SRG GRAPHITE INC.

Interim condensed consolidated financial statements (unaudited)

For the three-month and nine-month periods ended on September 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 nine-month periods ended on September 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	Notes	September 30, 2018	December 31, 2017
(Unaudited - in Canadian dollars)		$	$
ASSETS			
Current assets			
Cash and cash equivalents		7,143,768	3,251,456
Accounts receivable		35,321	-
Sales taxes receivable		288,314	69,827
Prepaid expenses and deposits		161,659	10,865
		7,629,062	3,332,148
Non-current assets			
Deposits on property and equipment		-	110,078
Deposits on exploration and evaluation assets		245,331	47,907
Property and equipment		909,173	75,135
Exploration and evaluation assets	4	7,018,188	2,635,255
		8,172,692	2,868,375
Total assets		15,801,754	6,200,523
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,200,145	557,032
Due to a related company, without interest, due on demand		184,289	16,418
Total liabilities		1,384,434	573,450
SHAREHOLDERS' EQUITY			
Capital	5	17,005,627	7,044,172
Contributed surplus	6	4,270,073	3,050,139
Deficit		(6,858,380)	(4,467,238)
Total shareholders' equity		14,417,320	5,627,073
Total liabilities and shareholders' equity		15,801,754	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	September 30, 2018 (3 months)	September 30, 2017 (3 months)	September 30, 2018 (9 months)	September 30, 2017 (9 months)
		$	$	$	$
Operating expenses					
Salaries and benefits		198,220	-	436,691	-
Consulting fees		78,490	(26,273)	367,009	128,047
Travel and representation		96,142	16,283	289,443	78,925
General and office expenses		180,155	136,143	337,573	185,523
Professional fees		64,585	34,886	257,145	71,256
Graphite production for customers and tests		5,924	-	96,774	-
Investor relations fees		16,000	-	46,000	68,000
Transfert agent and filing fees		12,181	7,532	43,390	24,593
Shareholders' information		1,950	2,082	12,114	10,160
Depreciation		2,140	302	3,737	1,370
Stock-based compensation	6	269,379	278,464	533,350	1,033,924
Total operating expenses		925,166	449,419	2,423,226	1,601,798
Other expenses (income)					
Interest revenue		(26,985)	-	(45,189)	-
Foreign exchange loss		5,538	38,960	13,105	70,514
Total other expenses (income)		(21,447)	38,960	(32,084)	70,514
Net loss and comprehensive loss for the period		903,719	488,379	2,391,142	1,672,312
Net loss per common share, basic and diluted		0.01	0.01	0.04	0.03
Weighted average number of common shares outstanding		69,386,282	52,709,980	65,266,599	51,418,499

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 nine-month periods ended on September 30, 2018 and 2017 **(unaudited - in Canadian dollars)**

	Notes	Capital		Shares to be issued	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
Issuance of units under a private placement	5	5,250,000	2,100,000	900,000	-	-	3,000,000
Exercise of stock options	5 and 6	620,000	74,355		(43,355)	-	31,000
Exercise of warrants	5	111,000	19,958		(3,308)	-	16,650
Issuance costs	5		(16,012)				(16,012)
Stock-based compensation	6	-	-		1,033,924	-	1,033,924
Net loss and comprehensive loss		-	-		-	(1,672,312)	(1,672,312)
Balance on September 30, 2017		56,135,719	4,696,477	900,000	2,855,541	(3,756,964)	4,695,054
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
Issuance costs	5 and 7	-	(1,218,259)		167,123	-	(1,051,136)
Exercise of stock options	5 and 6	675,000	485,288		(225,412)	-	259,876
Stock-based compensation	6	-	-		771,500	-	771,500
Net loss and comprehensive loss		-	-		-	(2,391,142)	(2,391,142)
Balance on September 30, 2018		69,422,152	17,005,627	-	4,270,073	(6,858,380)	14,417,320

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	September 30, 2018 (3 months)	September 30, 2017 (3 months)	September 30, 2018 (9 months)	September 30, 2017 (9 months)
		$	$	$	$
CASH PROVIDED FROM (USED FOR):					
OPERATING ACTIVITIES					
Net loss for the period		(903,719)	(488,379)	(2,391,142)	(1,672,312)
Items not affecting cash					
Depreciation		2,140	302	3,737	1,370
Stock-based compensation	6	269,379	278,464	533,350	1,033,924
		(632,200)	(209,613)	(1,854,055)	(637,018)
Change in non-cash working capital items					
Accounts receivable		(25,875)	-	(35,321)	
Sales taxes receivable		(7,489)	(15,866)	(218,487)	(27,998)
Prepaid expenses and deposits		(104,076)	(101,700)	(150,794)	(182,476)
Accounts payables and accrued liabilities		61,720	26,643	278,277	(203,355)
		(75,720)	(90,923)	(126,325)	(413,829)
		(707,920)	(300,536)	(1,980,380)	(1,050,847)
INVESTING ACTIVITIES					
Deposits on property and equipment		-	-	110,078	-
Deposits on exploration and evaluation assets		45,907	-	(197,424)	-
Property and equipment additions		(194,535)	(2,006)	(810,952)	(62,893)
Exploration and evaluation expenditures	4 and 7	(1,202,861)	(371,456)	(3,807,446)	(1,002,077)
		(1,351,489)	(373,462)	(4,705,744)	(1,064,970)
FINANCING ACTIVITIES					
Issuance of units as part of a public offering	5	-	3,000,000	9,201,150	3,000,000
Issuance of units as part of a private placement	5	-	-	2,000,000	
Share issuance costs	5 and 7	(222,132)	(16,012)	(1,050,462)	(16,012)
Exercise of warrants	5	-	450	-	16,650
Exercise of stock options	5 and 6	18,250	-	259,876	31,000
Due to the major shareholder		-	-	-	(267,590)
Due to a related company		77,792	9,786	167,871	(49,360)
		(126,090)	2,994,224	10,578,435	2,714,688
Increase (decrease) in cash during the period		(2,185,499)	2,320,226	3,892,311	598,871
Cash and cash equivalents, beginning of period		9,329,265	541,807	3,251,456	2,263,162
Cash and cash equivalents, end of period		7,143,767	2,862,033	7,143,767	2,862,033

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 November 23, 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 nine-month period ended September 30, 2018 of $2,391,142 (for year ended December 31, 2017 – $2,382,586) and has an accumulated deficit of $6,858,380 (December 31, 2017 – $4,467,238). In addition, the Company had working capital of $6,244,628 as at September 30, 2018 (December 31, 2017 – $2,758,698), including cash and cash equivalents of $7,143,768 (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 September 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:

		September 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 September 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.

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 US 4,532,445 (approximately $5,847,806 as at September 30, 2018) by August 10, 2020.

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	September 30, 2018
	$	$	$	$	$
Lola Graphite Property					
Geology and prospecting	113,026	230,869	343,895	231,044	574,939
Geophysics	10,164	41,665	51,829	392,768	444,597
Topography	-	-	-	33,181	33,181
Geochemistry	12,140	139,353	151,493	310,872	462,365
Technical Consulting Services	-	-	-	6,719	6,719
Drilling	24,674	423,145	447,819	1,869,935	2,317,754
Metallurgical tests	13,174	199,188	212,362	94,959	307,321
Environmental study	-	185,010	185,010	139,194	324,204
Engineering study	-	243,538	243,538	319,014	562,552
Camp operations, field supplies and other expenses	480,177	351,837	832,014	605,537	1,437,551
Stock-based compensation	-	167,295	167,295	238,150	405,445
	653,355	1,981,900	2,635,255	4,241,374	6,876,629
Gogota Property					
Geology and prospecting	-	-	-	41,591	41,591
Geochemistry	-	-	-	75,248	75,248
Metallurgical tests	-	-	-	2,717	2,717
Engineering study	-	-	-	18,256	18,256
Camp operations, field supplies and other expenses	-	-	-	3,747	3,747
	-	-	-	141,559	141,559
Total E&E assets	653,355	1,981,900	2,635,255	4,382,933	7,018,188

NOTE 5. SHARE CAPITAL

Authorized
Unlimited number of voting common shares without par value.

Transactions on share capital

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

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. Notwithstanding the foregoing, until such time as the TSX-V authorizes the warrantholder to be become an insider of the Company, the warrantholder may exercise only to the extent that following that exercise, the warrantholder will hold less than 10% of the outstanding common shares of the Company.

Shares to be issued
On September 8, 2017, in connection with the second tranche of a non-brokered private placement, the Company received proceeds of $900,000 and are being held in escrow pending the approval of the TSX-V. Upon receipt of TSX-V approval, the Company will issue a total of 2,250,000 units at a price of $0.40 per unit for gross proceeds of $900,000. Each unit will be 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.

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.

During the third quarter ended September 30, 2018, a total of 50,000 stock options were exercised at a price of $0.365 per stock option for total proceeds of $18,250.

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.

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

NOTE 5. SHARE CAPITAL (Continued)

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 $499,068 in legal fees, filings fees and other fees.

Warrants

The following table shows the changes in warrants:

	September 30, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	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:

	September 30, 2018		December 31, 2017	
	Exercise price	Number of warrants outstanding	Exercise price	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 September 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:

	September 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	2,420,000	1.13	4,633,000	0.44
Exercised	(675,000)	0.39	(820,000)	0.13
Expired	-	-	(100,000)	0.37
Forfeited	-	-	(100,000)	0.37
Outstanding, end of period	5,978,000	0.73	4,233,000	0.45
Exercisable, end of period	3,331,750	0.45	1,935,250	0.42

Weighted average share price at the date of exercise was $1.46 (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:

		September 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	2,808,000	2,808,000	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	67,500	-	-
August 20, 2028	1.10	2,285,000	-	-	-
		5,978,000	3,331,750	4,233,000	1,935,250
			-		

As at September 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:

	September 30, 2018	December 31, 2017
Weighted average price at the grant date	1,13 $	0.44 $
Weighted average exercise price	1,13 $	0.44 $
Expected dividend	- $	- $
Expected average volatility	97 %	98 %
Risk-free average interest rate	2.34 %	1.65 %
Expected average life	10 years	9.44 years
Weighted fair value per stock option	1.01 $	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.

Stock-based compensation amounted to $771,500 was recognized during the nine-month period ended September 30, 2018 (for the nine-month period ended September 30, 2017 – $1,033,924). An amount of $533,350 (for the nine-month period ended September 30, 2017 – $1,033,924) was recognized in the interim condensed consolidated statement of loss and comprehensive loss and $238,150 (for the nine-month period ended September 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:

	September 30, 2018 (3 months)	September 30, 2017 (3 months)	September 30, 2018 (9 months)	September 30, 2017 (9 months)
	$	$	$	$
Depreciation included in E&E assets	10,183	1,133	30,279	8,692
Stock-based compensation included in E&E assets	43,034	-	238,150	-
Change in accounts payable and accrued liabilities included in E&E assets	370,691	59,038	307,058	51,781
Change in accounts payable and accrued liabilities included in PP&E assets	24,356	-	57,103	-
Change in accounts payable and accrued liabilities included in share issuance costs	(216,964)	-	676	-

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 nine-month period ended September 30, 2018, the Company incurred accounting fees of $50,220 (for the nine-month period ended September 30, 2017 – $41,000) 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 September 30, 2018, an amount of $2,552 (September 30, 2017 – nil) is due to the CFO.

NOTE 8. RELATED PARTIES (Continued)

During the nine-month period ended September 30, 2018, the Company incurred fees of $18,000 (for the nine-month period ended September 30, 2017 – $13,500) with an officer. These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. As at September 30, 2018 and 2017, no amount was due to the officer.

During the nine-month period ended September 30, 2018, the Company incurred fees of $45,000 (for the nine-month period ended September 30, 2017 – $61,668) with a corporation controlled by a director. No amount was recorded under consulting fees (for the nine-month period ended September 30, 2017 – $12,334) in the interim condensed consolidated statement of loss and comprehensive loss and $45,000 (for the nine-month period ended September 30, 2017 – $49,334) has been capitalized to the Company's E&E assets. As at September 30, 2018 and 2017, no amount was due to that corporation.

During the nine-month period ended September 30, 2018, the Company incurred fees of $60,625 (for the nine-month period ended September 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 September 30, 2018 and 2017, no amount was due to the officer.

During the nine-month period ended September 30, 2018, the Company paid a salary of $139,521 (for the nine-month period ended September 30, 2017 – nil) to its President and Chief Operating Officer. This expense was recorded under salaries and benefits (for the nine-month period ended September 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at September 30, 2018 and 2017, no amount was due to the officer.

During the nine-month period ended September 30, 2018, the Company paid a salary of $98,750 (for the nine-month period ended September 30, 2017 – nil) to its Vice-president Operations, Metallurgy & Process Design. An amount of $9,000 was recorded under salaries and benefits (for the nine-month period ended September 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss, $12,875 have been capitalized to the Company's property and equipment (for the nine-month period ended September 30, 2017 – nil) and $76,875 (for the nine-month period ended September 30, 2017 – nil) have been capitalized to the Company's E&E assets.

During the nine-month period ended September 30, 2018, the Company paid a salary of $41,667 (for the nine-month period ended September 30, 2017 – nil) to its Vice-President Finance and Corporate Controller. This expense was recorded under salaries and benefits (for the nine-month period ended September 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at September 30, 2018 $2,947 (2017 - nil), was due to the officer.

During the nine-month period ended September 30, 2018, the Company recognized a stock-based compensation of $488,066 (for the nine-month period ended September 30, 2017 – $463,953) 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 nine-month period ended September 30, 2018, the Company incurred fees of $87,732 (for the nine-month period ended September 30, 2017 – $9,219) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. An amount of $56,250 was recorded under consulting fees (for the nine-month period ended September 30, 2017 – nil) and $31,482 (for the nine-month period ended September 30, 2017 – $9,219) under general and office expenses in the interim condensed consolidated statement of loss and comprehensive loss. As at September 30, 2018 and 2017, no amount was due to that corporation.

During the nine-month period ended September 30, 2018, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, charged a total amount of $25,218 (for the nine-month period ended September 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 September 30, 2018 and 2017, no amount is due to that corporation.

During the nine-month period ended September 30, 2018, the Company paid a salary of $28,000 (for the nine-month period ended September 30, 2017 – nil) to an individual related to the Company's Executive Chairman. This expense was recorded under salaries and benefits (for the nine-month period ended September 30, 2017 – nil) in the interim condensed consolidated statement of loss and comprehensive loss. As at September 30, 2018 and 2017, no amount was due to that individual.

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

NOTE 8. RELATED PARTIES (Continued)

As of September 30, 2018, the related company, a subsidiary of Sama Resources Inc., advanced a total amount of $184,289 (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 $8,628 as at September 30, 2018: $1,294 in 2019, $1,726 in 2020, 2021, 2022 and 2023 and $431 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 621,000,000 (approximately $89,300 at September 30, 2018: $11,756 in 2018, $29,551 in 2019, $22,001 in 2020 and 2021 and $3,990 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 $16,848 in 2018.

The Company has entered into consulting agreements expiring until February 2019 which will call for total payments of $30,000 as of September 30, 2018: $18,000 in 2018, $12,000 in 2019.

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

	$
2018	46,604
2019	42,845
2020	23,727
2021	23,727
2022	5,716
2023	1,726
2024	431
	144,776

The Company has also entered into consulting and employment agreements with key management personnel for total annual payments of $668,500. 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 $905,250. 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 $905,250.

NOTE 10. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at September 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 October 30, 2018 , the Company granted a total of 80,000 stock options to an observer to the Board of Directors of the Company, subject to certain vesting provisions. These stock options will be exercisable at a price of $0.89 per share and will expire on October 30, 2028.

On November 19th, 2018, the Company has announced the completion and subsequent opening of its metallurgical laboratory near the Lola Graphite Deposit in Guinea, West Africa.