(formerly SRG Graphite Inc.)

Annual Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

TSX-V: SRG

Management's Responsibilities over Financial Reporting

The Financial Statements of SRG Mining Inc. (the "Company" or "SRG") (formerly SRG Graphite Inc.) are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") and reflect management's best estimates and judgment based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

These consolidated financial statements have been audited. The consolidated financial statements for the year ended December 31, 2019 have been audited by the Company's auditors.

Independent auditor's report

To the Shareholders of SRG Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SRG Mining Inc. and its subsidiary (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or 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.

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 9, 2021

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

SRG Mining Inc. (formerly SRG Graphite Inc.)
Consolidated Statements of Financial Position
(Audited, in Canadian dollars)

	December 31, 2020	December 31, 2019
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 5)	**523,136**	170,238
Sales taxes and other receivables	**78,072**	111,599
Prepaid expenses and deposits	**28,952**	78,444
	630,160	360,281
Non-current		
Property and equipment (Note 6)	**593,209**	945,894
TOTAL ASSETS	**1,223,369**	1,306,175
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,429,298**	2,747,871
Short-term portion of lease liability (Note 9)	**43,289**	103,558
Short-term loan (Note 10)	**700,000**	700,000
Convertible debenture host (Note 11)	**-**	1,027,856
Convertible debenture derivative (Note 11)	**-**	134,154
Interest payable (Note 10 & 11)	**58,685**	94,307
Due to a related company, without interest, due on demand	**-**	4,590
	2,231,272	4,812,336
Non-current		
Long-term portion of lease liabilitiy (Note 9)	**1,409**	96,250
Long-term loan (Note10)	**45,910**	-
TOTAL LIABILITIES	**2,278,591**	4,908,586
EQUITY		
Share capital (Note 12)	**22,643,369**	17,624,234
Deferred share units (Note 13)	**87,500**	-
Contributed surplus (Note 14)	**7,572,554**	6,592,313
Deficit	**(31,358,645)**	(27,818,958)
TOTAL EQUITY	**(1,105,222)**	(3,602,411)
TOTAL LIABILITIES AND EQUITY	**1,223,369**	1,306,175

Nature of operation and goin concern assumption (Note 1)
Subsequent events (Note 24)

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

On behalf of the Board,

Marc Filion /s/
Director

Yves Grou /s/
Director

SRG Mining Inc. (formerly SRG Graphite Inc.)
Consolidated Statements of Loss and Comprehensive loss
(Audited, in Canadian dollars)

	Year ended December 31,	
	2020	2019
	$	$
Expenses		
Exploration and evaluation (Note 7)	**965,081**	5,852,510
General and administrative (Note 8)	**2,458,673**	3,349,890
Graphite production for customers and tests	**54,791**	574,123
	3,478,545	9,776,523
Other expenses (income)		
Other income	**(149,777)**	-
Government grant	**(17,465)**	-
Change in fair value of embedded derivative	**-**	(290,286)
Gain on settlement of convertible debenture	**(117,111)**	-
Interest revenue	**(468)**	(15,285)
Interest expense	**227,925**	262,859
Foreign exchange (income) loss	**118,038**	(23,116)
	61,142	(65,828)
Net loss and comprehensive loss for the year	**(3,539,687)**	(9,710,695)
Basic loss per common share for the year (Note 20)	**(0.05)**	(0.14)
Diluted loss per common share for the year (Note 20)	**(0.05)**	(0.14)
Weighted average number of shares - basic (Note 20)	**77,504,660**	69,634,823
Weighted average number of shares – diluted (Note 20)	**77,504,660**	69,634,823

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

SRG Mining Inc. (formerly SRG Graphite Inc.)

Consolidated Statements of Changes in Equity

(Audited, in Canadian dollars)

	Number of issued and outstanding shares	Share capital	Deferred share units	Contributed surplus	Deficit	Total equity
		$		**$**	**$**	**$**
Balance as at 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 (Note12)	7,028,000	3,447,640	-	66,360	-	3,514,000
Issuance of common shares (Note 11 & 12)	1,557,110	1,247,792	-	-	-	1,247,792
Share issuance costs (Note 12)	-	(154,080)	-	(3,510)	-	(157,590)
Issuance of broker warrants (Note 12)	-	-	-	35,636	-	35,636
Exercise of stock options (Note 12 & 14)	693,493	477,783	-	(224,658)	-	253,125
Issuance of deferred share units (Note 13)	-	-	87,500	-	-	87,500
Stock-based compensation (Note 14)	-	-	-	1,106,412	-	1,106,412
Net loss and comprehensive loss for the year	-	-	-	-	(3,539,687)	(3,539,687)
Balance as at December 31, 2020	**79,825,755**	**22,643,369**	**87,500**	**7,572,554**	**(31,358,645)**	**(1,055,222)**
Balance as at 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 (Note 14)	-	-	-	1,222,550	-	1,222,550
Exercise of warrants (Note 12)	1,125,000	562,500	-	-	-	562,500
Net loss and comprehensive loss for the year	-	-	-	-	(9,710,695)	(9,710,695)
Balance as at December 31, 2019	**70,547,152**	**17,624,234**	**-**	**6,592,313**	**(27,818,958)**	**(3,602,411)**

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

SRG Mining Inc. (formerly SRG Graphite Inc.)

Consolidated Statements of Cash Flows

(Audited, in Canadian dollars)

	Year ended December 31, 2020	2019
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net (loss) income for the year	**(3,539,687)**	(9,710,695)
Adjustments for non-cash items		
Depreciation	**266,197**	297,691
Accreted interest on lease liability (Note 9)	**10,614**	20,491
Foreign exchange on lease liability (Note 9)	**(5,449)**	(9,139)
Interest payable (Note 10)	**(35,622)**	94,307
Accreted interest on loan (Note 10)	**3,375**	-
Fair value of government grant (Note 10)	**(17,465)**	-
Foreign exchange on convertible debenture (Note 11)	**97,006**	(20,519)
Accretion expense on convertible debenture (Note 11)	**105,887**	142,463
Gain on settlement of convertible debenture (Note 11)	**(117,111)**	-
Change in fair value of embedded derivatives (Note 11)	**-**	(290,286)
Deferred share units (Note 13)	**87,500**	-
Stock-based compensation (Note 14)	**1,106,412**	1,222,550
Change in non-cash working capital items (Note 21)	**(1,235,553)**	1,485,449
	(3,273,896)	(6,767,688)
INVESTING ACTIVITIES		
Property and equipment additions	**(3,761)**	(12,948)
	(3,761)	(12,948)
FINANCING ACTIVITIES		
Payment of lease liability (Note 9)	**(70,027)**	(107,860)
Issuance of units as part of a public offering (Note12)	**3,484,000**	-
Share issuance costs (Note 12)	**(91,954)**	-
Exercise of warrants (Note 12)	**-**	562,500
Exercise of stock options (Note 12 & 14)	**253,125**	-
Due to a related party (Note 10)	**(4,589)**	(58,600)
Issuance of convertible debenture (Note 11)	**-**	1,330,352
Net proceeds from loans (Note 10)	**60,000**	700,000
	3,630,555	2,426,392
Net change in cash and cash equivalents	**352,898**	(4,354,244)
Cash and cash equivalents, beginning of year	**170,328**	4,524,482
Cash and cash equivalents, end of year	**523,136**	170,238

Supplemental cash flow information (Note 21)

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

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

SRG Mining 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 April 7, 2021.

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, 2020 of $3,539,687 (2019 – $9,710,695) and has an accumulated deficit of $31,358,645 (2019 – $27,818,958). In addition, the Company had a negative working capital of $1,601,112 as at December 31, 2020 (2019 – negative $4,452,055), including cash and cash equivalents of $523,136 (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, 2021. 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. Subsequent to year end, the Company comleted a private placement (see note 24).

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 policy adopted in 2020 (Note 3).

(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
SRG Liberia Inc. (“SRG Liberia”)	Liberia
SRG Lithium Inc. (“SRG Lithium”)	Canada

(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 subsidiaries’ 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 depreciated as follows:

Category	**Straight-line method**
Computer equipment and software	30%–35%
Furniture	20%
Equipment	20%
Laboratory	10%
Right-of-use	Over the lease term

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:

i) measured subsequently at amortized cost; and
ii) measured subsequently at fair value (either through other comprehensive loss, or through net 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 loss. A financial asset shall be measured at fair value through other comprehensive loss 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 loss. 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:

i) Exercise price
ii) Expected volatility
iii) Risk-free interest rate
v) Expected life of the award
vi) 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.

(p) Convertible debenture

Financial liability with embedded foreign exchange derivative liability is separated in two components: the derivative liability and the host liability. The embedded foreign exchange derivative liability is determined first, and the residual value is assigned to the debt host liability. On recognition, the derivative liability is measured at fair value using Black & Scholes. Subsequently, the foreign exchange derivative liability is measured at fair value with changes recognised in the statement of comprehensive loss. The debt liability recorded at amortized costs is translated at the exchange rate at the reporting date. The effects of changes in foreign exchange rates with differences are recognised in the statement of comprehensive loss. Interest expense, calculated on an effective rate method, is translated at the average rate for the period.

(q) 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 the 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.

(r) Government grants

The company recognises a government grant when it has reasonable assurance that it will comply with the relevant conditions and the grant will be received. If the conditions are met, then a company recognises government grants in profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate.

3. 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 consolidated 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 consolidated financial statements.

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 Consolidated financial statements as the Company has not received any COVID-19 related rent concessions during the year.

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.

December 31, 2020 and 2019 (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

	2020 $	2019 $
Cash	477,908	126,451
Guaranteed investment certificate, maturing June 10, 2021	20,051	20,156
Guaranteed investment certificate, maturing April 19, 2021	25,187	25,431
	523,136	170.238

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.

December 31, 2020 and 2019 (in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Equipment $	Furniture $	Computer, equipment and software $	Laboratory $	Right of use assets $	Total $
Cost						
Balance – January 1, 2019	703,943	73,922	131,425	106,403	-	1,015,693
Acquisitions	3,820	6,731	-	3,079	-	13,630
Addition as at January 1, 2019 from the transition to IFRS 16	-	-	-	-	296,316	296,316
Write-off	(683)	-	-	-	-	(683)
Balance – December 31, 2019	707,080	80,653	131,425	109,482	296,316	1,324,956
Acquisitions	-	-	3,761	-	-	3,761
Modification of lease terms	-	-	-	-	(90,248)	(90,248)
Balance – December 31, 2020	707,080	80,653	135,186	109,482	206,068	1,238,469
Accumulated depreciation						
Balance – January 1, 2019	63,848	5,038	10,737	1,749	-	81,372
Depreciation	140,975	16,009	31,678	10,730	98,299	297,691
Balance – December 31, 2019	204,551	21,047	42,415	12,479	98,571	379,063
Depreciation	141,804	16,175	32,668	10,978	64,572	266,197
Balance – December 31, 2020	346,355	37,222	75,083	23,457	163,143	645,260
Carrying amount						
Balance – December 31, 2019	502,530	59,606	89,010	97,003	197,745	945,894
Balance – December 31, 2020	360,725	43,431	60,103	86,025	42,925	593,209

During the year ended December 31, 2020, a depreciation expense of $92,704 (2019 – $127,381) was recorded in the consolidated statement of loss and comprehensive loss under general and administrative expenses and a depreciation expense of $173,493 (2019 – $170,310) was recorded under exploration and evaluation expenses.

December 31, 2020 and 2019 (in Canadian dollars)

7. 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 NºA2018/5349/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 NºD/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. On March 2021 Management has asked 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.

Lola Graphite Property	**2020**	**2019**
	$	**$**
Geology and prospecting	-	61,203
Geochemistry	5,162	20,563
Drilling	-	2,218
Camp operations, field supplies and other expenses	36,345	1,392,656
Engineering study	30,911	1,789,374
Technical consulting services	-	147,293
Assaying	-	12,271
Metallurgical tests	140,714	776,430
Environmental study	-	187,862
HSEC Community relations on site	13,995	178,241
Stock-based compensation	128,352	221,808
Salaries and wages	436,109	843,642
Amortization	173,493	170,310
Total Lola Graphite Property	**965,081**	5,803,871

Gogota Property	**2020**	**2019**
	$	**$**
Technical consulting services	-	1,950
Metallurgical tests	-	46,689
Total Gogota Property	**-**	**48,639**
Total E&E expenses	**965,081**	**5,852,510**

December 31, 2020 and 2019 (in Canadian dollars)

8. 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	444,839	985,502
Consulting fees	251,170	203,306
Travel and representation	43,462	241,672
General and office expenses	168,748	342,260
Professional fees	196,393	269,497
Investor relation fees	109,735	108,541
Transfer agent and filing fees	56,726	70,273
Shareholder information	13,989	716
Stock-based compensation	978,060	1,000,742
Deferred share units	87,500	-
Director fees	15,347	-
Amortization	92,704	127,381
Total general and administrative expenses	**2,458,673**	**3,349,890**

9. LEASE LIABILITIES

	2020 $	2019 $
Lease liabilities at the beginning of the period	199,808	296,316
Lease payments	(70,027)	(107,860)
Accreted interest	10,614	20,491
Modification of lease terms	(90,248)	-
Foreign exchange gain	(5,449)	(9,139)
Balance, end of period	**44,698**	**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:

	2020 $	2019 $
Short-term portion of lease liability	43,289	103,558
Long-term portion of lease liability	1,409	96,250
Total lease liability	**44,698**	**199,808**

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the consolidated 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.

December 31, 2020 and 2019 (in Canadian dollars)

Maturity analysis – contractual undiscounted cash flows	**December 31, 2020**
Less than one year	$45,292
One to two years	$1,636
Two to three years	-
More than three years	-
Total undiscounted lease liabilities at December 31, 2020	**46,928$**
Effect of discounting	$(2,230)
Total lease liabilities at December 31, 2020	**$44,698**
Current	$43,289
Non-current	$1,409

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.

10. 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 in 12 months. As at December 31, 2020, $758,685 remains unpaid including an interest charge of $58,685. The parties have agreed to extend the final maturity date for the repayment of the outstanding balance to December 31st, 2021 and if the Company completes a financing of at least $3,000,000 before December 31st, 2021, the outstanding balance will become due immediately.

In response to COVID-19, the Company has received a $60,000 emergency loan from the Canada Emergency Business Account ("CEBA"). The loan is interest-free until December 31, 2022, and if $40,000 is reimbursed by said date, the Company will be entitled to a $20,000 exemption as government grant.

Although the government grant of $ 20,000 is not refundable if the Company repays the amount of $ 40,000 by December 31, 2022, this amount will be recognized in income when the Company has reasonable assurance that it will comply with the terms of early repayment of this aid. The Company measured the loan at a fair value of $45,910 resulting in an adjustment of $17,465 recognized in earnings as government grant and $3,375 in accreted interest.

11. 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 was 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 was 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 December 31, 2020.

As at December 31, 2019, the embedded foreign exchange derivative liability was fair valued at $134,154 and the residual value of $1,027,856 was assigned to the debt host liability. A change in fair value of the embedded foreign exchange derivative liability between the initial recognition date and December 31, 2019 has generated a gain of $290,286 for the period.

December 31, 2020 and 2019 (in Canadian dollars)

As at December 31, 2019	**Host** **$**	**Derivative** **$**	**Total** **$**
Opening balance	905,912	424,440	1,330,352
Change in fair value of derivative	-	(290,286)	(290,286)
Change in foreign exchange rate	(20,519)	-	(20,519)
Accretion	142,463	-	142,463
Balance end of period	**1,027,856**	**134,154**	**1,162,010**

On initial recognition, the value of the embedded derivative was determined using a Black & Scholes valuation model on the following assumptions:

Stock price at the time of issuance	$0.91
Exercise price	$0.91
Expected life	1 year
Expected volatility	80.80%
Risk-free interest	1.40%

12. SHARE CAPITAL

2019

On October 29, 2019, a total of 1,125,000 warrants were exercised at a price of $0.50 per warrant for total proceeds of proceeds of $562,500.

2020

During the period ended December 31, 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 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 unit 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.

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 unit 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.

December 31, 2020 and 2019 (in Canadian dollars)

In connection with the offering, the Company paid the underwriters a cash fee of $45,430 and a total of $20,277 in legal fees, filing fees and other fees. The share issuance costs were allocated between the common shares and the warrants for $96,536 and $3,510 respectively.

On April 2, 2020, the Company has agreed with SRI to close the position it had taken under the Debt Agreement (See Note 11) 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 July 2, 2020, the Company closed a concurrent non-brokered private placement for the issuance of a total of 2,000,000 units of SRG at a price of $0.50 per unit for gross proceeds of $1,000,000. 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. Finders' fees of 6% of units raised totaling 60,000 shares were issued to certain finders at a price of $0.50 per share.

In connection with the offering, the Company paid a total of $26,246 in legal fees, filing fees and other fees.

Warrants

The following table shows the changes in warrants:

		2020		2019
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Outstanding, beginning of year	7,467,433	1.20	8,960,479	2.04
Issued	7,166,580	1.00	-	-
Expired	(7,467,433)	1.20	(368,046)	2.30
Exercised	-	-	(1,125,000)	0.50
Outstanding and exercisable, end of year	**7,166,580**	**1.00**	**7,467,433**	**1.20**

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

December 31, 2020

Expiry date	Exercise price $	Number of warrants outstanding
March 4, 2023	1.00	4,039,800
March 9, 2023	1.00	946,780
March 31, 2023	1.00	180,000
July 2, 2023	1.00	2,000,000
		7,166,580

December 31, 2020 and 2019 (in Canadian dollars)

13. DEFERRED SHARE UNITS

The Deferred Share Units ("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 December 31, 2020:

	December 31, 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 December 31, 2020 which was recorded in the statement of loss and comprehensive loss (2019 - $nil).

14. 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	2020 Weighted average exercise price $	Number of stock options	2019 Weighted average exercise price $
Outstanding, beginning of year	6,185,500	0.75	6,208,000	0.75
Granted	2,058,493	0.43	-	-
Exercised	(693,493)	0.365	-	-
Expired	-	-	-	-
Forfeited	(80,000)	0.89	(22,500)	0.97
Outstanding, end of year	7,470,500	0.69	6,185,500	0.75
Excercisable, end of year	6,046,250	0.68	4,642,163	0.63

Weighted average share price at the date of exercise was $0.70 in 2020 and none were exercised in 2019.

December 31, 2020 and 2019 (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, 2020
Expiry date	**Exercise price $**	**Number outstanding**	**Number exercisable**
June 21, 2022	0.41	200,000	200,000
October 24, 2023	1.20	150,000	100,000
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	1,589,997
May 11, 2030	0.37	1,108,493	554,246
June 19, 2030	0.51	950,000	825,000
		7,470,500	6,046,250

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

	2020
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 $1,106,412 was recognized during the year ended December 31, 2020 (2019 – $1,222,550). An amount of $128,352 and $978,060 (2019 – $221,808 and $1,000,742) was recognized in E&E expenses and in general and administrative expenses, respectively, in the consolidated statement of loss and comprehensive loss.

December 31, 2020 and 2019 (in Canadian dollars)

15. INCOME TAXES

Major components of tax expense (income)

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

	2020	2019
	$	$
Current tax expense (Income)	-	-
Deferred tax expense (Income)		
Origination and reversal of temporary differences	(758,838)	(2,345,124)
Change in tax rate	-	5,797
Deferred tax expense arising from the write-down of deferred tax asset	758,838	2,339,327
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 reconcilied as follows:

	2020	2019
	$	$
Loss before income taxes	(3,539,687)	(9,710,695)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.60% in 2019)	(938,017)	(2,583,045)
Change in tax rate	-	5,797
Difference between Canadian and foreign tax rate	(34,562)	(90,321)
Stock-based compensation	293,199	325,198
Other	(79,458)	3,044
Change in unrecognized temporary differences	758,838	2,339,327
Deferred income tax expense (income	**-**	**-**

The statutory tax rate is 26.50% in 2020 (26.60% in 2019).

The significant components of deferred tax assets and liabilities as at December 31, 2020 and 2019, respectively are as follows:

	Balance as at January 1, 2020	Recognized in net income	Recognized in equity	Balance as at December 31, 2020
	$	$	$	$
Deferred tax assets				
Unused non-capital losses	44,610	(40,876)	-	3,734
Deferred tax liabilities				
Convertible debentures	(44,610)	(44,610)	-	-
Term loan	-	(3,734)		(3,734)
Deferred tax assets (liabilities)	**-**	**-**	**-**	**-**

December 31, 2020 and 2019 (in Canadian dollars)

Unrecognized deferred tax assets and liabilities

As at December 31, 2020 and 2019, the Company has the following temporary differences for which no deferred tax has been recognized:

	2020		2019	
	Federal	Provincial	Federal	Provincial
	$	$	$	$
Exploration & evaluation	6,659,955	6,659,955	6,315,177	6,315,177
Property & equipment	32,850	32,850	15,567	15,567
Issuance costs	1,545,824	1,545,824	772,853	772,853
Non-capital losses	8,280,978	8,262,310	6,395,918	6,377,250
	16,519,607	16,500,939	13,499,515	13,480,847

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, 2020, deferred tax assets totaling $4,375,549 ($3,575,226 at December 31, 2019) 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:

	2020	
	Federal	Provincial
	$	$
2036	90,036	90,036
2037	923,434	919,386
2038	2,754,523	2,747,880
2039	2,782,177	2,774,200
2040	1,730,808	1,730,808
	8,280,978	8,262,310

16. 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 and develop the mine.

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 and develop the mine, 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 year ended December 31, 2020.

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

December 31, 2020 and 2019 (in Canadian dollars)

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Classification

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

The classification of financial instruments is summarized as follows:

	Carrying value as at December 31, 2020 $	Carrying value as at December 31, 2019 $
Financial assets at amortized costs		
Cash and cash equivalents	523,136	170,328
Receivables	2,078	500
Financial liabilities at amortized costs		
Accounts payables and accrued liabilities	1,429,298	2,747,871
Lease liability	44,698	199,808
Short-term loan	700,000	700,000
Long-term loan	45,910	-
Convertible debenture	-	1,027,856
Interest payable	58,685	94,307
Due to a related party company	-	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 December 31, 2020, the Company had cash and cash equivalents of $523,136 to settle curent liabilities of $2,231,272.

As at December 31, 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.

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, 2020 consist of cash and cash equivalents, accounts payable and accrued liabilities, 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	**2020 in CAD**	**Impact of 10% change in FX**	**2019 in CAD**	**Impact of 10% change in FX**
United States dollar	17,678	+ / - $1,768	629,591	+ / - $62,959
Guinea franc	186,410	+ / - $18,641	115,746	+ / - $11,575
British pound	-	-	30,890	+ / - $3,089

Cash and cash equivalents	**2020 in CAD**	**Impact of 10% change in FX**	**2019 in CAD**	**Impact of 10% change in FX**
United States dollar	$927	+ / - $93	$19,657	+ / - $1,966
Guinea franc	$13,634	+ / - $1,363	$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.

18. 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, 2020, the Company incurred fees of $81,389 (2019 – $129,126) with two officers. These fees are recorded under legal fees in administration expenses. As at, December 31, 2020, $33,182 was due to these officers (2019– $12,626).

During the year ended December 31, 2020, the Company incurred salaries of $195,556 (2019 – $435,365) to two employees who are officers of the Company, which $52,528 (2019 – $112,133) was recorded in E&E expenses, $33,583 (2019 – $67,280) was recorded in graphite production for customers and tests as well as $109,444 (2019 – $255,952) was recorded in general and administrative expenses. As at, December 31, 2020, $161,587 was due to these officers (2019 – $100,118).

During the year ended December 31, 2020, the Company recognized stock-based compensation of $623,977 (2019 – $960,208) in connection with stock options granted to officers and directors solely, of which $76,727 was expensed under E&E expenses (2019 – $88,514) and $547,250 was expensed under general and administrative expenses (2019 – $871,694).

Transactions with related parties

During the year ended December 31, 2020, the Company incurred no fees from a consultant who is also a director and the Qualified Person under National Instrument NI 43-101 (2019 – $60,000). This expense was recorded in E&E expenses under geology and prospecting. As at, December 31, 2020, $40,000 was due to that consultant (2019 – $40,000).

During the year ended December 31, 2020, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, incurred no fees from 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, December 31, 2020, no amount was due to that corporation (2019 – nil).

During the year ended December 31, 2020, the Company incurred consulting fees of $41,667 (2019 – $167,586) with a corporation where the Company’s Executive Chairman is also a shareholder of that corporation. As at, December 31, 2020, $39,110 was due to that corporation (2019 – $57,149).

As at December 31, 2020, SRI and one of its subsidiaries charged the Company $25,550 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 – $49,349). As at, December 31, 2020, no amount was due to Sama Resources Inc. and its subsidiary (2019 – $4,590).

In 2019, SRI has loaned $1,000,000 of which $758,685 remains unpaid as at December 31, 2020 (2019 $742,055). See Note 10. 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 11 and 12.

During the period ended December 31, 2020, a corporation where the Company's Executive Chairman is also the Chairman and Chief Executive Officer, charged a total amount of $2,791 (2019 – $39,070) 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 December 31, 2020, no amount was due to that corporation (2019 – $10,230).

December 31, 2020 and 2019 (in Canadian dollars)

During the year ended December 31, 2020, a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer, was billed a total amount of $114,690 (2019 – $nil). This amount includes salaries of $110,021 and $4,940 in administration expenses. As at, December 31, 2020, $853 was still owed by that corporation (2019 – nil).

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, 2021, 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, 2021, the total amounts payable in respect of severance, if elected by the executive members, would amount to $827,750.

20. LOSS PER SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares. Warrants and stock options were excluded from the calculation of the diluted weighted average number of common shares outstanding for the years ending December 31, 2020 and December 31, 2019, as their effects would have been anti-dilutive.

21. SUPPLEMENTAL CASH FLOW INFORMATION

		Year ended December 31,
	2020	2019
Changes in working capital items	**$**	$
Sales taxes and other receivables	**33,527**	(91,953)
Prepaid expenses and deposits	**49,493**	384,674
Accounts payable and accrued liabilities	**(1,318,573)**	1,008,822
	(1,235,553)	1,485,449

22. COMMITMENTS

The Company has entered into consulting agreements which call for total payments of $34,000 in 2021.

The Company must pay $9,019 in superficial rights every year for the next thriteen 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**
	$
2021	43,019
2022	9,019
2023	9,019
2024	9,019
Thereafter	81,169

23. OPERATING SEGMENTS

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at December 31, 2020, $535,272 of the Company's non-current assets are located in Guinea, Africa, and $57,937 are located in Montréal, Canada. As at December 31, 2019 $749,329 of the Company's non-current assets were located in Guinea, Africa and $196,565 in Montréal, Canada.

24. SUBSEQUENT EVENTS

Financing

On April 6, 2021, the Company announced that further to its press release dated January 26, 2021 announcing a private placement in the form of a convertible debt financing for US$7,500,000 (approximately $9.53M) (the "Financing") with Sprott Private Resource Lending II (Collector), LP ("Sprott"), and the announcement of March 26, 2021 announcing the closing of the first tranche of the Financing for US$800,000 (the "First Tranche"), the Company provided a general update to the market on the Financing.

Considering the Company's current working capital needs, market conditions and SRG's bid on the assets of North American Lithium Inc. ("NAL"), Sprott has agreed to refinance the First Tranche and replace it with a new secured credit agreement for US$1,600,000 (the "US$1.6M Note") which was funded on April 6, 2021 and represents a fresh cash injection of US$800,000 as the balance will be used to refinance and replace the previously announced convertible financing under the First Tranche. The First Tranche includes a subscription by Sprott for 109,900 common shares of the Company (the "Incentive Shares"). Incentive Shares have been issued at a value of $0.58 per share.

The US$1.6M Note, includes a refinancing and a replacement of the previously announced US$800,000 First Tranche, as well as a fresh cash injection on the same terms which are for the totality of the amount; (i) an interest rate of 8% per annum and is payable semi-annually in arrears on the last day of June and December in each year, (ii) a term expiring on July 31, 2023, (iii) is convertible into common shares of the Company, at the discretion of Sprott, at a conversion price equal to $0.69 per share and (iv) includes the issuance of transferable common share purchase warrants to Sprott exercisable for up to 2,913,623 common shares of the Company at $0.69 per share until July 31, 2023. The above noted securities are subject to a four-month hold period.

As for the reminder of the Financing announced on January 26, 2021, the parties continue to finalize the terms and conditions of the Financing, including the conversion price.

NAL

Total payments of $1,500,000 have been made to the monitor Raymond Chabot Inc. as a refundable deposit to secure the Company's bid to acquire NAL.