10 years	9.44 years
Weighted fair value per stock option	1.53 $	0.38 $

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 $459,087 was recognized during the six-month period ended June 30, 2018 (for the six-month period ended June 30, 2017 – $755,460). An amount of $263,971 (for the six-month period ended June 30, 2017 – $755,460) was recognized in the interim condensed consolidated statement of loss and comprehensive loss and $195,116 (for the six-month period ended June 30, 2017 – nil) was capitalized to the exploration and evaluation assets.

NOTE 7. ADDITIONAL CASH FLOW INFORMATION

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

	June 30, 2018 (3 months)	June 30, 2017 (3 months)	June 30, 2018 (6 months)	June 30, 2017 (6 months)
	$	$	$	$
Depreciation included in E&E assets	2,009	6,350	20,096	7,559
Stock-based compensation included in E&E assets	118,833	-	195,116	-
Change in accounts payable and accrued liabilities included in E&E assets	(195,933)	(11,722)	(63,633)	(7,257)
Change in accounts payable and accrued liabilities included in PP&E assets	52,572	-	32,747	-
Change in accounts payable and accrued liabilities included in share issuance costs	217,640	-	217,640	-

NOTE 8. 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, the Vice-presidents 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, 2018, the Company incurred accounting fees of $36,000 (for the six-month period ended June 30, 2017 – $23,000) with the CFO. These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. On June 29, 2018, the Company decided to terminate the CFO's consulting agreement and therefore agreed to pay a termination fee of $54,000. This termination is also recorded under professional fees. As at June 30, 2018, an amount of $36,000 (June 30, 2017 – nil) is due to the CFO.

During the six-month period ended June 30, 2018, the Company incurred fees of $12,000 (for the six-month period ended June 30, 2017 – $9,000) with an officer. These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018 and 2017, no amount was due to the officer.

During the six-month period ended June 30, 2018, the Company incurred fees of $30,000 (for the six-month period ended June 30, 2017 – $46,251) with a corporation controlled by a director. No amount was recorded under consulting fees (for the six-month period ended June 30, 2017 – $9,250) in the interim condensed consolidated statement of loss and comprehensive loss and $30,000 (for the six-month period ended June 30, 2017 – $37,001) have been capitalized to the Company's E&E assets. As at June 30, 2018 and 2017, no amount was due to that corporation.

During the six-month period ended June 30, 2018, the Company incurred fees of $37,500 (for the six-month period ended June 30, 2017 – nil) with the Vice-president Corporate and legal affairs. These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018 and 2017, no amount was due to the officer.

During the six-month period ended June 30, 2018, the Company paid a salary of $85,000 (for the six-month period ended June 30, 2017 – nil) to its President and Chief Operating Officer. This expense was recorded under salaries and benefits (for the six-month period ended June 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018 and 2017, no amount was due to the officer.

During the six-month period ended June 30, 2018, the Company paid a salary of $60,000 (for the six-month period ended June 30, 2017 – nil) to its Vice-president Operations, Metallurgy & Process Design. An amount of $9,000 was recorded under salaries and benefits (for the six-month period ended June 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss, $9,000 have been capitalized to the Company's property and equipment (for the six-month period ended June 30, 2017 – nil) and $42,000 (for the six-month period ended June 30, 2017 – nil) have been capitalized to the Company's E&E assets. As at June 30, 2018 and 2017, no amount was due to the officer.

During the six-month period ended June 30, 2018, the Company paid a salary of $10,417 (for the six-month period ended June 30, 2017 – nil) to its Vice-President Finance and Corporate Controller. This expense was recorded under salaries and benefits (for the six-month period ended June 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018 and 2017, no amount was due to the officer.

During the six-month period ended June 30, 2018, the Company recognized a stock-based compensation of $228,102 (for the six-month period ended June 30, 2017 – $345,901) in connection with stock options granted to officers and directors solely, which was recognized in the consolidated statement of loss and comprehensive loss.

As at June 30, 2018 and 2017 and December 31, 2017 (Unaudited - in Canadian dollars)

NOTE 8. RELATED PARTIES (Continued)

Transactions with related parties

During the six-month period ended June 30, 2018, the Company incurred fees of $57,063 (for the six-month period ended June 30, 2017 – $3,073) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. An amount of $37,500 was recorded under consulting fees (for the six-month period ended June 30, 2017 – nil) and $19,563 (for the six-month period ended June 30, 2017 – $3,073) under general and office expenses in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018, $10,492 (June 30, 2017 – nil) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

During the six-month period ended June 30, 2018, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, charged a total amount of $19,408 (for the six-month period ended June 30, 2017 – nil) to the Company. This amount was capitalized to the Company's E&E assets. These fees were for technical services which were rendered by a consultant of that corporation. As at June 30, 2018 and 2017, no amount is due to that corporation.

During the six-month period ended June 30, 2018, the Company paid a salary of $24,000 (for the six-month period ended June 30, 2017 – nil) to an individual related to the Company's Executive Chairman. This expense was recorded under salaries and benefits (for the six-month period ended June 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at June 30, 2018 and 2017, no amount was due to that individual.

As of June 30, 2018, the related company, a subsidiary of Sama Resources Inc., advanced a total amount of $106,497 (December 31, 2017 – $16,418). This advance is non-interest bearing, unsecured and due on demand.

NOTE 9. COMMITMENTS

In April 2018, the Company signed a lease agreement to have access to a land to be used for the construction of the laboratory, expiring in March 2024, which will call for total payments of GNF 60,000,000 (approximately $8,785 at June 30, 2018: $1,318 in 2019, $1,757 in 2020, 2021, 2022 and 2023 and $439 in 2024).

The Company has operating lease commitments for office premises in Guinea, Africa, expiring until March 2022, which will call for total payments of GNF 696,750,000 (approximately $102,012 at June 30, 2018: $23,060 in 2018, $30,087 in 2019, $22,401 in 2020 and 2021 and $4,063 in 2022).

The Company has an operating lease commitment for office premises in Montreal, Quebec, Canada, expiring in December 2018, which will call for total payments of $23,838 in 2018.

The Company has entered into consulting agreements expiring until August 2018 which will call for total payments of $10,200 in 2018.

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

	$
2018	57,098
2019	31,405
2020	24,158
2021	24,158
2022	5,820
2023	1,757
2024	439
	144,835

NOTE 9. COMMITMENTS (Continued)

The Company has also entered into consulting and employment agreements with key management personnel for total annual payments of $691,500. Some of the consulting and employment agreements contain termination without cause and change of control provisions. Assuming that these agreements would be terminated without cause during the year ended December 31, 2018, the total amount payable to key management personnel in respect of severance would amount to $951,250. If a change of control would occur during the year December 31, 2018, the total amount payable in respect of severance, if elected by key management personnel would amount to $951,250.

NOTE 10. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at June 30, 2018 and December 31, 2017, the Company's non-current assets are mainly located in the one geographics areas which is Guinea, Africa

NOTE 11. SUBSEQUENT EVENTS

On August 9, 2018 , the Company granted a total of 2,285,000 stock options to certain directors, officers and consultants of the Company, subject to certain vesting provisions. These stock options will be exercisable at a price of $1.10 per share and will expire on August 8, 2028.

On August 10, 2018, the Republic of Guinea awarded SRG Guinee, through ministerial order NoA2018/5349/MMG/SGG, the Lola Graphite research permit 5349 for a final two year period. As per the legislation, the surface area was reduced to 94.38 square kilometers. This reduction in the surface area will not require an impairment of capitalized E&E assets since SRG Guinee relinquished area where no exploration and evaluation expenditures were done. In accordance with this renewal, SRG Guinee will have to complete an exploration program of US4,532,445 (approximately $5,950,194 as at June 30, 2018) by August 10, 2020.