SRG Graphite Inc.

Annual Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

TSX-V: SRG

Independent auditor's report

To the Shareholders of
SRG Graphite Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SRG Graphite Inc. and its subsidiaries (together, the Company) as at December 31, 2018, December 31, 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and December 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018, December 31, 2017 and January 1, 2017;
- the consolidated statements of loss and comprehensive loss for the years ended December 31, 2018 and December 31, 2017;
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2018 and December 31, 2017;
- the consolidated statements of cash flows for the years ended December 31, 2018 and December 31, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Material uncertainty related to going concern

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 the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and that we have communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Yves Bonin.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 26, 2019

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[1] FCPA auditor, FCA, public accountancy permit No. A110416

SRG GRAPHITE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018, 2017 and January 1, 2017 **(in Canadian dollars)**

	Note	December 31, 2018	(Adjusted - see Note 3) December 31, 2017	(Adjusted - see Note 3) January 1, 2017
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	5	4,524,482	3,251,456	2,263,162
Sales taxes and other receivables		203,552	69,827	4,493
Prepaid expenses and deposits		463,118	58,772	4,036
		5,191,152	3,380,055	2,271,691
Non-current assets				
Deposit on property and equipment		-	110,078	-
Property and equipment	6	934,321	75,135	24,276
		934,321	185,213	24,276
Total assets		6,125,473	3,565,268	2,295,967
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		1,739,049	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		63,190	16,418	115,206
Total liabilities		1,802,239	573,450	647,518
SHAREHOLDERS' EQUITY				
Share capital	9	17,061,734	7,044,172	2,518,176
Contributed surplus	10	4,647,663	3,050,139	1,868,280
Deficit		(17,386,163)	(7,102,493)	(2,738,007)
Total shareholders' equity		4,323,234	2,991,818	1,648,449
Total liabilities and shareholders' equity		6,125,473	3,565,268	2,295,967

Nature of operations and going concern assumption (Note 1)
Subsequent events (Note 18)

On behalf of the Board of Directors,

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

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

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

SRG GRAPHITE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended December 31, 2018 and 2017 **(in Canadian dollars)**

	Note	2018	(Adjusted - see Note 3) 2017
		$	$
Expenses			
Exploration and evaluation	7	6,452,125	1,981,900
General and administrative	8	3,614,951	2,296,432
Graphite production for customers and tests		275,947	-
		10,343,023	4,278,332
Other expenses (income)			
Interest revenue		(65,303)	(7,989)
Foreign exchange loss		5,950	94,143
Total other expenses (income)		(59,353)	86,154
Net loss and comprehensive loss for the year		10,283,670	4,364,486
Net loss per common share, basic and diluted		0.16	0.08
Weighted average number of common shares outstanding		66,314,026	53,327,754

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

SRG GRAPHITE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2018 and 2017 **(in Canadian dollars)**

	Note	Share Capital		Contributed surplus	Deficit	Total
		Number	$	$	$	$
Balance on January 1, 2017 - As previously reported		50,154,719	2,518,176	1,868,280	(2,084,652)	2,301,804
Cumulative effect - exploration and evaluation asset accounting policy change	3	-	-	-	(653,355)	(653,355)
Balance on January 1, 2017, as adjusted		50,154,719	2,518,176	1,868,280	(2,738,007)	1,648,449
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		-	-	-	(4,364,486)	(4,364,486)
Balance on December 31, 2017, as adjusted		61,279,719	7,044,172	3,050,139	(7,102,493)	2,991,818
Balance on December 31, 2017, as previously reported		61,279,719	7,044,172	3,050,139	(4,467,238)	5,627,073
Cumulative effect - exploration and evaluation asset accounting policy change		-	-	-	(2,635,255)	(2,635,255)
Balance on December 31, 2017, as adjusted		61,279,719	7,044,172	3,050,139	(7,102,493)	2,991,818
Issuance of units as part of a public offering	9	6,134,100	8,747,760	453,390	-	9,201,150
Issuance of units as part of a private placement	9	1,333,333	1,946,667	53,333	-	2,000,000
Share issuance costs	9	-	(1,162,153)	(56,830)	-	(1,218,983)
Issuance of broker warrants	9	-		167,124	-	167,124
Exercise of stock options	9,10	675,000	485,288	(225,413)	-	259,875
Stock-based compensation	10	-	-	1,205,920	-	1,205,920
Net loss and comprehensive loss		-	-	-	(10,283,670)	(10,283,670)
Balance on December 31, 2018		69,422,152	17,061,734	4,647,663	(17,386,163)	4,323,234

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

SRG GRAPHITE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017 **(in Canadian dollars)**

	Note	2018	(Adjusted - see Note 3) 2017
		$	$
CASH PROVIDED FROM (USED FOR):			
OPERATING ACTIVITIES			
Net loss for the year		(10,283,670)	(4,364,486)
Items not affecting cash			
Depreciation	6	75,151	6,382
Stock-based compensation	10	1,205,920	1,295,367
Loss on disposal of property and equipment	6	-	25,712
		(9,002,599)	(3,037,025)
Change in non-cash working capital items			
Sales taxes and other receivables		(133,725)	(65,334)
Prepaid expenses and deposits		(404,346)	(54,736)
Accounts payable and accrued liabilities		1,201,842	272,485
		663,771	152,415
		(8,338,828)	(2,884,610)
INVESTING ACTIVITIES			
Deposit on property and equipment		110,078	(110,078)
Property and equipment additions	6	(954,162)	(63,128)
		(844,084)	(173,206)
FINANCING ACTIVITIES			
Issuance of units as part of a public offering	9	9,201,150	3,000,000
Issuance of units as part of a private placement	9	2,000,000	-
Share issuance costs	9	(1,051,859)	(31,012)
Exercise of warrants	9	-	1,339,500
Exercise of stock options	9 and 10	259,875	104,000
Due to the major shareholder		-	(267,590)
Due to a related company		46,772	(98,788)
		10,455,938	4,046,110
Increase in cash and cash equivalents during the year		1,273,026	988,294
Cash and cash equivalents, beginning of year		3,251,456	2,263,162
Cash and cash equivalents, end of year		4,524,482	3,251,456

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

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

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.

These consolidated financial statements were authorized for publication by the Board of Directors on April 26, 2019.

Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves.

The Company's mining properties 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, 2018 of $10,283,670 (2017 – $4,364,486) and has an accumulated deficit of $17,386,163 (2017 – $7,102,493). In addition, the Company had working capital of $3,388,913 as at December 31, 2018 (2017 – $2,806,605), including cash and cash equivalents of $4,524,482 (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. Based on the extent of the Company's current plan and anticipated explorations, the Company will need to raise additional financing within the next 6–12 months to complete the feasibility study of the Lola Graphite Property.

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 its obligations, budgeted expenditures and commitments through December 31, 2019. Based on the extent of the Company's current stage and anticipated plan, it will need to raise additional financing, which cast significant doubt on its 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 it.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 and the new accounting policy adopted in 2018 (Note 3).

The Company reviewed the classification of its expenses in the consolidated statement of loss and comprehensive loss. Management believes that this new classification provides a clearer picture of the Company's operations. Comparative periods have been presented accordingly (Note 3). There is no other effect of this change in presentation. Refer to Note 8 for the disagregated amounts by nature of expenses.

(b) 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.

(c) 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. Intercompany transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases.

The subsidiaries of the Company, all of which are wholly owned, are as follows:

Subsidiaries	**Jurisdiction of incorporation**
Sama Resources Guinee SARL ("SRG Guinée")	Guinea
SRG Graphite International Inc. ("SRG Intl")	Cayman Islands

(d) 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.

(e) 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.

(f) 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.

(g) Exploration and evaluation ("E&E") expenses

E&E expenses, including but not limited to geological and geophysical evaluation, surveying, exploratory drilling and sampling, and evaluating the technical feasibility of extracting a mineral resource, are expensed as incurred until the property reaches the development stage.

The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of minerals in an area of interest are demonstrable. It's based on both qualitative and quantitative criteria such as substantial physical project completion, sustained level of mining, sustained level of processing activity, and passage of a reasonable period of time.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized according to the unit-of-production method based upon estimated proven and probable reserves.

Mineral properties under development are the costs incurred subsequent to the establishment of the technical feasibility and commercial viability of the extraction of resources from a particular mineral property. Capitalized costs, including mineral property acquisition costs and certain mine development and construction costs, are not depreciated until the related mining property has reached a level of operating capacity predetermined by management, a level often referred to as "commercial production."

(h) Property and equipment ("P&E")

P&E and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

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

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

Category	Straight-line method
Computer equipment and software	30%–35%
Furniture	20%
Equipment	20%
Laboratory	10%

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.

(i) 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 ("CGU") 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 CGU 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 year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

(j) Financial instruments

Financial assets and financial 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 liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; and
- measured subsequently at fair value (either through other comprehensive income (loss), or through net income (loss)).

For assets measured at fair value, gains and losses will either be recorded in net loss or in other comprehensive income.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

A financial asset shall be measured at fair value through net loss unless it is measured at amortized cost or at fair value through other comprehensive income. A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of "investment grade" is considered to indicate that a financial instrument may be considered as having low credit risk.

Financial liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method.

(k) Capital

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

(l) 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.

(m) Stock-based payments

The fair value, at the grant date, of equity-settled stock-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.

Stock-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 stock-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.

(n) 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 shareholders' 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 year-end, adjusted for amendments to tax payable with regard 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 consolidated 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.

(o) 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 year. 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 loss 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 loss per share by application of the treasury stock method.

(Expressed in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICIES

(a) E&E

The Company had historically capitalized expenditures on E&E activities after they had reached a certain stage in accordance with IFRS 6, *Exploration and Evaluation of Mineral Resources*.

During 2018, the Company adopted a voluntary change in accounting policy with respect to E&E expenses. The Company's new policy is to expense E&E expenses in the consolidated statement of loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives the Board of Directors' approval.

The Company has determined that such a voluntary change in accounting policy results in consolidated financial statements providing reliable and more relevant information and that it brings the Company in line with a similar accounting policy adopted by its peers. This change has been applied to all of the Company's E&E activities on all properties.

The Company has also regrouped in the consolidated statement of loss and comprehensive loss the line items comprising general and administrative expenses.

In accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the changes in accounting policies have been made retrospectively and the comparatives have been adjusted accordingly to all periods presented, as if the policy had always been applied.

The following tables summarize the impact of the change in accounting policy on affected line items within the Company's consolidated financial statements:

Consolidated statements of financial position:

As at December 31, 2017	**As previously reported**	**Adjustment**	**Adjusted**
	$	**$**	**$**
Exploration and evaluation assets	2,635,255	(2,635,255)	-
Deficit	(4,467,238)	(2,635,255)	(7,102,493)

As at January 1, 2017	**As previously reported**	**Adjustment**	**Adjusted**
	$	**$**	**$**
Exploration and evaluation assets	653,355	(653,355)	-
Deficit	(2,084,652)	(653,355)	(2,738,007)

(Expressed in Canadian dollars)

Consolidated statements of loss and comprehensive loss:

As previously reported Year ended December 31, 2017	As previously reported $	Reclassification $	Before adjustment $	Adjustment $	Adjusted $
Expenses:					
Exploration and evaluation	-	-	-	1,981,900	1,981,900
General and administrative	-	2,296,432	2,296,432	-	2,296,432
	-	2,296,432	2,296,432	1,981,900	4,278,332
Operating expenses:					
Consulting	406,510	(406,510)	-	-	-
Office administration	221,103	(221,103)	-	-	-
Travel and representation	120,999	(120,999)	-	-	-
Accounting fees	87,606	(87,606)	-	-	-
Legal fees	31,549	(31,549)	-	-	-
Audit fees	37,312	(37,312)	-	-	-
Office supplies, utilities and rent	97,979	(97,979)	-	-	-
Investor relation fees	87,800	(87,800)	-	-	-
Transfert agent and filing fees	28,179	(28,179)	-	-	-
Shareholders' information	14,890	(14,890)	-	-	-
Insurance	8,175	(8,175)	-	-	-
Depreciation	546	(546)	-	-	-
Loss on disposal of PP&E	25,712	(25,712)	-	-	-
Stock-based compensation	1,128,072	(1,128,072)	-	-	-
Total operating expenses	**2,296,432**	**(2,296,432)**	-	-	-

Consolidated statements of cash flows:

CASH PROVIDED FROM (USED FOR): Year ended December 31, 2017	As previously reported $	Adjustment $	Adjusted $
Operating activities			
Net loss for the year	(2,382,586)	(1,981,900)	(4,364,486)
Items not affecting cash			
Depreciation	546	5,836	6,382
Stock-based compensation	1,128,072	167,295	1,295,367
Change in non-cash working capital items			
Accounts payable and accrued liabilities	16,333	256,152	272,485
Investing activities			
Exploration and evaluation expenditures	(1,552,617)	(1,552,617)	-

(Expressed in Canadian dollars)

(b) New accounting standards and interpretations issued and in effect

IFRS 9 – Financial Instruments

On January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39, *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement and impairment. The Company applied IFRS 9 retrospectively with restatement of prior periods, but there was no measurement impact on the opening balance sheet as of January 1, 2017 and on the information for the year ended December 31, 2017, other than the terminology and methodology changes described below.

i) Assets and liabilities: IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The following table summarizes the classification and measurement changes for the Company's financial assets and financial liabilities as at January 1, 2017.

Financial assets	**Classification: IAS 39**	**Classification: IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Financial liabilities	**Classification: IAS 39**	**Classification: IFRS 9**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to major shareholder and a related company	Other financial liabilities	Amortized cost

The accounting for these instruments and the line item in which they are included in the consolidated statement of financial position are unaffected by the adoption of IFRS 9, and no measurement adjustments were required to the Company's financial assets and financial liabilities.

The adoption of IFRS 9 had no impact on the impairment of the Company's financial assets.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On January 1, 2018, the Company adopted on a prospective basis 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. The adoption of IFRIC 22 had no impact on the Company's consolidated financial statements.

IFRS 2 – Share-based Payment

On January 1, 2018, the Company adopted retrospectively the amendments to 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 stock-based payments; the classification of a stock-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a stock-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 adoption of these amendments to IFRS 2 had no impact on the Company's consolidated financial statements.

(c) Accounting standards and interpretations issued but not yet adopted

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, 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 consolidated statement of financial position. 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. The Company will adopt IFRS 16 on January 1, 2019 on a modified retrospective basis whereby the adjustments to right-of-use assets and lease liabilities will be recorded on that date without adjustment of prior periods. The extent of the impact of adoption of IFRS 16 has not yet been determined.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption. It is expected that the adoption of IFRIC 23 will not have a material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant judgments and estimation uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain.

The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

(a) 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).

(b) Determination of the ownership of mining property title

Management must determine if it has or still holds the legal title of its mining properties in Guinea on a continuous basis. In certain cases, to conclude on the validity of the legal title, significant judgment is required in determining if the Company has met all of its commitments and obligations. Management exercised its judgment, having considered the laws enforceable in Guinea and the communications with the government, to conclude on the title ownership. Note 7 to these consolidated financial statements provides background information around those judgments.

(c) Impairment of non-financial assets

P&E is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. 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 financial position and results of operations. Asset groups are reviewed for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. This determination requires significant judgment.

(d) Determination of the functional currency of the subsidiaries

A number of judgments were made in the determination of the subsidiaries' functional currency. The parent entity has determined the functional currency of each entity is the Canadian dollar. 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. 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.

(Expressed in Canadian dollars)

(e) 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.

(f) Fair value of stock options

The estimation of stock-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.

(g) 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.

5. CASH AND CASH EQUIVALENTS

	2018	**2017**
	$	**$**
Cash	4,479,482	3,231,456
Guaranteed investment certificate, maturing June 11, 2019 redeemable on demand	20,000	20,000
Guaranteed investment certificate, maturing February 19, 2019 redeemable on demand	25,000	-
	4,524,482	3,251,456

The guaranteed investment certificates are guarantees given to secure the credit card line of credit and are considered restricted. Those investments can be redeemed anytime if the credit card is cancelled or for the same consideration of the reduction of the line of credit.

(Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Equipment $	Furniture $	Computer, equipment and software $	Laboratory $	Total $
Cost					
Balance – January 1, 2017	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 – December 31, 2017	76,589	3,385	1,382	-	81,356
Acquisitions	627,354	70,537	130,043	106,403	934,337
Balance – December 31, 2018	703,943	73,922	131,425	106,403	1,015,693
Accumulated depreciation					
Balance – January 1, 2017	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 – December 31, 2017	5,676	338	207	-	6,221
Depreciation	58,172	4,700	10,530	1,749	75,151
Balance – December 31, 2018	63,848	5,038	10,737	1,749	81,372
Carrying amount					
Balance – December 31, 2017	70,913	3,047	1,175	-	75 135
Balance – December 31, 2018	640,095	68,884	120,688	104,654	934,321

During the year ended December 31, 2018, a depreciation expense of $15,230 (2017 – $546) was recorded in the consolidated statement of loss and comprehensive loss under general and administrative expenses and a depreciation expense of $59,921 (2017 – $5,836) was recorded under exploration and evaluation expenses.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION EXPENSES

The Company has two projects currently under evaluation which are named Lola and Gogota; they are so named as the prospective deposits are close to the Guineaian communities of Lola and Gogota.

On August 10, 2018, the Government of Guinea awarded SRG Guinée, through ministerial order N°A2018/5349/MMG/SGG, the Lola Graphite research permit for a final two-year period, and, as per the legislation, the surface area was reduced to 94.38 square kilometers (from 187 square kilometers). SRG Guinée has agreed to complete an exploration program of US$4,532,445 (approximately $6,180,000) by August 9, 2020, of which US$3,827,324 ($5,216,666) has not yet been spent.

On May 15, 2018, the Company filed for a new research permit for the Gogota property. The Company is waiting for the Government of Guinea to officially provide the research permit to the Company. The Gogota permit was initially part of the 187 square kilometers of the Lola Graphite permit.

Lola Graphite Property	**2018** **$**	**(Adjusted)** **2017** **$**
Geology and prospecting	776,834	230,869
Geophysics	454,950	41,665
Geochemistry	485,924	139,353
Drilling	2,146,666	423,145
Metallurgical tests	384,738	199,188
Environmental study	434,648	185,010
Engineering study	326,334	243,538
Camp operations, field supplies and other expenses	502,252	346,001
Technical consulting services	98,243	-
Topography	33,181	-
Amortization	59,921	5,836
Stock-based compensation	299,724	167,295
Salaries and wages	316,811	-
Total Lola Graphite Property	**6,320,226**	**1,981,900**

Gogota Property	**2018** **$**	**(Adjusted)** **2017** **$**
Geology and prospecting	41,590	-
Geochemistry	27,880	-
Metallurgical tests	44,173	-
Engineering study	18,256	-
Total Gogota Property	**131,899**	**-**
Total E&E expenses	**6,452,125**	**1,981,900**

(Expressed in Canadian dollars)

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of expenditures required to administer the business but which are not directly linked to the sale of goods, the provision of services, and to the carrying out of construction or E&E activities.

	2018	(Adjusted) 2017
	$	$
Operating expenses		
Salaries and benefits	753,546	-
Consulting fees	520,433	406,510
Travel and representation	374,665	120,999
General and office expenses	515,466	327,257
Professional fees	362,107	156,467
Investor relation fees	81,573	87,800
Transfer agent and filling fees	73,621	28,179
Shareholder information	12,114	14,890
Stock-based compensation	906,196	1,128,072
Amortization	15,230	546
Loss on disposal of property and equipment	-	25,712
Total general and administrative expenses	**3,614,951**	**2,296,432**

9. 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.

During the third quarter ended September 30, 2017, a total of 3,000 warrants were exercised at a price of $0.15 per warrant for total proceeds of $450.

The Company also 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.

During the fourth quarter ended December 31, 2017, a total of 69,000 warrants were exercised at a price of $0.15 per warrant for total proceeds of $10,350. And 2,625,000 warrants were exercised at a price of $0.50 per warrant for total proceeds of $1,312,500.

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

Also in the fourth quarter, 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.

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 1 year.

In addition, the Company 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 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.

(Expressed in Canadian dollars)

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 $14,774 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 1 year.

As part of the marketed public offering, the private placement and the overallotment option, the Company paid a total of $499,790 in legal fees, filing fees and other fees.

The share issuance costs were allocated between the common shares and the warrants for $1,162,153 and $56,830 respectively.

Warrants

The following table shows the changes in warrants:

		2018		**2017**
	Number of warrants	**Weighted average exercice price $**	**Number of warrants**	**Weighted average exercice price $**
Outstanding, beginning of year	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 year	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:

	2018	
Expiry date	Exercise price $	Number of warrants outstanding
May 18, 2019	2.30	7,467,433
May 18, 2019	1.50	368,046
October 24, 2019	0.50	1,125,000
		8,960,479

(Expressed in Canadian dollars)

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:

	Number of stock options	2018 Weighted average exercise price $	Number of stock options	2017 Weighted average exercise price $
Outstanding, beginning of year	4,233,000	0.45	620,000	0.05
Granted	2,650,000	1.13	4,633,000	0.44
Exercised	(675,000)	0.39	(820,000)	0.13
Expired	-	-	(100,000)	0.365
Forfeited	-	-	(100,000)	0.365
Outstanding, end of year	6,208,000	0.75	4,233,000	0.45
Excercisable, end of year	3,544,250	0.47	1,935,250	0.42

Weighted average share price at the date of exercise was $1.46 (2017 – $0.74).

(Expressed in Canadian dollars)

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

			December 31, 2018
Expiry date	**Exercise price $**	**Number outstanding**	**Number exercisable**
June 21, 2022	0.41	200,000	200,000
October 24, 2023	1.20	150,000	-
February 20, 2027	0.365	2,808,000	2,808,000
March 31, 2027	0.50	100,000	100,000
April 25, 2027	0.50	100,000	100,000
June 14, 2027	0.36	25,000	25,000
November 22, 2027	1.30	325,000	243,750
January 14, 2028	1.72	135,000	67,500
August 8, 2028	1.10	2,285,000	-
October 30, 2028	0.89	80,000	-
		6,208,000	3,544,250

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

	2018	**2017**
Weighted average price at the grant date	$1.12	$0.44
Weighted average exercise price	$1.13	$0.44
Expected dividend	nil	nil
Expected average volatility	96%	98%
Risk-free average interest rate	2.34%	1.65%
Expected average life	9.72 years	9.44 years
Weighted fair value per stock option	$0.98	$0.38

A stock-based compensation expense of $1,205,920 was recognized during the year ended December 31, 2018 (2017 – $1,295,367). Amount of $299,724 and $906,196 (2017 – $167,925 and $1,128,072) was recognized in E&E expenses and in general and administrative expenses, respectively, in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

11. INCOME TAXES

Major components of tax expense (income)

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

	2018	2017 (Adjusted)
	$	$
Current tax expense (Income)	-	-
Deferred tax expense (Income)		
Origination and reversal of temporary differences	(2,497,176)	(879,267)
Change in tax rate	10,644	2,540
Deferred tax expense arising from the write-down of a deferred tax asset	2,486,532	876,727
Total deferred tax expense (income)	-	-
Total income tax expense (income)	-	-

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

	2018	2017 (Adjusted)
	$	$
Loss before income taxes	(10,283,670)	(4,364,486)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.70% (26.80% in 2017)	(2,745,740)	(1,169,682)
Change in tax rate	10,643	2,540
Difference between Canadian and foreign tax rate	(123,021)	(12,610)
Stock-based compensation	321,981	302,323
Other	49,605	702
Change in unrecognized temporary differences	2,486,532	876,727
Deferred income tax expense (income)	-	-

The statutory tax rate is 26.50% in 2018 (26.50% in 2017).

(Expressed in Canadian dollars)

Unrecognized deferred tax assets and liabilities

As at December 31, 2018 and 2017, the Company has the following temporary differences for which no deferred tax has been recognized:

	2018		2017	
	Federal	Provincial	Federal	Provincial
	$	$	$	$
Exploration & evaluation	3,144,168	3,144,168	-	-
Property & equipment	6,698	6,698	-	-
Issuance costs	1,054,182	1,054,182	285,273	285,273
Non-capital losses	3,489,910	3,477,123	1,027,560	1,023,511
	7,694,958	7,682,171	1,312,833	1,308,784

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 extend that it is probable that sufficient profits will be available to allow the asset to be removed. At December 31, 2018, deferred tax assets totaling $2,037,693 ($876,627 at December 31, 2017) have not been recognized.

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

	Federal	**Provincial**
	$	**$**
2036	104,126	104,126
2037	923,434	919,386
2038	2,462,350	2,453,611
	3,489,910	3,477,123

12. ADDITIONAL CASH FLOW INFORMATION

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

	2018	**2017**
	$	**$**
Change in accounts payable and accrued liabilities included in P&E	19,825	(19,825)

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (note 1) and to maintain a flexible capital structure, which will allow it to pursue its E&E activities.

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, sell off permits and enter into joint venture arrangements.

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, 2018.

The changes in the Company's capital are disclosed in the consolidated equity.

14. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact of these exposures 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 with local banks 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, 2018, the Company had cash and cash equivalents of $4,524,482 to settle accounts payable and accrued liabilities of $1,739,049 and a due to a related company, without interest, due on demand of $63,190.

As at December 31, 2018, management does not consider current funds to be sufficient for the Company to continue operating considering the intention to complete the feasability study on the Lola Graphite Property (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 expenditure 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, 2018 consist of cash and cash equivalents, accounts payable and accrued liabilities and due to a related company. The Company's financial assets and financial liabilities approximate their fair values due to their relatively short periods to maturity.

Market risk

Foreign exchange risk

Currency risk is the risk that future cash flows or fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange (''FX'') risk as cash is primarily held in Canadian dollars, while a significant portion of expenditures are denominated in US dollars and Guinean francs and, to a lesser extent, euros, Australian dollars and British pounds.

Accounts payable and accrued liabilities	**2018 in CAD**	**Impact of 10% change in FX**	**2017 in CAD**	**Impact of 10% change in FX**
United States dollar	138,047	+ / - $13,805	-	-
Guinea franc	472,838	+ / - $47,284	267,077	+/- $26,708
Euro	19,492	+ / - $1,949	-	-
Australian dollar	23,712	+ / - $2,371	-	-
British pound	32,638	+ / - $3,264	-	-

Cash and cash equivalents	**2018 in CAD**	**Impact of 10% change in FX**	**2017 in CAD**	**Impact of 10% change in FX**
United States dollar	$63,622	+ / - $6,362	$613,852	+ / - $61,385
Guinea franc	$18,441	+ / - $1,844	$20,934	+ / - $2,093

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.

15. RELATED PARTIES

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

Transactions with key management personnel

Key management personnel are the members of the Board of Directors, the President and the Chief Financial Officer ("CFO"), the Vice-President Corporate and Legal Affairs, and the Vice-President Operations, Metallurgy, and Process Design.

Remuneration of key management personnel

During the year ended December 31, 2018, the Company incurred accounting fees of $60,940 (2017 – $69,000) with the CFO. These fees are recorded under professional fees in the 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 December 31, 2018, no amount is due to the CFO (2017 – $10,000 included in accounts payable and accrued liabilities).

During the year ended December 31, 2018, the Company incurred fees of $119,835 (2017 – $20,500) with two officers. These fees are recorded under legal fees in administration expenses. As at December 31, 2018, $12,665 was due to these officers (2017 – nil).

During the year ended December 31, 2018, the Company incurred salaries of $410,824 (2017 – nil) to two employees who are officers of the Company, of which $114,596 was recorded in E&E expenses and $296,228 was recorded in general and administrative expenses. As at December 31, 2018, $87,375 was due to these officers (2017 – nil).

During the year ended December 31, 2018, the Company recognized stock-based compensation of $845,224 (2017 – $592,214) in connection with stock options granted to officers and directors solely, of which $62,563 was expensed under E&E expenses (2017 – nil) and $782,661 was expensed under general and administrative expenses (2017 – $592,214).

(Expressed in Canadian dollars)

Transactions with related parties

During the year ended December 31, 2018, the Company incurred fees of $60,000 from a consultant who is also a director and the Qualified Person under National Instrument NI43-101 (2017 – $122,085). This expense was recorded in E&E expenses under geology and prospecting. As at December 31, 2018 and 2017, no amount was due to that consultant.

During the year ended December 31, 2018, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, charged a total amount of $28,788 (2017 – nil) to the Company. This amount was expensed in E&E expenses. These fees were for technical services which were rendered by a consultant of that corporation. As at December 31, 2018, $4,105 was due to that corporation (2017 – nil).

During the year ended December 31, 2018, the Company paid a salary of $25,920 (2017 – nil) to an individual related to the Company's Executive Chairman. This expense was recorded under salaries and benefits (2017 – nil) in administrative expenses. As at December 31, 2018 and 2017, no amount was due to that individual.

During the year ended December 31, 2018, the Company incurred fees of $123,330 (2017 – $56,250) with a corporation where the Company’s Executive Chairman is also a shareholder of that corporation. As at December 31, 2018, $1,917 was due to that corporation (2017 – $64,673).
As at December 31, 2018, a subsidiary of Sama Resources Inc. charged the Company $419,768 for services recorded as E&E expenses as well as services recorded as general and administrative expenses (2017 – $391,475). As at December 31, 2018, $67,436 was owing to Sama Resources Inc. and its subsidiary (2017 – $57,649).

16. COMMITMENTS

The Company has lease commitments for office premises, exploration camps and land in Guinea, which call for total payments of GNF 611,450,000 (approximately: $34,131 in 2019, $24,842 in 2020 and 2021, $3,726 in 2022, $1,807 in 2023 and $452 in 2024).

The Company has lease commitments for office premises in Canada, which expire at the end of 2019 and call for a payment of $67,392 in 2019.

The Company has entered into consulting agreements expiring February 28, 2019, which will call for a total payment of $12,000 in 2019.

Minimum annual payments relating to the above commitments in the next five fiscal years and thereafter are as follows:

Year	Leases $	Other $
2019	101,523	12,000
2020	24,842	-
2021	24,842	-
2022	3,726	-
2023	1,807	-
Thereafter	452	-

Termination and change of control provisions

Certain agreements between the executive team and the Company contain termination without cause and change of control provisions. Assuming that these agreements would be terminated without cause during the year ending December 31, 2019, the total amounts payable in respect of severance would amount to $827,750. If a change of control would occur during the year ending December 31, 2019, the total amounts payable in respect of severance, if elected by the executive members, would amount to $827,750.

17. OPERATING SEGMENT

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at December 31, 2018, $843,978 of the Company's non-current assets are located in Guinea, Africa, and $90,343 are located in Montréal, Canada. As at December 31, 2017, $185,213 of the Company's non-current assets were located in Guinea, Africa.

18. SUBSEQUENT EVENTS

On March 22, 2019, the Company announced that it had received its Environmental Conformity Certificate for the Lola Graphite Property from the Government of Guinea. This certificate is the only environmental and social permit required to move forward with the construction of the project on the property.

On April 1, 2019, the Company submitted its application for a mining licence, which approval is necessary for construction to start on the mine.