

# GLOBAL LI-ION GRAPHITE CORP.

(formerly Thelon Diamonds Ltd.)  
(An Exploration Stage Company)

## CONSOLIDATED FINANCIAL STATEMENTS (Expressed in Canadian Dollars)

For the years ended August 31, 2017 and 2016

GLOBAL LI-ION THELON DIAMONDS LTD. (formerly Thelon Diamonds Ltd.)  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
For the years ended August 31, 2017 and 2016

	<u>Page</u>
Independent Auditor's Report	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Comprehensive Income and Loss	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 24



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Global Li-Ion Graphite Corp. (formerly Thelon Diamonds Ltd.)**

We have audited the accompanying consolidated financial statements of Global Li-Ion Graphite Corp. (formerly Thelon Diamonds Ltd.) and its subsidiary, which comprise the consolidated statements of financial position as at August 31, 2017 and 2016, and the consolidated statements of comprehensive income and loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thelon Diamonds Ltd. and its subsidiary as at August 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Global Li-Ion Graphite Corp. (formerly Thelon Diamonds Ltd.) and its subsidiary to continue as a going concern.

*Wolrige Mahon LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

December 21, 2017

Vancouver, B.C.

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)

	August 31, 2017	August 31, 2016
<b>ASSETS</b>		
Current		
Cash	\$ 1,569,323	\$ 11,923
GST recoverable	20,740	1,785
Deposits and prepaid expenses	245,583	-
Amounts due from related parties (Note 3)	17,294	37,305
Other loans	-	5,000
Investments (Note 4)	90,000	230,000
	1,942,940	286,013
Non-Current		
Exploration and evaluation assets (Note 5)	638,060	104,489
<b>Total Assets</b>	<b>\$ 2,581,000</b>	<b>\$ 390,502</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 461,666	\$ 102,798
Amounts due to related parties (Note 3)	79,299	-
	540,965	102,798
Non-Current		
Loans from related parties (Note 3)	-	15,868
Other liability	19,500	19,500
	19,500	35,368
	560,465	138,166
<b>EQUITY</b>		
Share capital (Note 6)	2,944,544	432,901
Share subscriptions receivable (Note 6)	(20,360)	-
Contributed surplus	376,224	-
Deficit	(1,279,873)	(180,565)
	2,020,535	252,336
<b>Total Liabilities and Equity</b>	<b>\$ 2,581,000</b>	<b>\$ 390,502</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 11)

Approved and authorized for issue by the Directors on December 21, 2017:

"Jason Walsh" Director "Geoff Watson" Director

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

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND LOSS  
For the years ended August 31, 2017 and 2016  
(Expressed in Canadian Dollars)

	For the year ended August 31, 2017	For the year ended August 31, 2016
EXPENSES		
Administration fees (Note 7)	\$ 46,000	\$ 42,500
Advertising and promotion	90,024	-
Consulting fees (Note 7)	160,000	30,700
General and administrative (Note 7)	37,321	9,352
Professional fees (Note 7)	155,423	35,234
Stock-based compensation (Notes 6c and 7)	302,527	-
Travel, meals and entertainment	76,853	8,083
	868,148	125,869
Forgiveness of accounts payable	(3,329)	-
Unrealized loss (gain) on investment (Note 4)	140,000	(220,000)
Write-down of exploration and evaluation assets (Note 5)	94,489	-
Net and comprehensive income (loss)	\$ (1,099,308)	\$ 94,131
Income (loss) per share – basic and diluted	\$ (0.06)	\$ 0.01
Weighted average number of shares outstanding – basic and diluted	18,076,474	12,743,666

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

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)

	Number of Shares	Share capital	Share subscriptions receivable	Contributed surplus	Deficit	Total
Balance August 31, 2015	12,743,666	\$ 432,901	\$ -	\$ -	\$ (274,696)	\$ 158,205
Net income for the year	-	-	-	-	94,131	94,131
Balance August 31, 2016	12,743,666	432,901	-	-	(180,565)	252,336
Shares issued pursuant to:						
Exercise of warrants (Note 6b)	5,000,000	500,000	-	-	-	500,000
Property acquisition (Notes 5b and 6b)	1,000,000	200,000	-	-	-	200,000
Private placements (Note 6b)	9,897,500	1,979,500	(20,360)	-	-	1,959,140
Share issuance costs (Note 6b)	-	(167,857)	-	73,697	-	(94,160)
Stock-based compensation (Note 6c)	-	-	-	302,527	-	302,527
Net loss for the year	-	-	-	-	(1,099,308)	(1,099,308)
Balance August 31, 2017	28,641,166	\$ 2,944,544	\$ (20,360)	\$ 376,224	\$ (1,279,873)	\$ 2,020,535

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

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended August 31, 2017 and 2016  
(Expressed in Canadian Dollars)

	For the year ended August 31, 2017	For the year ended August 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income / (Loss) for the year	\$ (1,099,308)	\$ 94,131
Accrued interest (Note 4)	-	3,500
Forgiveness of accounts payable	(3,329)	-
Stock-based compensation	302,527	-
Unrealized loss (gain) on investment	140,000	(220,000)
Write-down of exploration and evaluation assets	94,489	-
Changes in operating assets and liabilities:		
GST recoverable	(18,955)	2,910
Deposits and prepaid expenses	(245,583)	
Accounts payable and accrued liabilities	276,781	55,035
Cash used in operating activities	(553,378)	(64,424)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from related parties, net	63,431	12,368
Shares issued, net	2,347,340	-
Cash provided by financing activities	2,410,771	12,368
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(325,004)	(21,142)
Acquisition of investment	-	(10,000)
Loans to related parties	20,011	73,904
Other loans	5,000	(5,000)
Cash provided by (used in) investing activities	(299,993)	37,762
Change in cash	1,557,400	(14,294)
Cash, beginning	11,923	26,217
Cash, ending	\$ 1,569,323	\$ 11,923
<b>Supplemental disclosures</b>		
Accounts payable included in		
exploration and evaluation assets	\$ 103,056	\$ -
Fair value of shares issued for the acquisition of		
exploration and evaluation assets	\$ 200,000	\$ -
Fair value of shares and warrants issued		
to settle accounts payable	\$ 17,640	\$ -
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Global Li-Ion Graphite Corp. (formerly Thelon Diamonds Ltd.) (the "Company") was incorporated under the laws of the province of British Columbia on November 6, 2014. The Company's principal business is the exploration and evaluation of mineral resources. The Company's corporate office is located at 908 - 510 Burrard Street, Vancouver B.C. Effective July 11, 2017, the Company has completed a corporate name change from "Thelon Diamonds Ltd." to "Global Li-Ion Graphite Corp." and effective July 14, 2017, the Company trades on the Canadian Securities Exchange (the "CSE") under the symbol LION.

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended August 31, 2017, the Company has not generated revenues, net loss was \$1,099,308, and has accumulated a deficit of \$1,279,873, as at August 31, 2017, the Company had working capital of \$1,401,975. The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing, generate positive cash flows and, ultimately, the achievement of profitable operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. As the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) *Basis of Preparation*

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss and available-for-sale which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The consolidated financial statements include Global Li-Ion Graphite Corp. (formerly Thelon Diamonds Ltd.) and its wholly owned subsidiary Thelon Diamond Company Limited from the date of acquisition, December 18, 2014. All inter-company transactions have been eliminated.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Significant Accounting Estimates and Judgments*

The preparation of these consolidated financial statements requires management to make certain estimates, judgments 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 financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates*

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

- i. The composition of the deferred income tax asset and recognition of deferred income tax asset;
- ii. Determination of the fair value of the investment;
- iii. The recoverable amount of exploration and evaluation assets.

*Critical accounting judgments*

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The judgments which may have an effect on the amounts recognized in the consolidated financial statements include the following:

- i. The determination of categories of financial assets and financial liabilities;
- ii. The assessment of going concern;
- iii. The assessment of impairment indicators for the exploration and evaluation assets.

(d) *Exploration and evaluation assets*

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures, in excess of estimated recoveries, are written off to income or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Exploration and evaluation assets (continued)*

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Exploration and evaluation assets are classified as intangible assets.

When the Company's exploration and development activities are conducted jointly with others, the consolidated financial statements include only the Company's proportionate interests in these arrangements.

(e) *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when significant operating and financial decisions relating to the activity require the unanimous consent of the parties sharing control. The Company's joint arrangements consist of joint operations.

A joint operation is a joint arrangement in which the parties to the arrangement have joint control over the assets contributed to or acquired for the purposes of the joint arrangement. Joint operations do not involve the establishment of a corporation, partnership or other entity. The Company records its proportionate interest in the assets, liabilities, revenues and expenses of its joint operations.

(f) *Financial instruments*

Financial assets and 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.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Instruments classified under this category, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the statement of financial position at fair value. Unrealized gains and losses are recorded in profit or loss. Realized gains or losses are recorded in profit or loss in the period in which the Company disposes of the instrument. The Company has classified its investment as a financial asset at fair value through profit or loss.

(ii) *Available-for-sale assets:* Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

(iii) *Held-to-Maturity investments:* Held-to-maturity investments are non-derivatives that are designated in this category where the Company has the intention and the ability to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost using the effective interest method less a provision for impairment. The effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The Company does not hold any held-to-maturity assets.

(iv) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified cash, amounts due from related parties, and other loans as loans and receivables.

(v) *Other financial liabilities:* Financial instruments held by the Company and classified in this category include accounts payable and accrued liabilities, amounts due to related parties, and loans from related parties. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

*Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(g) *Share capital*

When units are issued, which include shares and warrants, the warrants are valued using the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for the warrants.

(i) *Share issue costs*

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(ii) Flow-through Shares*

The Company may, from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

*(h) Stock-based Compensation*

The Company accounts for stock options and warrants granted to directors, officers, employees and non-employees at fair value. The fair value of the options and warrants to employees at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations or share capital using the graded method, with an offsetting credit to contributed surplus, over the vesting periods. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted, and is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

*(i) Income/(Loss) per Share*

Basic income/(loss) per share is calculated by dividing the income/(loss) for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Income Taxes*

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(k) *Recent Accounting Pronouncements*

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2018 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the financial statements.

*IFRS 9 – Financial Instruments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39 with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

*IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. It is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Recent Accounting Pronouncements (continued)*

*IFRS 16 – Leases*

IFRS 16 specifies how a leases will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for reporting periods beginning on or after January 1, 2019.

3. LOANS AND AMOUNTS DUE TO AND FROM RELATED PARTIES

*Loans and Amounts due from related parties*

	August 31, 2017	August 31, 2016
THC BioMed Int'l Ltd.	\$ 17,294	\$ 17,294
Zadar Ventures Ltd.	-	14,000
Bua Capital Management Ltd.	-	6,011
<b>Total</b>	<b>\$ 17,294</b>	<b>\$ 37,305</b>

THC BioMed Int'l Ltd. (formerly Thelon Capital Ltd.) and Zadar Ventures Ltd. are public companies with Directors in common with the Company. Bua Capital Management Ltd. is a private company controlled by a Director of the Company. The loans and amounts due to and from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

*Loans and Amounts due to related parties*

	August 31, 2017	August 31, 2016
Zadar Ventures Ltd.	\$ 53,897	\$ -
Bua Capital Management Ltd.	25,402	-
1177129 Alberta Ltd.	-	15,868
<b>Total</b>	<b>\$ 79,299</b>	<b>\$ 15,868</b>

On October 27, 2015, the Company entered into a loan agreement with a private company controlled by a Director of the Company. The principal loan amount was \$25,000 and bears interest at 25% per year. As at August 31, 2017, the Company has repaid the loan in full (2016: \$15,868). Other amounts due to related parties are unsecured, non-interest bearing and have no fixed repayment terms.

4. INVESTMENTS

On December 22, 2015, the Company acquired 1,000,000 units in Zadar Ventures Ltd. ("Zadar"), a company with directors in common, for \$0.01 per unit for total consideration of \$10,000. Each unit consists of one common share in Zadar and one common share purchase warrant exercisable for a period of 3 years at \$0.05 per share.

The fair value of the share portion of the unit is determined using the stock price of Zadar as at the date of the statement of financial position. The fair value of the warrant portion of the unit is determined by deducting the exercise price of the Zadar warrants from the Zadar stock price.

4. INVESTMENTS (continued)

As at the August 31, 2017 the investment in Zadar was determined to have a fair value of \$90,000 (2016: \$230,000), of which \$70,000 (2016: \$140,000) was allocated to the shares and \$20,000 (2016: \$90,000) was allocated to the warrants. The Company recorded an unrealized loss on investment of \$140,000 during the year (2016: gain of \$220,000).

5. EXPLORATION AND EVALUATION ASSETS

a) Lac de Gras property

During the year ended August 31, 2016, the Company acquired an interest in the Lac de Gras property, Northwest Territories. The Company holds a 29.46 % interest in 3 claims, pursuant to a NMT Head Agreement with Peregrine Diamonds Ltd. The property is subject to a Gross Overriding Royalty ("GOR") of 4% on diamonds and a net smelter royalty ("NSR") of 4% on all metals, of which 50% of either of these royalties can be purchased for \$4,000,000.

In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

In 2017, management wrote down the costs accumulated on the Lac de Gras property to \$10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, but due to a lack of activity due to market conditions, necessitates a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

b) Chedic property

Effective December 31, 2016, the Company has entered into an Option Agreement to acquire a 100% interest in the Chedic property located in Nevada, USA. In order to exercise the option to acquire 100% interest in the property, the Company is required to make the following cash and share payments:

- a) US\$25,000 on execution of the Standstill Agreement (paid);
- b) 1,000,000 common shares upon the Company achieving a successful listing on the Canadian stock exchange (issued);
- c) US\$50,000 on the execution of the Option Agreement (paid);
- d) 1,000,000 common shares on each of the first four anniversaries of the effective date;
- e) US\$75,000 on or before each of the first and second anniversaries of the effective date;
- f) US\$100,000 on or before each of the third anniversary of the effective date; and
- g) US\$100,000 on or before the fourth anniversary of the effective date.

Pursuant to the Option Agreement the Company is also required to make the following minimum exploration expenditures:

- a) US\$100,000 by the first anniversary of the effective date (incurred);
- b) An additional US\$200,000 by the second anniversary of the effective date;
- c) An additional US\$300,000 by the third anniversary of the effective date;
- d) An additional US\$500,000 by the fourth anniversary of the effective date; and
- e) Minimum advanced annual royalties payments of US\$100,000 beginning on the fifth anniversary of the effective date; and annually thereafter.

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended August 31, 2017 and 2016  
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Chedic property (continued)

Upon completion of an inferred resource calculation that confirms a minimum presence of 100,000 tons equivalent grading at no lower than 5% carbon content on the property, the Company shall pay a total of US\$1,000,000 in cash or common shares of the Company, or a combination thereof at the Company's election.

Upon Completion of an Economic Assessment on the property, on or before the sixth anniversary of the effective date, the Company shall pay US\$2,000,000 in cash or common shares of the Company, or a combination thereof at the election of the Company.

The property is subject to a 3% gross value return royalty of which 2% can be purchased by the Company at any time for US\$5,000,000.

	Chedic	Madagascar Graphite (Note 11)	Lac de Gras	Total
<b>Acquisition Costs</b>				
Balance, August 31, 2015 and 2016	\$ -	\$ -	\$ 60,000	\$ 60,000
Additions	308,716	62,645		371,361
Write-down	-	-	(50,000)	(50,000)
Balance, August 31, 2017	308,716	62,645	10,000	381,361
<b>Deferred Exploration Costs</b>				
Balance, August 31, 2015	-	-	23,347	23,347
Maintenance fees	-	-	1,881	1,881
Geological services	-	-	23,810	23,810
Technical report	-	-	(4,549)	(4,549)
Balance, August 31, 2016	-	-	44,489	44,489
Work program	243,925	-	-	243,925
Technical reports	12,774	-	-	12,774
Write-down	-	-	(44,489)	(44,489)
Balance, August 31, 2017	\$ 256,699	\$ -	\$ -	\$ 256,699
Balance as at August 31, 2016	\$ -	\$ -	\$ 104,489	\$ 104,489
Balance as at August 31, 2017	\$ 565,415	\$ 62,645	\$ 10,000	\$ 638,060



6. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value.

b) Issued

There were no share capital transactions during the year ended August 31, 2016.

During the year ended August 31, 2017, 5,000,000 common shares were issued pursuant to the exercise of warrants with an exercise price of \$0.10 per warrant. A total of 4,900,000 warrants were exercised for cash proceeds of \$490,000 and 100,000 warrants were exercised by the Company on behalf of a Director of the Company to settle accounts payable of \$10,000 (Note 7).

During the year ended August 31, 2017, 1,000,000 common shares valued at \$200,000 were issued pursuant to an exploration and evaluation asset property acquisition option agreement (Note 5). The common shares were valued at \$0.20 per common share.

On March 14, 2017 and April 18, 2017, the Company completed a private placement in two tranches totaling 2,397,500 units at \$0.20 per unit for gross proceeds of \$479,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at \$0.50 for a period of 12 months. Warrants were valued at \$Nil using the residual value method.

On August 23, 2017, the Company closed a non-brokered private placement and issued a total of 7,500,000 units at \$0.20 per unit of which 7,461,800 units were issued for cash and gross proceeds of \$1,500,000 and 38,200 units were issued to settle accounts payable of \$7,640. Of the gross proceeds, \$20,360 was receivable as at August 31, 2017 (received subsequent to year end). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of \$0.50 for a period of 12 months. Warrants were valued at \$Nil using the residual value method. The Company paid a total cash finders' fee of \$94,160 and issued 546,500 broker warrants with a fair value of \$73,697. Each broker warrant is exercisable at a price of \$0.50 for a period of 12 months.

c) Options

On July 14, 2017, the Company granted 1,550,000 stock options to various directors and consultants. Each option is exercisable to acquire one common share at \$0.25 per common share for a period of 2 years. The fair value of the stock options granted was \$302,527 calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: \$0.34; expected volatility: 97%, expected life: 2 years, dividend yield rate: 0%, and risk-free interest rate: 1.19%. As at August 31, 2017, 1,550,000 stock options were outstanding and exercisable, the weighted average remaining life of the options was 1.87 years.

6. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

Warrants transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	Weighted average exercise price
Outstanding, August 31, 2015 and 2016	5,000,000	\$ 0.10
Granted	10,444,000	0.50
Exercised	(5,000,000)	0.10
Outstanding, August 31, 2017	10,444,000	\$ 0.50

Broker warrants were valued at \$73,697 calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: \$0.42; expected volatility: 97%, expected life: 1 year, dividend yield rate: 0%, and risk-free interest rate: 1.24%.

Warrants outstanding at August 31, 2017 are as follows:

	Number of warrants	Exercise price	Expiry date
	2,397,500	0.50	March 14, 2018
	8,046,500	0.50	August 23, 2018
	10,444,000		

## 7. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel includes directors, executive officers and officers of the Company. The Company paid or accrued fees to companies controlled by key management personnel as follows:

	For the year ended August 31, 2017	For the year ended August 31, 2016
Administration fees	\$ 46,000	\$ 42,500
Accounting fees	28,214	18,000
Consulting fees	45,000	30,700
Stock-based compensation	165,903	-
Interest expense	-	3,500
	<u>\$ 285,117</u>	<u>\$ 94,700</u>

As at August 31, 2016, accounts payable and accrued liabilities included \$62,528 (2016: \$61,078) owed to companies controlled by directors of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended August 31, 2017, a total of 100,000 warrants were exercised by the Company on behalf of a Director of the Company to settle accounts payable of \$10,000 (Note 6).

During the year ended August 31, 2017, the Company reimbursed Zadar for expenses totalling \$67,469 (2016 – Nil) and Bua Capital Management Ltd. for expenses totalling \$11,497 (2016 - \$6,011). Refer to Note 3 for balances owing to these related parties as at August 31, 2017.

These transactions were agreed upon by the board of directors and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## 8. CAPITAL DISCLOSURES

The Company's principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case by case basis. The capital structure of the Company consists of equity attributable to common shareholders, consisting of issued share capital, contributed surplus, and deficit. The Company is not subject to any externally imposed capital requirements.

## 9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts due from related parties, other loans, investments, accounts payable and accrued liabilities, amounts due to related parties, and loans from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

9. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has classified its investments at Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company has credit risk in the amount of its cash, amounts due from related parties and other loans, with the carrying values of each representing the Company's maximum exposure to credit risk. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's exposure to credit risk from amounts due from related parties is limited as management determines the parties to be financially sound. Management believes that credit risk related to these amounts is nominal.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has a working capital of \$1,401,975 as at August 31, 2017. Management is assessing various options to raise funds including the issuance of shares. The Company has completed a non-brokered private placement subsequent to year end (Note 11).

*Foreign Exchange Risk*

The Company is exposed to currency fluctuations. The Company has US dollar balances in cash, and accounts payable and accrued liabilities and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at August 31, 2017.

At August 31, 2017, the Company, had a cash balance of USD \$6,535, accounts payable and accrued liabilities of USD \$82,000. To maintain certain property agreements in good standing the Company will incur certain property payments and exploration and evaluation expenditures which are denominated in US dollars. Management considers foreign exchange to be a significant risk.

9. FINANCIAL RISK MANAGEMENT (continued)

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to price risk in relation to its investment held as at August 31, 2017.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investment primarily relates to the change in the market prices of the investment in Zadar common shares and warrants (note 4). As at August 31, 2017, the Company owns 1,000,000 common shares and 1,000,000 warrants. Each common share is valued at \$0.07 (2016: \$0.14) and each warrant is valued at \$0.02 (2016: \$0.09). A 10% change in the market price of Zadar would have an impact of \$14,000 (2016: \$28,000) on the Company's investments. Management believes there is price risk related to this investment.

While the Company will seek to maximize the proceeds it receives from the sale of its Zadar Shares on the TSX Venture Exchange, there is no assurance as to the timing of disposition or the amount that will be realized.

10. INCOME TAXES

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rates to income/(loss) before taxes as follows:

	For the year ended August 31, 2017	For the period ended August 31, 2016
Income (loss) before taxes	\$ (1,099,308)	\$ 94,131
Statutory Canadian corporate tax rate	26%	26%
Anticipated tax expense (recovery)	(285,800)	24,500
Difference resulting from:		
Items not deductible (included in income) for tax purposes and other	100,600	(47,600)
Share issue costs	(43,600)	-
Change in unrecognized deferred tax assets	228,800	23,100
Deferred income taxes (recovery)	\$ -	\$ -

GLOBAL LI-ION GRAPHITE CORP. (formerly Thelon Diamonds Ltd.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended August 31, 2017 and 2016  
(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2017	August 31, 2016
Investments	\$ (10,400)	\$ (28,600)
Exploration and evaluation assets	24,600	-
Share issue costs	37,300	3,500
Non capital loss carry forwards	264,400	112,200
Net deferred tax assets	315,900	87,100
Unrecognized deferred tax assets	(315,900)	(87,100)
Net deferred tax asset	\$ -	\$ -

The Company and its subsidiary have available non-capital losses for Canadian income tax purposes of \$1,017,100 which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses will expire as follows:

Year of expiry	Amount
2037 \$	585,500
2036	130,600
2035	204,200
2034	33,300
2033	19,700
2032	43,800
\$	1,017,100

As at August 31, 2017, the Company and its subsidiary also have \$732,000 (2016: \$104,000) of tax pools related to its exploration and evaluation assets which can be used to reduce future taxable income and which can be carried forward indefinitely.

## 11. SUBSEQUENT EVENTS

- a) On September 9, 2017, the Company entered into a memorandum of understanding ("MOU") with Avana Resources Limited ("Avana") to acquire a 100% interest in Avana's graphite interests in Madagascar, the project comprises 3 mining exploitation licenses totaling 4,375 hectares (10,811 acres), in the vicinity of Andasibe in Toamasina Province in Madagascar (collectively, the "Property").

Pursuant to the MOU, to acquire a 100% interest in the Property, the Company will make the following cash and share payments to Avana:

- US\$40,000 within one day of signature of the MOU (paid) (Note 5);
- US\$100,000 within 5 business days of signature of the Definitive Agreement;
- US\$100,000 within 30 business days of signature of the Definitive Agreement;
- EUR\$200,000 to be directed to certain third parties in respect of an agreement to transfer the Property from the original license holders to Avana;
- 4,000,000 common shares of the Company within 10 business days of approval by the CSE of the transaction;
- Upon the Company achieving an annualized production rate from the Property of at least 5,000 tons of graphite oxide per year as calculated on a monthly basis for at least three consecutive months;
  - (i) US\$1,000,000 in cash or in common shares of the Company; and
  - (ii) The greater in terms of value of either 1,000,000 common shares of the Company or common share of the Company worth US\$1,000,000.

During the year ended August 31, 2017, the Company had paid US\$40,000 (\$50,116) pursuant to the MOU terms and a fee of US\$10,000 (\$12,529) for the assignment of a standstill agreement from Bua Capital Management.

- b) On October 24, 2017, the Company entered into a MOU to acquire an interest in BEGO Technologies Ltd. Under the terms of the agreement, the Company will acquire 16% of BEGO and 49% of BEGO Energy Storage. BEGO, an acronym for Bio Electro Chemical Graphene Oxide, is a Hong Kong incorporated private company.
- c) On October 27, 2017, the Company closed a non-brokered private placement and issued 2,900,000 units at a price of \$0.50 per unit for gross proceeds of \$1,450,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for a term of two years at a price of \$0.75 in the first year from the date of issuance, and \$1.00 in the second year from the date of issuance. The Company paid finder's fees of \$54,000 and issued 108,000 finder's warrants. The finder's warrants have the same exercise prices and term as the unit warrants.

11. SUBSEQUENT EVENTS (continued)

- d) On October 27, 2017, the Company entered into an option agreement to purchase a 100% interest in the Neuron Graphite Project in the Thompson mining district of Northern Manitoba from Callinex Mines Inc. ("Callinex").

The Company may exercise its option to acquire 100% of the Neuron Graphite Project from Callinex by:

- Paying \$200,000 cash (paid) and issuing 1,000,000 common shares (issued) to Callinex within three days of signing the option agreement; and
- Issuing 1,000,000 common shares to Callinex on the second anniversary of signing the option agreement.

The Company is also required to issue 3,000,000 common shares to Callinex on the earlier of completing a Preliminary Economic Assessment, Pre-Feasibility Study or Feasibility Study on or before the third anniversary of signing the option agreement.

The Company issued 100,000 shares as a finder fee related to this agreement.

- e) Subsequent to the year ended August 31, 2017, 1,100,000 warrants and 125,000 options were exercised.