GLOBAL LI-ION GRAPHITE CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

For the three months ended November 30, 2017

GLOBAL LI-ION THELON DIAMONDS LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)
For the three months ended November 30, 2017

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

		November 30, 2017		August 31, 2017
ASSETS				
Current				
Cash	$	1,527,278	$	1,569,323
GST recoverable		30,824		20,740
Deposits and prepaid expenses		330,803		245,583
Amounts due from related parties (Note 3)		17,294		17,294
Investments (Note 4)		139,056		90,000
		2,045,255		1,942,940
Non-Current				
Exploration and evaluation assets (Note 5)		1,410,822		638,060
Total Assets	$	3,456,077	$	2,581,000
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	453,563	$	461,666
Amounts due to related parties (Note 3)		108,829		79,299
		562,392		540,965
Non-Current				
Other liability		19,500		19,500
		19,500		19,500
		581,892		560,465
EQUITY				
Share capital (Note 7)		5,358,102		2,944,544
Share subscriptions receivable (Note 7)		(25,000)		(20,360)
Contributed surplus		433,666		376,224
Deficit		(2,892,583)		(1,279,873)
		2,874,185		2,020,535
Total Liabilities and Equity	$	3,456,077	$	2,582,000

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

Approved and authorized for issue by the Directors on January 29, 2018:

"John Roozendaal " Director *"Geoff Watson"* Director

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

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three months ended November 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the three months ended November 30, 2017	For the three months ended November 30, 2016
EXPENSES		
Administration fees (Note 7)	$ 12,000	$ 10,500
Advertising and promotion	972,402	-
Consulting fees (Note 7)	461,203	7,500
General and administrative (Note 7)	150,114	2,081
Professional fees (Note 7)	20,508	10,377
Travel and meal and entertainment	45,539	-
	(1,661,766)	(30,458)
Forgiveness of accounts payable	-	2,619
Unrealized gain (loss) on investment (Note 4)	49,056	(120,000)
Net and comprehensive loss	$ (1,612,710)	$ (147,839)
Loss per share – basic and diluted	$ (0.05)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	30,413,606	13,572,237

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

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Number of Shares	Share capital	Share subscriptions received (receivable)	Contributed surplus	Deficit	Total
Balance August 31, 2016	12,743,666	$ 432,901	$ -	$ -	$ (180,565)	$ 252,336
Shares issued pursuant to:						
Exercise of warrants (Note 6b)	1,500,000	150,000	-	-	-	150,000
Subscriptions received in advance	-	-	145,000	-	-	145,000
Net loss for the period	-	-	-	-	(147,839)	(147,839)
Balance November 30, 2016	14,243,666	$ 582,901	$ 145,000	$ -	$ (328,404)	$ 399,497
Balance August 31, 2017	28,641,166	$ 2,944,544	$ (20,360)	$ 376,224	$ (1,279,873)	$ 2,020,535
Shares issued pursuant to:						
Private placement	2,900,000	1,450,000	-	-	-	1,450,000
Exercise of options	100,000	25,000	(25,000)	-	-	-
Exercise of warrants (Note 6b)	1,000,000	500,000	-	-	-	500,000
Exploration and evaluation assets	1,100,000	550,000	-	-	-	550,000
Subscriptions received	-	-	20,360	-	-	20,360
Share issuance costs	-	(111,442)	-	57,442	-	(54,000)
Net loss for the period	-	-	-	-	(1,612,710)	(1,612,710)
Balance November 30, 2017	33,741,166	$ 5,358,102	$ (25,000)	$ 433,666	$ (2,892,583)	$ 2,874,185

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

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended November 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the three months ended November 30, 2017	For the three months ended November 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,612,710)	$ (147,839)
Forgiveness of accounts payable	-	(2,319)
Unrealized (gain) loss on investment	(49,056)	120,000
Changes in operating assets and liabilities:		
GST recoverable	(10,084)	(631)
Deposits and prepaid expenses	(85,220)	-
Accounts payable and accrued liabilities	(8,103)	14,173
Cash used in operating activities	(1,765,173)	(16,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received	20,360	145,000
Shares issued, net	1,896,000	150,000
Loans from related parties	29,530	-
Cash provided by financing activities	1,945,890	295,000
CASH FLOWS FROM INVESTING ACTIVITY		
Exploration and evaluation assets	(222,762)	-
Cash used in investing activity	(222,762)	-
Change in cash	(42,045)	278,384
Cash, beginning	1,569,323	11,923
Cash, ending	$ 1,527,278	$ 290,307
Supplemental disclosures		
Fair value of shares issued for the acquisition of exploration and evaluation assets	$ 550,000	$ -
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Global Li-Ion Graphite Corp. (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 condensed interim consolidated 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 three months ended November 30, 2017, the Company has not generated revenues, net loss was $1,612,710 (2016: $147,839) and, as at November 30, 2017, it had working capital of $1,482,863. 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 condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards 34 - *Interim Financial Reporting* of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended August 31, 2017.

(b) Basis of Preparation

These condensed interim 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 condensed interim 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 financial statements.

The condensed interim 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

IFRS 16 – Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

(Expressed in Canadian Dollars)

3. LOANS AND AMOUNTS DUE TO AND FROM RELATED PARTIES

Loans and Amounts due from related parties

	November 30, 2017	August 31, 2017
THC BioMed Int'l Ltd.	$ 17,294	$ 17,294
Total	$ 17,294	$ 17,294

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

Loans and Amounts due to related parties

	November 30, 2017	August 31, 2017
Zadar Ventures Ltd.	$ 83,427	$ 53,897
Bua Capital Management Ltd.	25,402	25,402
Total	$ 108,829	$ 79,299

All 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.

As at the November 30, 2017 the investment in Zadar was determined to have a fair value of $139,056 (August 31, 2017: $90,000), of which $90,000 (August 31, 2017: $70,000) was allocated to the shares and $49,056 (August 31, 2017: $20,000) was allocated to the warrants. The Company recorded an unrealized gain on investment of $49,056 during the period (2016: loss of $120,000).

5. MEMORANDUM OF UNDERSTANDING

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, which was formed to commercialize a new and innovative way to produce low cost, high value graphene oxide and graphene from Graphite.

6. 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 on the fifth anniversary of the effective date; and annually thereafter.

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.

6. EXPLORATION AND EVALUATION ASSETS (continued)

b) Chedic property (continued)

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.

c) Neuron Graphite Project

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 also issued 100,000 common shares as a finder's fees.

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.

d) Madagascar Graphite project

On September 13, 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);
- 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.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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	Lac de Gras	Neuron	Total
Acquisition Costs					
Balance, August 31, 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
Additions	-	-	-	750,000	750,000
Balance, November 30, 2017	-	-	60,000	750,000	1,131,361
Deferred Exploration Costs					
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
Technical reports	-	22,762	-	-	22,762
Balance, November 30, 2017	$ 256,699	$ 22,762	$ -	-	$ 279,461
Balance as at August 31, 2017	$ 565,415	$ 62,645	$ 10,000	$ -	$ 638,060
Balance as at November 30, 2017	$ 565,415	$ 85,407	$ 10,000	$ 750,000	$1,410,822

7. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value.

b) Issued

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).

7. SHARE CAPITAL AND RESERVES (continued)

b) Issued (continued)

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. Each broker warrant is exercisable at a price of $0.50 for a period of 12 months.

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 broker warrants. The finder's warrants have the same exercise prices and term as the unit warrants.

During the three months ended November 30, 2017, 1,100,000 common shares valued at $550,000 were issued pursuant to an exploration and evaluation asset property acquisition option agreement (Note 5). The common shares were valued at $0.50 per common share.

During the three months ended November 30, 2017, 1,000,000 common shares were issued pursuant to exercise of warrants at a price of $0.50 per share for total proceeds of $500,000.

During the three months ended November 30, 2017, 100,000 common shares were issued pursuant to the exercise of options at a price of $0.25 per share for total proceeds of $25,000, which is recorded as a receivable as at November 30, 2017.

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, the weighted average remaining life of the options was 1.87 years.

As at November 30, 2017, 1,450,000 stock options remained outstanding.

(Expressed in Canadian Dollars)

7. 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, 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
Granted	3,008,000	0.75/1.00
Exercised	(1,000,000)	0.50
Outstanding, November 30, 2017	12,452,000	$ 0.56

Broker warrants were valued at $57,442 calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: $0.90; expected volatility: 100%, expected life: 2 years, dividend yield rate: 0%, and risk-free interest rate: 1.41%.

Warrants outstanding at November 30, 2017 are as follows:

Number of warrants	Exercise price	Expiry date
1,397,500	0.50	March 14, 2018
8,046,500	0.50	August 23, 2018
3,008,000	0.75/1.00	October 27, 2019
12,452,000		

(Expressed in Canadian Dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

	For the three months ended November 30, 2017	For the three months ended November 30, 2016
Administration fees	$ 12,000	$ 10,500
Accounting fees	10,000	4,500
Consulting fees	39,138	7,500
	$ 61,138	$ 22,500

As at November 30, 2017, accounts payable and accrued liabilities included $76,703 (August 31, 2017: $62,528) owed to companies controlled by directors of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Refer to Note 3 for balances owing to these related parties as at November 30, 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.

9. 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, and deficit. The Company is not subject to any externally imposed capital requirements.

10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts due from related parties, 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.

10. 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.

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 $1,482,863. Management is assessing various options to raise funds including the issuance of shares.

Market risk

Market risk is the risk of loss that may arises 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 November 30, 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. As at November 30, 2017, the Company owns 1,000,000 common shares and warrants. Each common share is valued at $0.09 (August 31, 2017: $0.07) and each warrant is valued at $0.05 (August 31, 2017: $0.02). A 10% change in the market price of Zadar would have an impact of $13,000 (August 31, 2017: $14,000) 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.

11. SUBSEQUENT EVENT

Subsequent to November 30, 2017, a total of 100,000 warrants were exercised.