SRG
SRG
MINING

(formerly SRG Graphite Inc.)

Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2020
and 2019

(Expressed in Canadian dollars)
(Unaudited)

TSX-V: SRG

Mining
for tomorrow

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of SRG Mining Inc. (formerly SRG Graphite Inc.) (the "Company") for the three-month ans six-month periods ended on June 30, 2020 and 2019 have been prepared by the management and are its responsibility. These unaudited condensed interim 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 condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

SRG MINING INC. (formerly SRG Graphite Inc.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 and December 31, 2019 **(unaudited - in Canadian dollars)**

	Note	June 30, 2020	December 31, 2019
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		485,479	170,238
Sales taxes and other receivables		125,366	111,599
Prepaid expenses and deposits		62,407	78,444
		673,252	360,281
Non-current assets			
Property and equipment		718,420	945,894
		718,420	945,894
Total assets		1,391,672	1,306,175
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,839,092	2,747,871
Short-term portion of lease liability	6	46,917	103,558
Short-term loan	7	700,000	700,000
Convertible debenture host	8	-	1,027,856
Convertible debenture derivative	8	-	134,154
Interest payable	7 & 8	34,765	94,307
Due to a related company, without interest, due on demand		-	4,590
Total current liabilities		2,620,774	4,812,336
Long-term portion of lease liability	6	22,884	96,250
Long-term loan	7	40,000	-
Total liabilities		2,683,658	4,908,586
SHAREHOLDERS' EQUITY			
Share capital	9	21,669,580	17,624,234
Deferred share units	11	87,500	-
Contributed surplus	10	7,252,084	6,592,313
Deficit		(30,301,150)	(27,818,958)
Total shareholders' equity		(1,291,986)	(3,602,411)
Total liabilities and shareholders' equity		1,391,672	1,306,175

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

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.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three-month and six-month periods ended on June 30, 2020 and 2019 **(unaudited - in Canadian dollars)**

	Notes	June 30, 2020 (3 months)	June 30, 2019 (3 months)	June 30, 2020 (6 months)	June 30, 2019 (6 months)
		$	$	$	$
Expenses					
Exploration and evaluation	4	295,249	1,744,032	633,660	3,663,746
General and administrative	5	1,065,412	910,706	1,762,903	1,986,592
Graphite production for customers and tests		10,469	96,936	34,791	449,521
		1,371,130	2,751,674	2,431,354	6,099,859
Other expenses (income)					
Other income		(13,144)	-	(146,917)	-
Gain on settlement of convertible debenture	8	-	-	- 117,111	-
Interest revenue		(280)	(2,663)	(473)	(14,270)
Interest expense		20,799	11,502	183,063	17,117
Foreign exchange (income) loss		983	(70,891)	132,276	(62,040)
Total other expenses (income)		8,358	(62,052)	50,838	(59,193)
Net loss and comprehensive loss for the period		1,379,488	2,689,622	2,482,192	6,040,666
Net loss per common share, basic and diluted		0.02	0.04	0.03	0.09
Weighted average number of common shares outstanding		75,156,474	64,886,377	75,156,474	69,422,152

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended on June 30, 2020 and 2019 **(unaudited - in Canadian dollars)**

	Notes	Capital		Contributed surplus	Deferred share units	Deficit	Total
		Number	$	$	$	$	$
Balance on January 1, 2019		69,422,152	17,061,734	4,647,663	-	(17,386,163)	4,323,234
Modification of warrant terms		-	-	722,100	-	(722,100)	-
Stock-based compensation	10	-	-	805,515	-	-	805,515
Net loss and comprehensive loss		-	-	-	-	(6,040,666)	(6,040,666)
Balance on June 30, 2019		69,422,152	17,061,734	6,175,278	-	(24,148,929)	(911,917)
Balance on January 1, 2020		70,547,152	17,624,234	6,592,313	-	(27,818,958)	(3,602,411)
Issuance of units as part of a public offering	9	4,968,000	2,417,640	66,360	-	-	2,484,000
Issuance of common shares	8 & 9	1,557,110	1,247,792	-	-	-	1,247,792
Share issuance costs	9	-	(97,868)	(3,475)	-	-	(101,343)
Issuance of broker warrants	9	-	-	35,636	-	-	35,636
Exercise of stock options	9 & 10	693,493	477,783	(224,658)	-	-	253,125
Issuance of deferred share units	11	-	-	-	87,500	-	87,500
Stock-based compensation	10	-	-	785,908	-	-	785,908
Net loss and comprehensive loss		-	-	-	-	(2,482,192)	(2,482,192)
Balance on June 30, 2020		77,765,755	21,669,580	7,252,084	87,500	(30,301,150)	(1,291,986)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the six-month periods ended on June 30, 2020 and 2019 **(unaudited - in Canadian dollars)**

	Note	June 30, 2020 (3 months)	June 30, 2019 (3 months)	June 30, 2020 (6 months)	June 30, 2019 (6 months)
		$	$	$	$
CASH PROVIDED FROM (USED FOR):					
OPERATING ACTIVITIES					
Net loss for the year		(1,379,488)	(2,689,622)	(2,482,192)	(6,040,666)
Items not affecting cash		-	-		
Depreciation		66,914	73,571	142,386	146,742
Accreted interest on lease liability	6	2,172	5,175	6,147	10,790
Foreign exchange on lease liability	6	(2,190)	12	3,839	(2,691)
Interest payable	7	17,285	3,562	(59,542)	3,562
Foreign exchange on convertible debenture	8	(3,568)	-	93,438	-
Accretion expense on convertible debenture	8	-	-	105,887	-
Loss on settlement of convertible debenture	8	-	-	(117,111)	-
Deferred share units	11	87,500	-	87,500	-
Stock-based compensation	10	633,913	400,638	785,908	805,515
		(577,462)	(2,206,664)	(1,433,740)	(5,076,748)
Change in non-cash working capital items					
Sales taxes and other receivables		(4,956)	(161,578)	(13,767)	(301,685)
Prepaid expenses and deposits		16,046	50,724	16,038	297,550
Accounts payable and accrued liabilities		22,772	238,993	(908,779)	553,963
		33,862	128,139	(906,508)	549,828
		(543,600)	**(2,078,525)**	(2,340,248)	(4,526,920)
INVESTING ACTIVITIES					
Deposit on property and equipment		-	-	-	-
Property and equipment additions		-	225	(3,761)	(6,506)
		-	225	(3,761)	(6,506)
FINANCING ACTIVITIES					
Payment of lease liability	6	(19,928)	(36,919)	(47,578)	(72,309)
Issuance of units as part of a private placement	10	-	-	2,484,000	-
Share issuance costs	10	(1,332)	-	(65,707)	-
Exercise of stock options	9 & 10	-	-	253,125	-
Due to a related company		(4,590)	(3,729)	(4,590)	(56,338)
Net proceeds from loans	7	40,000	1,000,000	40,000	1,000,000
		14,150	959,352	2,659,250	871,353
Increase in cash and cash equivalents during the period		(529,450)	(1,118,948)	315,241	(3,662,073)
Cash and cash equivalents, beginning of period		1,014,929	1,981,357	170,238	4,524,482
Cash and cash equivalents, end of period		485,479	862,409	485,479	862,409

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

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

SRG Mining Inc. ("SRG" or the "Company") (formerly SRG Graphite Inc.) is a Canadian-based mineral exploration and development business with activities in Africa. The Company was incorporated on April 16, 1996 under the *Canada Business Corporations Act*. The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SRG.V". The Company's principal office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8.

These consolidated financial statements were authorized for publication by the Board of Directors on August 28, 2020.

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 condensed consolidated interim 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 period ended June 30, 2020 of $2,482,192 (June 30, 2019 – $6,040,666) and has an accumulated deficit of $30,301,150 (December 31, 2019 – $27,818,958). In addition, the Company had working capital of negative $1,947,522 as at June 30, 2020 (December 31, 2019 – negative $4,452,055), including cash and cash equivalents of $485,479 (December 31, 2019 – $170,238). To date, the Company has financed its cash requirements primarily by issuing common shares, units or by borrowing money. 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 spending, the Company will need to raise additional financing within the next 3-6 months to continue advancing 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, 2020. 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.

As part of the worldwide effort to fight the spread of the COVID-19 pandemic, SRG has taken all necessary and recommended best practices to respond dynamically and proactively to this threat. The Company is therefore taking proactive measures to abide by rules and recommendations in the jurisdictions in which it operates or has personnel. As a result, like many other businesses, SRG has transitioned to a remote work environment, and is adapting procedures to ensure continued development of its operations is minimally impacted.

The Company's business could be significantly adversely affected by the effects of the COVID-19 pandemic. The Company cannot accurately predict the impact COVID-19 due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, on-going restrictions to mining and processing operations and drill programs, and other factors that will depend on future developments beyond the Company's control. In addition, the COVID-19 pandemic could adversely affect the economies and financial markets of many countries (including those in which the Company operates), resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

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 unaudited consolidated financial statements.

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

The condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Companys accounting policies.

The Company has consistently applied the same accounting policies throughout all the periods presented in these condensed consolidated interim financial statements, except for the new accounting standards and the new accounting policy adopted in 2019 (Note 3).

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim 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 condensed consolidated interim 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
SRG Liberia Inc. (“SRG Liberia”)	Liberia
SRG Lithium Inc. (“SRG Lithium”)	Canada

3. CHANGE IN ACCOUNTING POLICIES

(a) Deferred share units

The DSU Plan provides for the payment of directors’ compensation with deferred share units (“DSUs”). Each DSU is a right granted by the Company to an eligible director or officer to receive an equivalent to the value of one common share on termination of service. DSU payments are ultimately recognized as an expense in the consolidated statements of loss and comprehensive loss as deferred share unit expense. The Company may and intends to make payments due under the DSU Plan by issuing one common share for each DSU. The number of DSUs to be granted under the DSU Plan is determined by dividing the director’s compensation by last closing price of the common shares on the TSXV at the time the DSU is granted. The Company uses the fair value method to recognize compensation expense related to the granting of DSUs.

(b) Impact of adoption of new accounting standards that have been applied starting January 1, 2020

IFRS 3, Business Combinations ("IFRS 3")

The amendments to IFRS 3, Business Combinations, clarifies the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendments also introduced an optional "concentration test" that can lead to a conclusion that the acquisition is not a business combination. The adoption had no impact on the condensed consolidated interim financial statements.

IAS 1, Presentation of Financial Statements (''IAS 1''), and IAS 8, Accounting Policies, Changes in accounting Estimates and Errors (''IAS 8'')

Definition of Material (Amendments to IAS 1, Presentation of Financial Statements, and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) makes the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The adoption had no impact on the condensed consolidated interim financial statements.

(c) ***Amendments to IFRS 16 Leases***

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Company's financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these financial statements.

4. EXPLORATION AND EVALUATION EXPENSES

The Company has one project currently under evaluation which is named Lola Graphite.

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). This research permit has been cancelled on November 6, 2019 when the mining permit has been issued.

On November 6, 2019, the Government of Guinea awarded SRG Guinée, through presidential order N°D/2019/291/PRG/SGG awarded the mining permit for its Lola graphite project near the town of Lola in eastern Guinea, West Africa. The fifteen (15) year renewable permit was officially granted by the Government of Guinea through presidential decree number D/2019/291/PRG/SGG. The mining permit covers an area of 94.38 square kilometers. SRG Guinée has agreed to develop the mine and has an obligation to invest US$110,000,000 during the first year of octroyal of the permit. Management will ask for a deferment to the government due to the ongoing Covid-19 crisis and is expecting the government to waive the clause.

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.

(Unaudited and expressed in Canadian dollars)

Lola Graphite Property	**2020**	**2019**
	$	**$**
Geology and prospecting	-	240,621
Geochemistry	1,687	12,150
Drilling	-	2,242
Camp operations, field supplies and other expenses	36,883	535,683
Engineering study	30,911	1,549,363
Technical consulting services	-	12,570
Assaying	-	12,271
Metallurgical tests	128,214	479,823
Environmental study	-	252,973
HSEC Community relations on site	11,307	97,567
Stock-based compensation	77,822	149,951
Salaries and wages	260,690	190,099
Amortization	86,146	84,604
Total Lola Graphite Property	**633,660**	**3,615,917**

Gogota Property	**2020**	**2019**
	$	**$**
Technical consulting services	-	1,950
Metallurgical tests	-	45,879
Total Gogota Property	**-**	**47,829**

Total E&E expenses	**663,660**	**3,663,746**

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of expenditures required to manage 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.

	2020	**2019**
	$	**$**
Operating expenses		
Salaries and benefits	328,676	582,267
Consulting fees	166,916	107,447
Travel and representation	22,016	157,626
General and office expenses	113,188	186,420
Professional fees	128,438	112,873
Investor relation fees	89,059	69,541
Transfer agent and filling fees	48,774	48,704
Shareholder information	14,010	31
Stock-based compensation	708,086	659,564
Deferred share units	87,500	-
Amortization	56,240	62,119
Total general and administrative expenses	**1,762,903**	**1,986,592**

(Unaudited and expressed in Canadian dollars)

6. LEASE LIABILITIES

The Company leases real estate properties. Lease contracts are typically made for fixed periods of one to six years and certain leases include extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants on the Company and leased assets are not used as security for borrowing purposes.

	June 30, 2020 $	December 31, 2019 $
Lease liabilities at the beginning of the period	199,808	296,316
Lease payments	(47,578)	(107,860)
Accreted interest	6,147	20,491
Modifications	(92,415)	-
Foreign exchange gain	3,839	(9,139)
Balance, end of period	**69,801**	**199,808**

The following table is a summary of the carrying amounts of the Company's lease liabilities measured at the present value of the remaining lease payments that are recognized in the consolidated statements of financial position as of:

	June 30, 2020 $	December 31, 2019 $
Short-term portion of lease liability	46,917	103,558
Long-term portion of lease liability	22,884	96,250
Total lease liability	**69,801**	**199,808**

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the condensed consolidated interim statements of financial position date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

Maturity analysis – contractual undiscounted cash flows	**June 30, 2020**
Less than one year	$24,553
One to two years	$49,407
Two to three years	$1,814
More than three years	-
Total undiscounted lease liabilities at June 30, 2020	**$75,444**
Effect of discounting	$(5,673)
Total lease liabilities at June 30, 2020	**$69,801**
Current	$46,917
Non-current	$22,884

The difference between the total contractual undiscounted cash flows related to lease payments to lessors and the carrying amount of the lease liability is the amortization of the discount related to the lease liability.

7. LOAN PAYABLE

On June 18, 2019, the Company received a bridge loan of $1,000,000 from Sama Resources Inc. ("SRI"), a related company, to fund the immediate cash requirements of the Company. The loan bears interest at 10% per annum and is repayable on December 31, 2020. As at June 30, 2020, $723,397 remains unpaid including an interest charge of $23,397. A repayment of interest of $53,562 had been made on March 9, 2020.

In response to COVID-19, on April 22, 2020, the Company has received a $40,000 emergency loan from the Canada Emergency Business Account. The loan is interest-free until December 31, 2022, and if $30,000 is reimbursed by said date, the Company will be entitled to a $10,000 exemption.

8. CONVERTIBLE DEBENTURE

On August 7, 2019, SRG entered into a Convertible Debt Agreement ("Debt Agreement") with SRI whereby SRI makes available to SRG a credit facility of up to US$5,000,000, bearing a 10% per annum interest rate which will be repayable in 12 months in cash or shares with a conversion price of $0.91 per SRG share at the election of SRI. A tranche of US$1,000,000 has been received on the date of the signature.

On April 2, 2020, the Company has agreed with SRI to close the position it had taken under the Debt Agreement. SRI and SRG have agreed to proceed with repayment of said balance of US$ 1,000,000 through a conversion and issuance of 1,557,110 shares to SRI. Pursuant to this issuance SRI will now hold 24,805,377 shares of SRG. The Debt Agreement has been terminated. The conversion has generated a gain of $117,111 for the period ended June 30, 2020.

9. SHARE CAPITAL

2019

During the first six-month period ended June 30, 2019, there was no transaction on the share capital of the Company.

2020

During the period ended June 30, 2020, a total of 693,493 stock options were exercised at a price of $0.365 per stock option for total proceeds of $253,125.

On April 2, 2020, the Company has agreed with SRI to close the position it had taken under the Debt Agreement (See Note 8) with the repayment of US$ 1,000,000 to SRI through a conversion and issuance of 1,557,110 shares at a conversion price of $0.91 per share.

On March 3, 2020, the Company closed the first tranche of a non-brokered private placement by issuing a total of 3,894,000 units of SRG at a price of $0.50 per units for gross proceeds of $1,947,000. Each unit comprises one common share of the Company and one non-transferable common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one additional common share of the Company at an exercise price of $1.00 per common share at any time for a period of 36 months. Based on the residual method, a fair value of $nil was allocated to the warrants. In addition, 145,800 brokers warrants were issued. The fair value of the 145,800 broker warrants was estimated at $27,152 using the Black–Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 83.30%, risk-free rate of return 0.99%, share price of $0.50 and expected maturity of 3 year.

(Unaudited and expressed in Canadian dollars)

On March 9, 2020, the Company closed the second tranche of a non-brokered private placement by issuing a total of total of 894,000 units of SRG at a price of $0.50 per units for gross proceeds of $447,000 on the same terms as the first tranche. Based on the residual method, a fair value of $35,760 was allocated to the warrants.

In addition, 52,780 brokers warrants were issued. The fair value of the 52,780 broker warrants was estimated at $8,484 using the Black–Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 83.10%, risk-free rate of return 0.55%, share price of $0.46 and expected maturity of 3 year.

On March 31, 2020, the Company closed a concurrent non-brokered private placement for the issuance of a total of 180,000 units of SRG at a price of $0.50 per unit for gross proceeds of $90,000, all on the same terms and conditions of the units described hereinabove. Based on the residual method, a fair value of $30,600 was allocated to the warrants.

In connection with the offering, the Company paid to the underwriters a cash fee of $45,430 and a total of $18,945 in legal fees, filing fees and other fees.

The share issuance costs were allocated between the common shares and the warrants for $97,868 and $3,475 respectively.

Warrants

The following table shows the changes in warrants:

	Number of warrants	2020 Weighted average exercice price $	Number of warrants	2019 Weighted average exercice price $
Outstanding, beginning of period	7,467,433	1.20	8,960,479	2.04
Issued	5,166,580	1.00	-	-
Expired	(7,467,433)	1.20	-	-
Exercised	-	-	-	-
Outstanding and exercisable, end of period	5,166,580	1.00	8,960,479	2.04

(Unaudited and expressed in Canadian dollars)

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

June 30, 2020 Expiry date	Exercise price $	Number of warrants outstanding
March 4, 2023	1.00	4,039,800
March 9, 2023	1.00	947,780
March 31, 2023	1.00	180,000
		5,166,580

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	**June 30, 2020 Weighted average exercise price $**	**Number of stock options**	**December 31, 2019 Weighted average exercise price $**
Outstanding, beginning of period	6,185,500	0.75	6,185,500	0.75
Granted	2,058,493	0.43	-	-
Exercised	693,493	0.365	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Outstanding, end of period	7,550,500	0.70	6,185,500	0.75
Excercisable, end of period	4,988,293	0.63	4,642,163	0.63

Weighted average share price at the date of exercise was $0.71 in 2020 and none were exercised in 2019.

(Unaudited and expressed in Canadian dollars)

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

Expiry date	Exercise price $	Number outstanding	June 30, 2020 Number exercisable
June 21, 2022	0.41	200,000	200,000
October 24, 2023	1.20	150,000	50,000
February 20, 2027	0.365	2,102,007	2,102,007
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	325,000
January 14, 2028	1.72	125,000	125,000
August 8, 2028	1.10	2,285,000	894,997
October 30, 2028	0.89	80,000	26,666
May 11, 2020	0.37	1,108,493	277,123
June 19, 2020	0.51	950,000	762,500
		7,550,500	4,988,293

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

	June 30, 2020	December 31, 2019
Weighted average price at the grant date	$0.43	-
Weighted average exercise price	$0.43	-
Expected dividend	-$	-
Expected average volatility	97.43%	-
Risk-free average interest rate	0.56%	-
Expected average life	9.99 years	-
Weighted fair value per stock option	$0.38	-

A stock-based compensation expense of $785,908 was recognized during the period ended June 30, 2020 (2019 – $805,515). Amount of $77,822 and $708,086 (2019 – $145,951 and $659,564) was recognized in E&E expenses and in general and administrative expenses, respectively, in the consolidated statement of loss and comprehensive loss.

11. DEFERRES SHARE UNITS

The DSU Plan provides for the payment of directors' compensation with DSUs. Each DSU is a right granted by the Company to an eligible director to receive an equivalent of the value of one common share on termination of service. The Company may make payments due under the DSU Plan by issuing one common share for each DSU. The number of DSUs to be granted under the DSU Plan is determined by dividing the director's compensation by last closing price of the common shares on the TSXV, at the time the DSU is granted. Under the DSU Plan, there's 6,940,000 shares reserved for issuance.

The following table summarizes the changes in DSUs issued during the period ended June 30, 2020:

(Unaudited and expressed in Canadian dollars)

	June 30, 2020		December 31, 2019	
	Number of DSUs	Weighted average grant price $	Number of DSUs	Weighted average grant price $
Outstanding, beginning of period	-	-	-	-
Granted DSUs	171,570	0.51	-	-
Outstanding, end of period	171,570	0.51	-	-

The compensation expense relating to DSUs amounted to $87,500 for the period ended June 30, 2020 which was recorded in the statement of loss and comprehensive loss (2018 - $nil).

12. 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, debts and convertible debentures. 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, issue more debts or convertible debenture instruments, 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 period ended June 30, 2020.

The changes in the Company's capital are disclosed in the condensed consolidated interim statements of changes in shareholder's equity.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Classification

The Company's financial instruments as at June 30, 2020 and December 31, 2019 consist of cash and cash equivalents, receivable and other current assets, accounts payable and accrued liabilities, loans and conbertible debenture.

The classification of financial instruments is summarized as follows:

(Unaudited and expressed in Canadian dollars)

	Carrying value as at June 30, 2020 $	Carrying value as at December 31, 2019 $
Financial assets at amortized costs		
Cash and cash equivalents	485,479	170,328
Receivables	21,633	500
Financial liabilities at amortized costs		
Accounts payables and accrued liabilities	1,839,092	2,747,871
Lease liability	69,801	199,808
Short-term loan	700,000	700,000
Convertible debenture host	-	1,027,856
Interest payable	34,765	94,307
Due to a related party compay	-	4,590

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 June 30, 2020, the Company had cash and cash equivalents of $485,479 to settle current liabilities of $2,660,774.

As at June 30, 2020, management does not consider current funds to be sufficient for the Company to continue operating considering the intention to advance the Lola Graphite Property and to pursue other graphite projects in Liberia (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, issuance of debts, issuance of convertible debentures, 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 condensed consolidated interim 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 June 30, 2020 consist of cash and cash equivalents, accounts payable and accrued liabilities, convertible debenture, loan 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates.

Except for the fixed interest recognized on the convertible debenture, all of the Company's assets and liabilities are non-interest-bearing and, as such, are not subject to a significant amount of risk arising from fluctuations in interest rates.

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	**June 30, 2020 in CAD**	**Impact of 10% change in FX**	**December 31, 2019 in CAD**	**Impact of 10% change in FX**
United States dollar	346	+ /- $35	629,591	+/- $62,959
Guinea franc	92,265	+ / - $9,373	115,746	+/- $11,575
British pound	-	+ / - (nil)	30,890	+/- $3,089

Cash and cash equivalents	**June 30, 2020 in CAD**	**Impact of 10% change in FX**	**December 31, 2019 in CAD**	**Impact of 10% change in FX**
United States dollar	$2,139	+ / - $214	$19,657	+ / - $1,966
Guinea franc	$4,606	+ / - $461	$66,084	+ / - $6,608

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.

14. 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 period ended June 30, 2020, the Company incurred fees of $42,483 (2019 – $58,250) with two officers. These fees are recorded under legal fees in administration expenses. As at June 30, 2020, $12,626 was due to these officers (2019 – $nil).

During the period ended June 30, 2020, the Company incurred salaries of $117,333 (2019 – $176,000) to two employees who are officers of the Company, which $35,583 (2019 – $54,250) was recorded in E&E expenses, $18,083 (2019 – $23,250) was recorded in graphite production for customers and tests as well as $65,667 (2019 – $98,500) was recorded in general and administrative expenses. As at June 30, 2020, $101,865 was due to these officers (2019 – $nil).

During the period ended June 30, 2020, the Company recognized stock-based compensation of $785,908 (2019 – $636,695) in connection with stock options granted to officers and directors solely, of which $12,824 was expensed under E&E expenses (2019 – $56,151) and $105,375 was expensed under general and administrative expenses (2019 – $580,544).

Transactions with related parties

During the period ended June 30, 2020, the Company incurred no fees with a consultant who is also a director and the Qualified Person under National Instrument NI 43-101 (2019 – $30,000). This expense was recorded in E&E expenses under geology and prospecting. As at June 30, 2020, $40,000 was due to that consultant (2019 – $nil).

During the period ended June 30, 2020, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, incurred no fee with the Company (2019 – $6,720). 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 June 30, 2020, and June 30, 2019, no amount was due to that corporation.

(Unaudited and expressed in Canadian dollars)

During the period ended June 30, 2020, the Company incurred consulting fees and administration fees of $54,865 (2019 – $83,361) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. As at June 30, 2020, $28,804 was due to that corporation (2019– $16,754).

As at June 30, 2020, SRI and its subsidiaries charged $25,550 to the Company for services recorded as E&E expenses as well as services recorded as general and administrative expenses and graphite production for customers and tests (2019 - $43,390). As at June 30, 2020, no amount was due to Sama Resources Inc. and its subsidiary (2019 – $6,852).

During the period ended June 30, 2020, the Company still owes SRI $723,937 for a loan received in June 2019. See Note 7. Pursuant to a Debt Agreement with SRI, the first tranche of US$1,000,000 has been repaid on April 2, 2020 through a conversion and issuance of 1,557,110 shares to SRI. See Note 8 and 9. As at June 30, 2020, an interest amount of $11,368 was due to SRI.

During the period ended June 30, 2020, a corporation where the Company's Executive Chairman is also the Chairman and Chief Executive Officer, charged a total amount of $8,379 (2019 – $22,572) to the Company. This amount was expensed in consulting fees. These fees were for accounting and administration services which were rendered by two employees of that corporation. As at June 30, 2020, and June 30, 2019, no amount was due to that corporation.

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, 2020, the total amounts payable in respect of severance would amount to $765,250. If a change of control would occur during the year ending December 31, 2020, the total amounts payable in respect of severance, if elected by the executive members, would amount to $765,250.

15. COMMITMENTS

The Company has to pay $10,030 in superficial rights every year for the next fifteen years to the government of Guinea to retain the rights of its mining title.

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

Year	**Other**
	$
2020	9,656
2021	9,656
2022	9,656
2023	9,656
Thereafter	96,562

16. OPERATING SEGMENTS

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at June 30, 2020, $645,127 of the Company's non-current assets are located in Guinea, Africa, and $73,293 are located in Montréal, Canada. As at December 31, 2019, $749,329 of the Company's non-current assets are located in Guinea, Africa, and $196,565 are located in Montréal, Canada.

17. SUBSEQUENT EVENTS

On July 2, 2020, the Company announced the closing of a non-brokered private placement (the "Private Placement"). The Company has issued a total of 2,000,000 units (the "Units") of SRG at a price of $0.50 per Unit for gross proceeds of CAD$1,000,000.

Each Unit is comprised of one common share of the Company (a "Share") and one non-transferable share purchase warrant. Each whole warrant (a "Warrant") will entitle the holders to purchase for a period of 36 months from the date of closing (the "Expiry Date"), one additional common share of the Company (a "Warrant Share") at an exercise price of $1.00 per Warrant Share. Finders' fees of 6% of units raised totalling 60,000 shares were issued to certain finders. No commissions are payable.

COVID-19

The outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. At the date of publication of the consolidated financial statements, it is not possible to reliably estimate the length and severity of these developments and their impact on the financial results, conditions and cash flows.