Annual Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

TSX-V: SRG

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 subsidiaries (together, the Company) as at December 31, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the 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.

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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, related safeguards.

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

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 18, 2022

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

Management's Responsibilities over Financial Reporting

The Financial Statements of SRG Mining Inc. (the "Company" or "SRG") 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.

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

	December 31, 2021	December 31, 2020
	$	$
ASSETS		
Current		
Cash and cash equivalents (note 4)	**4,575,961**	523,136
Sales taxes and other receivables	**17,426**	78,072
Prepaid expenses and deposits	**35,424**	28,952
	4,628,811	630,160
Non-current		
Property and equipment (Note 5)	**336,470**	593,209
TOTAL ASSETS	**4,965,281**	1,223,369
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,671,031**	1,429,298
Short-term portion of lease liability (Note 8)	**11,841**	43,289
Short-term loans (Note 9)	**752,796**	700,000
Convertible debt - host (Note 10)	**319,563**	-
Convertible debt - embedded derivative (Note 10)	**270,561**	-
Interest payable (Note 9 & 10)	**147,171**	58,685
	3,172,963	2,231,272
Non-current		
Long-term portion of lease liability (Note 8)	**16,846**	1,409
Long-term loan (Note 9)	**-**	45,910
TOTAL LIABILITIES	**3,189,809**	2,278,591
EQUITY		
Share capital (Note 11)	**27,699,990**	22,643,369
Deferred share units (Note 12)	**87,500**	87,500
Contributed surplus (Note 13)	**8,011,205**	7,572,554
Deficit	**(34,023,223)**	(31,358,645)
TOTAL EQUITY	**1,775,472**	(1,055,222)
TOTAL LIABILITIES AND EQUITY	**4,965,281**	1,223,369

Nature of operation and going concern assumption (Note 1)
Subsequent events (Note 22)

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.
Consolidated Statements of Loss and Comprehensive loss
(Audited, in Canadian dollars)

	Years ended December 31,	
	2021	2020
	$	$
Expenses		
Exploration and evaluation (Note 6)	**350,457**	965,081
General and administrative (Note 7)	**1,924,942**	2,458,673
Graphite production for customers and tests	**-**	54,791
	2,275,399	3,478,545
Other expenses (income)		
Other income	**-**	(149,777)
Government Grant	**-**	(17,465)
Change in fair value of embedded derivative (Note 10)	**105,694**	(117,111)
Gain on settlement of convertible debenture (Note 10)	**(51,050)**	-
Interest revenue	**(210)**	(468)
Interest expense	**341,345**	227,925
Foreign exchange (income) loss	**(6,600)**	118,038
	389,179	61,142
Net loss and comprehensive loss	**(2,664,578)**	(3,539,687)
Basic and diluted loss per common share(Note 18)	**(0.03)**	(0.05)
Weighted average number of shares – basic and diluted (Note 18)	**81,668,100**	77,504,660

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

SRG Mining 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, 2021	**79,825,755**	**22,643,369**	**87,500**	**7,572,554**	**(31,358,645)**	**(1,055,222)**
Issuance of common shares (Note 11)	9,709,000	4,863,742	-	-	-	4,863,742
Share issuance costs (Note 11)	-	(34,052)	-	-	-	(34,052)
Exercise of stock options (Notes 11 & 13)	300,000	226,931	-	(103,930)	-	123,001
Stock-based compensation (Note 13)	-	-	-	542,581	-	542,581
Net loss and comprehensive loss for the year	-	-	-	-	(2,664,578)	(2,664,578)
Balance as at December 31, 2021	**89,835,655**	**27,699,990**	**87,500**	**8,011,205**	**(34,023,223)**	**1,775,472**
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 (Note 11)	7,028,000	3,447,640	-	66,360	-	3,514,000
Issuance of common shares (Note 11)	1,557,110	1,247,792				1,247,792
Share issuance costs (Note 11)	-	(154,080)	-	(3,510)	-	(157,590)
Issuance of broker warrants (Note 11)	-	-	-	35,636	-	35,636
Exercise of stock options (Notes 11 & 13)	693,493	477,783	-	(224,658)	-	253,125
Issuance of deferred share units	-	-	87,500	-	-	87,500
Stock-based compensation (Note 13)	-	-	-	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)**

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

SRG Mining Inc.
Consolidated Statements of Cash Flows
(Audited, in Canadian dollars)

	Years ended December 31,	
	2021	2020
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net loss	**(2,664,578)**	(3,539,687)
Adjustments for non-cash items		
Depreciation	**211,088**	266,197
Accreted interest on lease liability (Note 8)	**2,263**	10,614
Foreign exchange on lease liability (Note 8)	**899**	(5,449)
Gain on settlement of convertible debenture (Note 10)	**(51,050)**	-
Interest payable (Notes 9 & 10)	**88,486**	(35,622)
Accreted interest on loan (Note 9)	**6,886**	3,375
Government Grant	**-**	(17,465)
Foreign exchange on convertible debenture (Note 10)	**(16,620)**	97,006
Accretion expense on convertible debenture (Note 10)	**124,579**	105,887
Change in fair value of embedded derivatives (Note 10)	**105,694**	(117,111)
Deferred share units	**-**	87,500
Stock-based compensation (Note 13)	**542,581**	1,106,412
Change in non-cash working capital items (Note 19)	**295,907**	(1,235,553)
	(1,353,865)	(3,273,896)
INVESTING ACTIVITIES		
Property and equipment additions	**(1,751)**	(3,761)
Proceed on disposal of property and equipment	**47,402**	-
	45,651	(3,761)
FINANCING ACTIVITIES		
Lease liability (Note 8)	**(19,173)**	(70,027)
Issuance of units as part of a private placement (Note 11)	**4,800,000**	3,484,000
Issuance of shares (Note 11)	**63,742**	-
Share issuance costs (Note 11)	**(34,052)**	(91,954)
Exercise of stock options (Notes 11 & 13)	**123,001**	253,125
Due to a related company	**-**	(4,589)
Net proceeds from loan	**-**	60,000
Issuance of convertible debenture (Note 10)	**427,521**	-
	5,361,039	3,630,555
Net change in cash and cash equivalents	**4,052,825**	352,898
Cash and cash equivalents, beginning of year	**523,136**	170,328
Cash and cash equivalents, end of year	**4,575,961**	523,136

Supplemental cash flow information (Note 19)
The accompanying notes are an integral part of these consolidated financial statements.

December 31, 2021 and 2020 (in Canadian dollars)

1. NATURE OF OPERATION AND LIQUIDITY RISK

SRG Mining Inc. is a Canadian-based mineral exploration and development business with activities in West 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 13, 2022.

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.

As at December 31, 2021, the Company had a working capital of $ 1.5 million, which included cash of $4.6 million. Management of the Company believes that it has sufficient funds to maintain the status of its current obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments beyond the ensuing 12 months as they fall due, with the financing closed on March 31, 2022 (described in note 20). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future. To continue the Company's future operations and fund its development expenditures, the Company will periodically need to raise additional funds, which may be completed in a number of ways, including, but not limited to, the issuance of new equity, debt financing or securing capital from potential partners. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

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.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis 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) 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: 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 the 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 debt

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 loss and comprehensive loss. The debt host liability is recorded at amortized costs and is translated at the exchange rate at the reporting date. The effects of changes in foreign exchange rates are recognised in the statement of loss and comprehensive loss. Interest expense is calculated on an effective rate method, and 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 the 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. 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 and liquidity risk

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, 2021 and 2020 (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.

4. CASH AND CASH EQUIVALENT

	2021	**2020**
	$	**$**
Cash	4,530,767	477,908
Guaranteed investment certificate, maturing June 10, 2022	20,124	20,051
Guaranteed investment certificate, maturing May 19, 2022	25,070	25,187
	4,575,961	523,136

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, 2021 and 2020 (in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Equipment $	Furniture $	Computer, equipment and software $	Laboratory $	Right of use assets $	Total $
Cost						
Balance – January 1, 2020	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
Acquisitions	-	-	1,751	-	25,146	26,897
Disposal	(188,660)	-	-	-	(101,357)	(290,017)
Balance – December 31, 2021	518,420	80,653	136,937	109,482	129,857	975,349
Accumulated depreciation						
Balance – January 1, 2020	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
Depreciation	117,950	16,131	29,417	10,948	36,643	211,089
Disposal	(119,139)	-	-	-	(98,331)	(217,470)
Balance – December 31, 2021	345,166	53,353	104,500	34,405	101,455	638,879
Carrying amount						
Balance – December 31, 2020	360,725	43,431	60,103	86,025	42,925	593,209
Balance – December 31, 2021	173,254	27,300	32,437	75,077	28,402	336,470

During the year ended December 31, 2021, a depreciation expense of $65,148 (2020 – $92,704) was recorded in the consolidated statement of loss and comprehensive loss under general and administrative expenses and a depreciation expense of $145,940 (2020 – $173,493) was recorded under exploration and evaluation expenses.

December 31, 2021 and 2020 (in Canadian dollars)

6. 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 canceled 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. In 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 June 5, 2021, the Company and the government of Guinea signed an agreement which stipulates that the Company must begin work on its Lola project within six months of being formally reissued the Gogota permit. As of this date, the Company has yet to receive formal notice of reissuance of the Gogota permit.

Lola Graphite Property	**2021**	2020
	$	$
Geochemistry	**1,816**	5,162
Camp operations, field supplies and other expenses	**5,433**	36,345
Engineering study	**-**	30,911
Metallurgical tests	**25,000**	140,714
HSEC Community relations on site	**3,772**	13,995
Stock-based compensation	**39,923**	128,352
Salaries and wages	**128,573**	436,109
Amortization	**145,940**	173,493
Total Lola Graphite Property	**350,457**	965,081
Total E&E expenses	**350,457**	965,081

December 31, 2021 and 2020 (in Canadian dollars)

7. 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.

Operating expenses	2021	2020
	$	$
Salaries and benefits	258,514	444,839
Consulting fees	564,745	251,170
Travel and representation	55,214	43,462
General and office expenses	194,409	168,748
Professional fees	233,338	196,393
Investor relation fees	233	109,735
Transfer agent and filing fees	46,006	56,726
Shareholder information	4,677	13,989
Stock-based compensation	502,658	978,060
Deferred share units	-	87,500
Director fees	-	15,347
Amortization	65,148	92,704
Total general and administrative expenses	1,924,942	2,458,673

8. LEASE LIABILITIES

	2021	2020
	$	$
Lease liabilities at the beginning of the year	44,698	199,808
Lease payments	(43,212)	(70,027)
Lease addition	29,268	-
Lease termination	(5,229)	-
Accreted interest	2,263	10,614
Modification of lease terms	-	(90,248)
Foreign exchange gain	899	(5,449)
Balance, end of year	28,687	44,698

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:

	2021	2020
	$	$
Short-term portion of lease liability	11,841	43,289
Long-term portion of lease liability	16,846	1,409
Total lease liability	28,687	44,698

The leases mature at the latest in 2024.

December 31, 2021 and 2020 (in Canadian dollars)

9. LOANS PAYABLE

On June 18, 2019, the Company received a bridge loan of $1,000,000 from Sama Resources Inc. (collectively with its subsidiaries, “SRI”), a related company, to fund the immediate cash requirements of the Company. The loan bears interest at 10% per annum. As at December 31, 2021 $711,699 remains unpaid including an interest charge of $11,699. The parties have agreed to extend the final maturity date for the repayment of the outstanding balance to December 31st, 2022 and if the Company completes a financing of at least $3,000,000 before December 31st, 2022, 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. As at December 31, 2021 the loan is measured at amortized cost of $52,796 (2020 - $45,910) and $6,886 in accreted interest has been recorded for 2021 (2020 - $3,375). In January 2022, the government of Canada announced that the maturity of the CEBA loans was extended to December 31, 2023.

10. CONVERTIBLE DEBT

On January 26, 2021, SRG entered into a private placement in the form of a convertible debt financing for US$7,500,000 with Sprott Private Resource Lending II (Collector), LP (“Sprott”). The first tranche (“First Tranche”) of US$800,000 was received on January 25, 2021 and included a subscription for 109,900 common shares of the Company (the “Incentive Shares”). Incentive Shares were issued at $0.58 per share.

On April 6, 2021, Sprott 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”). The US$1.6M Note, included a refinancing and a replacement of the 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, (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 2,913,623 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 Company was unsuccessful in its bid to acquire NAL, and $1,400,000 (US$1,117,629) of the US$1.6M Note was reimbursed to Sprott. The full amount outstanding including principal, implied interest, prepayment fee and expenses under the US$1.6M Note is due immediately. As at December 31, 2021, the amount due immediately to Sprott is estimated at $832,267 (US$655,467).

As at December 31, 2021, the embedded foreign exchange derivative liability was fair valued at $270,561 and the residual value of $319,563 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, 2021 has generated a loss of $105,694 for the year.

As at December 31, 2021	**Host**	**Derivative**	**Total**
	$	**$**	**$**
First Tranche (US$800,000)	500,762	415,146	915,908
Second Tranche (US$800,000)	405,100	448,706	853,806
Change in fair value of derivative	-	105,694	105,694
Partial repayments	(706,176)	(692,689)	(1,398,865)
Change in foreign exchange rate	(4,702)	(6,296)	(10,998)
Accretion	124,579	-	124,579
Balance end of year	**319,563**	**270,561**	**590,124**

December 31, 2021 and 2020 (in Canadian dollars)

The value of the embedded derivative was determined using a Black & Scholes valuation model on the following assumptions at December 31, 2021:

Stock price	$0.72
Exercise price	$0.69
Expected life	1.58 year
Expected volatility	84,9%
Risk-free interest	0.52%

11. SHARE CAPITAL

2020

During the year 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 April 2, 2020, the Company agreed with SRI to close the position it had taken under the Debt Agreement 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.

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 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.

2021

On January 27, 2021 as part of the Financing with Sprott, the Company has issued 109,900 Incentive Shares at a price of $0.58 per share for total proceeds of $63,742. See Note 10.

In November 5, 2021 the Company closed a concurrent non-brokered private placement for the issuance of a total of 9,600,000 units of SRG at a price of $0.50 per unit for gross proceeds of $4,800,000, and issuance costs of $34,052. Each unit comprises one common share of the Company and half of 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 $0.75 per common share at any time for a period of 24 months. Based on the residual method, a fair value of $nil was allocated to the warrants.

December 31, 2021 and 2020 (in Canadian dollars)

During the year ended December 31 2021, 200,000 stock options were exercised at a price of $0.365 per stock and 100,000 stock options were exercised at a price of $0.50 per stock option for total proceeds of $123,001.

Warrants

The following table shows the changes in warrants:

	Number of warrants	2021 Weighted average exercise price $	Number of warrants	2020 Weighted average exercise price $
Outstanding, beginning of year	7,166,580	1.00	7,467,433	1.20
Issued	7,713,623	0.73	7,166,580	1.00
Expired	-	-	(7,467,433)	1.20
Outstanding and exercisable, end of year	**14,880,203**	**0.86**	7,166,580	1.00

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

December 31, 2021 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
July 31, 2023	0.69	2,913,623
November 5, 2023	0.75	4,800,000
		14,880,203

12. 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, 6,940,000 shares are reserved for issuance.

The following table summarizes the changes in DSUs issued during the period ended December 31, 2021:

	December 31, 2021		December 31, 2020	
	Number of DSUs	Weighted average grant price $	Number of DSUs	Weighted average grant price $
Outstanding, beginning of year	171,570	0.51	-	-
Granted DSUs	-	-	171,570	0.51
Outstanding, end of year	171,570	0.51	171,570	0.51

The compensation expense relating to DSUs amounted to $nil for the year ended December 31, 2021 which would have been recorded in the statement of loss and comprehensive loss (2020 - $87,500).

December 31, 2021 and 2020 (in Canadian dollars)

13. 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:

	2021 Number of stock options	2021 Weighted average exercise price $	2020 Number of stock options	2020 Weighted average exercise price $
Outstanding, beginning of year	7,470,500	0.69	6,185,500	0.75
Granted	490,000	0.69	2,058,493	0.43
Exercised	(300,000)	0.41	(693,493)	0.365
Forfeited	-	-	(80,000)	0.89
Outstanding, end of year	7,660,500	0.70	7,470,500	0.69
Exercisable, end of year	7,025,876	0.72	6,046,250	0.68

Weighted average share price at the date of exercise was $0.86 in 2021 and $0.70 in 2020.

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

		December 31, 2021	
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	1,902,007	1,902,007
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	2,285,000
May 11, 2030	0.37	1,108,493	831,369
June 19, 2030	0.51	950,000	887,500
February 9, 2031	0.69	490,000	245,000
		7,660,500	7,025,876

December 31, 2021 and 2020 (in Canadian dollars)

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

	2021	2020
Weighted average price at the grant date	$0.69	$0.43
Weighted average exercise price	$0.69	$0.43
Expected dividend	-$	-$
Expected average volatility	98.31%	97.43%
Risk-free average interest rate	0.99%	0.56%
Expected average life	10 years	9.99 years
Weighted fair value per stock option	$0.61	$0.38

A stock-based compensation expense of $542,581 was recognized during the year ended December 31, 2021 (2020 – $1,106,412). An amount of $39,923 and $502,658 (2020 – $128,352 and $978,060) was recognized in E&E expenses and in general and administrative expenses, respectively, in the consolidated statement of loss and comprehensive loss.

14. INCOME TAXES

Major components of tax expense (income)

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

	2021	2020
	$	$
Current tax expense (Income)	-	-
Deferred tax expense (Income)		
Origination and reversal of temporary differences	(249,046)	(758,838)
Change in tax rate	-	-
Deferred tax expense arising from the write-down of deferred tax asset	249,046	758,838
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:

	2021	2020
	$	$
Loss before income taxes	(2,664,578)	(3,539,687)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.5% in 2020)	(706,113)	(938,017)
Difference between Canadian and foreign tax rate	(15,315)	(34,562)
Stock-based compensation	143,784	293,199
Other	20,628	(79,458)
Prior year adjustment	307,971	0
Change in unrecognized temporary differences	249,046	758,838
Deferred income tax expense (income)	**-**	**-**

The statutory tax rate is 26.5% in 2021 (26.5% in 2020).

December 31, 2021 and 2020 (in Canadian dollars)

The significant components of deferred tax assets and liabilities as at December 31, 2021 and 2020, respectively are as follows:

	Balance as at January 1, 2021	Recognized in net income	Recognized in equity	Balance as at December 31, 2021
	$	**$**	**$**	**$**
Deferred tax assets				
Unused non-capital losses	3,734	(1,825)	-	1,909
Deferred tax liabilities				
Convertible debentures	-	-	-	-
Term loan	(3,734)	1,825		(1,909)
Deferred tax assets (liabilities)	**-**	**-**	**-**	**-**

Unrecognized deferred tax assets and liabilities

As at December 31, 2021 and 2020, the Company has the following temporary differences for which no deferred tax has been recognized:

		2021		**2020**
	Federal	Provincial	Federal	Provincial
	$	**$**	**$**	**$**
Exploration & evaluation	6,690,955	6,690,955	6,659,955	6,659,955
Property & equipment	51,789	51,789	32,850	32,850
Convertible debt	219,276	219,276	-	-
Issuance costs	332,736	332,736	1,545,824	1,545,824
Non-capital losses	9,698,028	9,679,360	8,280,978	8,262,310
	16,992,784	16,974,116	16,519,607	16,500,939

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, 2021, deferred tax assets totaling $4,493,103 ($4,375,549 at December 31, 2020) 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:

		2021
	Federal	Provincial
	$	**$**
From 2036 to 2041	9,698,028	9,679,360

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern 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.

December 31, 2021 and 2020 (in Canadian dollars)

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, 2021.

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

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Classification

The Company's financial instruments as at December 31, 2021 and 2020 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, 2021 $	Carrying value as at December 31, 2020 $
Financial assets at amortized costs		
Cash and cash equivalents	**4,575,961**	523,136
Receivables	**1,070**	2,078
Financial liabilities at amortized costs		
Accounts payables and accrued liabilities	**1,671,031**	1,429,298
Short-term loan	**752,796**	700,000
Long-term loan	**-**	45,910
Convertible debt host	**319,563**	-
Interest payable	**147,171**	58,685
Financial liabilities at fair value		
Convertible debt derivative	**270,561**	-

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, 2021 the Company had cash and cash equivalents of $4,575,961 to settle current liabilities of $3,172,963. As indicated in note 9, the maturity of the CEBA loan (carrying amount of $52,796 as at December 31, 2021) has since been pushed to December 31, 2023.

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, 2021 consist of cash and cash equivalents, accounts payable and accrued liabilities, loans and convertible debenture. The Company's financial assets and financial liabilities approximate their fair values due to their relatively short periods to maturity. The embedded derivative (see note 10) is a Level 3 measurement.

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 debt and short-term loan, 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	**December 31, 2021 in CAD**	**Impact of 10% change in FX**	**December 31, 2020 in CAD**	**Impact of 10% change in FX**
United States dollar	423,376	+ / - 42,338	17,678	+ / - $1,768
Guinea franc	81,604	+ / - 8,160	186,410	+ / - $18,641

Cash and cash equivalents	**December 31, 2021 in CAD**	**Impact of 10% change in FX**	**December 31, 2020 in CAD**	**Impact of 10% change in FX**
United States dollar	262,672	+ / - 26,267	$927	+ / - $93
Guinea franc	8,307	+ / - 831	$13,634	+ / - $1,363

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.

17. 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, 2021, the Company incurred fees of $82,222 (2020 – $81,389) with one officer. These fees are recorded under legal fees in administration expenses. As at, December 31, 2021, $115,404 was due to this officer (December 31, 2020 – $33,182).

During the year ended December 31, 2021, the Company incurred salaries of $117,333 (2020 – $195,556) to two employees who are officers of the Company, which $nil (2020 – $52,528) was recorded in E&E expenses, $nil (2020 – $33,583) was recorded in graphite production for customers and tests as well as $117,333 (2020 – $109,444) was recorded in general and administrative expenses. As at December 31, 2021, $278,920 was due to these officers (December 31, 2020 – $161,587).

During the year ended December 31, 2021, the Company recognized stock-based compensation of $201,851 (2020 – $623,977) in connection with stock options granted to officers and directors solely, of which $23,676 was expensed under E&E expenses (2020 – $76,727) and $178,175 was expensed under general and administrative expenses (2020 – $547,250).

Transactions with related parties

During the year ended December 31, 2021, the Company incurred no fees from a consultant who is also a director and the Qualified Person under National Instrument NI 43-101 (2020 – $nil). As at December 31, 2021, $40,000 was due to that consultant (December 31, 2020 – $40,000).

During the year ended December 31, 2021, the Company incurred consulting fees and administrative fees of $63,333 (2020 – $41,667) with a corporation where the Company's Executive Chairman is also a controlling shareholder of that corporation. As at December 31, 2021, $64,110 was due to that corporation (December 31, 2020 – $39,110).

During the year ended December 31, 2021, SRI charged the Company $1,487 for services recorded as E&E expenses as well as services recorded as general and administrative expenses (2020 – $25,550). As at December 31, 2021 & 2020, no amount was due to SRI.

In 2019, SRI has loaned $1,000,000 of which $711,699 remains unpaid as at December 31, 2021 (December 31, 2020 –$758,685). See Note 8.

During the year ended December 31, 2021, a corporation where the Company's Executive Chairman is also the Chairman and Chief Executive Officer, charged a total amount of $nil (2020 – $2,791) to the Company. This amount was expensed in consulting fees. These fees were for accounting and administration services. As at December 31, 2021, no amount was due to that corporation (December 31, 2020 – $nil).

December 31, 2021 and 2020 (in Canadian dollars)

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

18. 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, 2021 and December 31, 2020, as their effects would have been anti-dilutive.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	**Year Ended December 31,** 2020
Changes in working capital items	**$**	$
Sales taxes and other receivables	**60,646**	33,527
Prepaid expenses and deposits	**(6,472)**	49,493
Accounts payable and accrued liabilities	**(28,267)**	(1,318,573)
	25,907	(1,235,553)

20. COMMITMENTS

The Company must pay $8,988 in superficial rights every year for the next twelve 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** $
2022	8,988
2023	8,988
2024	8,988
2025	8,988
2026	8,988
Thereafter	62,915

21. OPERATING SEGMENTS

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties. As at December 31, 2021, $278,750 of the Company’s non-current assets are located in Guinea, Africa, and $57,720 are located in Montréal, Canada. As at December 31, 2020 $535,272 of the Company’s non-current assets were located in Guinea, Africa and $57,937 in Montréal, Canada.

22. SUBSEQUENT EVENTS

On February 22, 2022, the Company completed a non-brokered private placement for a total of $270,000 issuing 500,000 shares.

On February 23, 2022, the Company adopted a Restricted Stock Unit Plan ("RSU Plan"). The Company has considered adoption of a cash only RSU plan to allow it to attract top tier talent without impacting dilution and share issuances at this stage and in order to stay within prescribed limits and regulations of the TSX-V. As such a new RSU Plan, payable in cash only, has been discussed and approved by the board of directors. The adoption of the RSU Plan allows the Company to issue the RSU grant presented to the Board which will be payable in cash in line with standard practices. On March 1st, 1,750,000 RSUs were granted to new and current officers at a price of 0.70$ per share, for a total of $1,225,000.

On March 31, 2022, the Company completed a non-brokered private placement for a total of $12,568,047 issuing 22,442,941 shares to a fund advised by La Mancha Capital Advisory LLP. The Fund owns 19.9% of SRG's issued and outstanding common shares, establishing it as one of SRG's largest shareholders. The investment is an important first step by SRG and La Mancha to accelerate development of the Lola Graphite Project