GLOBAL LI-ION GRAPHITE CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended August 31, 2018 and 2017

WOLRIGE MAHON | COLLINS BARROW

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Li-Ion Graphite Corp.

We have audited the accompanying consolidated financial statements of Global Li-Ion Graphite Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of comprehensive 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 Global Li-Ion Graphite Corp. and its subsidiaries as at August 31, 2018 and 2017, 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. and its subsidiaries to continue as a going concern.

Wolrige Mahon Collins Barrow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

December 27, 2018
Vancouver, B.C.

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

	August 31, 2018	August 31, 2017
ASSETS		
Current		
Cash	$ 637,480	$ 1,569,323
GST recoverable	5,170	20,740
Deposits and prepaid expenses	79,790	245,583
Amounts due from related parties (Note 3)	3,630	17,294
Investments (Note 4)	50,000	90,000
	776,070	1,942,940
Non-Current		
Advances to BEGO Technologies Ltd. (Note 5)	220,913	-
Exploration and evaluation assets (Note 6)	4,695,201	638,060
Total Assets	$ 5,692,184	$ 2,581,000
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 251,008	$ 461,666
Amounts due to related parties (Note 3)	176,500	79,299
	427,508	540,965
Non-Current		
Other liability	61,111	19,500
	488,619	560,465
EQUITY		
Share capital (Note 7)	8,619,475	2,944,544
Share subscriptions receivable (Note 7)	-	(20,360)
Contributed surplus	1,055,397	376,224
Deficit	(4,471,307)	(1,279,873)
	5,203,565	2,020,535
Total Liabilities and Equity	$ 5,692,184	$ 2,581,000

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on December 27, 2018:

"Jason Walsh" Director   *"Geoff Watson"* Director

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	For the year ended August 31, 2018	For the year ended August 31, 2017
EXPENSES		
Administration fees (Note 8)	$ 65,293	$ 46,000
Advertising and awareness	1,460,526	90,024
Consulting fees (Note 8)	379,512	160,000
Financing and interest (Note 3)	37,000	-
General and administrative (Note 8)	91,985	37,321
Management fees (Note 8)	50,000	-
Professional fees (Note 8)	141,612	155,423
Stock-based compensation (Notes 7 and 8)	694,931	302,527
Travel, meals and entertainment	241,191	76,853
	(3,162,050)	(868,148)
Forgiveness of accounts payable	2,244	3,329
Realized loss on investment (Note 4)	(10,000)	-
Unrealized loss on investment (Note 4)	(20,000)	(140,000)
Write-down of exploration and evaluation assets (Note 6)	(1,628)	(94,489)
Net and comprehensive loss	$ (3,191,434)	$ (1,099,308)
Loss per share – basic and diluted	$ (0.09)	$ (0.06)
Weighted average number of shares outstanding – basic and diluted	35,918,632	18,076,474

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	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	5,000,000	500,000	-	-	-	500,000
Property acquisition	1,000,000	200,000	-	-	-	200,000
Private placement	9,897,500	1,979,500	(20,360)	-	-	1,959,140
Share issuance costs	-	(167,857)	-	73,697	-	(94,160)
Stock-based compensation	-	-	-	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
Shares issued pursuant to:						
Exercise of options	375,000	166,950	-	(73,200)	-	93,750
Exercise of warrants	1,103,000	551,500	-	-	-	551,500
Property acquisition	6,433,797	3,109,533	-	-	-	3,109,533
Private placement	4,122,219	1,938,890	-	-	-	1,938,890
Share issuance costs	-	(111,442)	-	57,442	-	(54,000)
Subscriptions collected	-	-	20,360	-	-	20,360
Stock-based compensation	-	-	-	694,931	-	694,931
Reversal of flow-through liability	-	19,500	-	-	-	19,500
Net loss for the year	-	-	-	-	(3,191,434)	(3,191,434)
Balance August 31, 2018	40,675,182	$ 8,619,475	$ -	$ 1,055,397	$ (4,471,307)	$ 5,203,565

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	For the year ended August 31, 2018	For the year ended August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,191,434)	$ (1,099,308)
Forgiveness of accounts payable	(2,244)	(3,329)
Stock-based compensation	694,931	302,527
Realized and unrealized loss on investment	30,000	140,000
Write-down of exploration and evaluation assets	1,628	94,489
Changes in working capital:		
GST recoverable	15,496	(18,955)
Deposits and prepaid expenses	165,793	(245,583)
Accounts payable and accrued liabilities	(229,126)	276,781
Cash used in operating activities	(2,514,956)	(553,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions collected	20,360	-
Shares issued, net	2,591,251	2,347,340
Loans from related parties	97,201	63,431
Cash provided by financing activities	2,708,812	2,410,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Other loans	-	5,000
Proceeds from disposition of Zadar warrants	10,000	-
Exploration and evaluation assets	(928,450)	(325,004)
Investment in BEGO Technologies Ltd.	(220,913)	-
Advances to (repayments from) related parties	13,664	20,011
Cash used in investing activities	(1,125,699)	(299,993)
Change in cash	(931,843)	1,557,400
Cash, beginning	1,569,323	11,923
Cash, ending	$ 637,480	$ 1,569,323

Supplemental disclosures		
Accounts payable included in exploration and evaluation assets	$ 123,845	$ 103,056
Fair value of shares issued for the acquisition of exploration and evaluation assets	$ 3,109,533	$ 200,000
Fair value of shares and warrants issued to settle accounts payable	$ -	$ 17,640
Fair value of broker warrants	$ 57,442	$ 73,697
Reversal of flow through liability	$ 19,500	$ -
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. (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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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, 2018, the Company has not generated revenues, net loss was $3,191,464 (2017: $1,099,308) and, as at August 31, 2018, it had working capital of $348,562. 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 consolidated 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 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

(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., its wholly owned subsidiary Thelon Diamond Company Limited (“Thelon”) from the date of acquisition, December 18, 2014, until its dissolution on July 23, 2018, and its wholly owned subsidiary Khensani Limited (“Khensani”) from the date of acquisition, April 4, 2018. All inter-company transactions have been eliminated.

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and Thelon is the Canadian dollar. The functional currency of Khensani is the Euro.

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 consolidated 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 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 the following:

i. The composition of deferred income tax assets and recognition of deferred income tax assets; and
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 determination of the functional currencies of the Company and its subsidiaries;
iii. The assessment of going concern; and
iv. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and evaluation assets (continued)

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.

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.

(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 investments as financial assets 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, advances to BEGO Technologies Ltd., and amounts due from related parties 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 and amounts due to 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 on 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 of 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 contributed surplus.

(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)

(g) Share capital (continued)

(ii) Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance its Canadian 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 liability 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.

(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) Foreign Currency Transactions

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

On translation of the entities whose functional currency is other than the Canadian dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses are recorded in the foreign currency translation reserve

(k) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of 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.

(l) 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 consolidated financial statements.

IFRS 9 – Financial Instruments

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.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recent Accounting Pronouncements (continued)

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.

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-statement of financial position finance leases and off-statement of financial position 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.

3. AMOUNTS DUE TO AND FROM RELATED PARTIES

THC BioMed Int'l Ltd. and Zadar Ventures Ltd. are public companies with directors in common with the Company. Bua Capital Management Ltd. and Incubara Capital Corp. are private companies with directors in common with the Company. Unless otherwise noted amounts due from and to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Amounts due from related parties

	August 31, 2018	August 31, 2017
THC BioMed Int'l Ltd.	$ -	$ 17,294
Director	3,630	-
Total	$ 3,630	$ 17,294

Amounts due to related parties

	August 31, 2018	August 31, 2017
Zadar Ventures Ltd.	$ -	$ 53,897
Bua Capital Management Ltd.	19,270	25,402
Incubara Capital Corp.	157,230	-
Total	$ 176,500	$ 79,299

The amount due to Incubara Capital Corp. bears interest at 25% and is due October 31, 2018. The Company also agreed to pay a financing bonus of 25% of the principal in shares, which amount along with interest of $5,750 has been accrued in the balance at August 31, 2018.

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.

On December 4, 2017, the Company sold the Zadar warrants for total consideration of $10,000.

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 was determined by deducting the exercise price of the Zadar warrants from the Zadar stock price.

As at August 31, 2018 the investment in Zadar was determined to have a fair value of $50,000 (2017: $90,000), of which $50,000 (2017: $70,000) was allocated to the shares and $Nil (2017: $20,000) was allocated to the warrants, as all the warrants were sold during the year. The Company recorded a realized loss on investment of $10,000 and an unrealized loss on investment of $20,000 during the year (2017: unrealized loss of $140,000).

5. ADVANCES TO BEGO TECHNOLOGIES LTD.

On October 24, 2017, the Company entered into a Memorandum of Understanding ("MOU") to acquire an interest in BEGO Technologies Ltd., a private company incorporated in Hong Kong ("BEGO HK"). Under the terms of the MOU, the Company can acquire up to a 16% interest in BEGO HK for US$450,000. BEGO HK has filed a patent application for bio-electrochemical methods and systems for the efficient production of graphene oxide and hydrogen. As at August 31, 2018, the Company has advanced US$175,000 (CAD$220,913) under the MOU. Additionally, under the MOU, the Company can acquire up to a 49% interest in a new entity to be incorporated in the United States to be known as BEGO E-Storage Inc. for US$1,500,000. The funds advanced to date are unsecured, non-interest bearing and without terms of repayment.

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. Management still believes that the property is of merit and warrants continued development, however a lack of activity due to market conditions, necessitated a write down in line with the Company's accounting policy for exploration and evaluation assets.

6. EXPLORATION AND EVALUATION ASSETS (continued)

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:

- US$25,000 on execution of the Standstill Agreement (paid);
- 1,000,000 common shares upon the Company achieving a successful listing on the Canadian stock exchange (issued – fair value of $410,000);
- US$50,000 on the execution of the Option Agreement (paid);
- 1,000,000 common shares on each of the first four anniversaries of the effective date (issued for first anniversary);
- US$75,000 on or before each of the first and second anniversaries of the effective date (paid for first anniversary);
- US$100,000 on or before the third anniversary of the effective date; and
- 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:

- US$100,000 by the first anniversary of the effective date (incurred);
- An additional US$200,000 by the second anniversary of the effective date;
- An additional US$300,000 by the third anniversary of the effective date;
- An additional US$500,000 by the fourth anniversary of the effective date; and
- 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.

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.

6. EXPLORATION AND EVALUATION ASSETS (continued)

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 – fair value of $760,000) 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 with a fair value of $76,000 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. On April 4, 2018, the Company entered into and closed a definitive share purchase agreement with Avana for the acquisition of Avana's graphite interests in Madagascar. Pursuant to this agreement the Company acquired 100% of Khensani Limited which owns 100% of Avana Industrial Minerals ("AIM") which entered into an agreement to acquire certain mining permits from the original permit holders. The project comprises 3 mining exploitation permits totaling 4,375 hectares (10,811 acres), in the vicinity of Andasibe in Toamasina Province in Madagascar (collectively, the "Property").

Pursuant to the MOU and definitive share purchase agreement 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 (paid);
- US$100,000 within 30 business days of signature of the Definitive Agreement (paid);
- EUR$200,000 to be directed to certain third parties in respect of an agreement to transfer the Property from the original permit holders to AIM (paid EUR$90,000 as at August 31, 2018 and EUR$110,000 subsequent to year end);
- 4,000,000 common shares of the Company within 10 business days of approval by the CSE of the transaction (issued – fair value of $1,720,000);

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

- 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.

The Company also issued 333,797 common shares with a fair value of $143,533 as a finder's fees.

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 – cash	108,716	62,645	-	-	171,361
Additions – shares	200,000	-	-	-	200,000
Write-down	-	-	(50,000)	-	(50,000)
Balance, August 31, 2017	308,716	62,645	10,000	-	381,361
Additions – cash	93,682	430,674	-	200,000	724,356
Additions - shares	410,000	1,863,533	-	836,000	3,109,533
Balance, August 31, 2018	812,398	2,356,852	10,000	1,036,000	4,215,250
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
Work program	138,223	-	-	-	138,223
Technical reports	-	22,762	-	13,230	35,992
Other	-	18,942	1,628	30,095	50,665
Write-down	-	-	(1,628)	-	(1,628)
Balance, August 31, 2018	$ 394,922	$ 41,704	$ -	$ 43,325	$ 479,951
Balance as at August 31, 2017	$ 565,415	$ 62,645	$ 10,000	$ -	$ 638,060
Balance as at August 31, 2018	$1,207,320	$ 2,398,556	$ 10,000	$1,079,325	$ 4,695,201

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.

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 6). 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.

During the year ended August 31, 2018, 6,433,797 common shares valued at $3,109,533 were issued pursuant to exploration and evaluation asset property acquisition option agreements (Note 6). 1,100,000 of the common shares were valued at $0.76 per common share, 1,000,000 of the common shares were valued at $0.41 and 4,333,797 of the common shares were valued at $0.43.

During the year ended August 31, 2018, 1,103,000 common shares were issued pursuant to exercise of warrants at a price of $0.50 per share for total proceeds of $551,500.

During the year ended August 31, 2018, 375,000 common shares were issued pursuant to the exercise of options at a price of $0.25 per share for total proceeds of $93,750. Options were exercised on November 27, 2017, December 18, 2017, and January 12, 2018 when the Company's common shares' market prices were $0.56, $0.66, and $0.52, respectively.

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. Warrants were valued at $Nil using the residual value method. The Company paid finder's fees of $54,000 and issued 108,000 broker warrants. The broker warrants have the same exercise prices and term as the unit warrants.

7. SHARE CAPITAL AND RESERVES (continued)

b) Issued (continued)

On April 26, 2018, the Company closed a non-brokered private placement and issued 1,222,219 flow-through units ("FT Units") at a price of $0.45 per unit for gross proceeds of $550,000. Each FT Unit consists of one flow through common share and one-half of one share purchase warrant. Each warrant is exercisable at a price of $0.75 for a period of one year. Warrants were valued at $Nil using the residual value method. The flow-through liability associated with this issuance, representing the premium of the flow-through share price in excess of the trading price was $61,111.

During the year ended December 31, 2015, the Company issued flow-through shares and recorded a flow-through liability of $19,500. As at August 31, 2018, the Company had yet to renounce deductions to the shareholders, as such the flow through liability has been reclassified to share capital during the current year.

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%.

On September 19, 2017, the Company granted 450,000 stock options to various directors, officers, and/or consultants. Each option is exercisable to acquire one common share at $0.52 per common share for a period of 2 years. The fair value of the stock options granted was $123,523 calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: $0.52; expected volatility: 100%; expected life: 2 years; dividend yield rate: 0%; and risk-free interest rate: 1.55%. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

On January 25, 2018, the Company granted 1,800,000 stock options to various directors, officers, and/or consultants. Each option is exercisable to acquire one common share at $0.60 per common share for a period of 2 years. The fair value of the stock options granted was $571,408 calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: $0.60; expected volatility: 100%, expected life: 2 years, dividend yield rate: 0%, and risk-free interest rate: 1.80%. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES (continued)

c) Options (continued)

Option transactions and the number of options outstanding are summarized as follows:

	Number of options	Weighted average exercise price
Outstanding, August 31, 2016	-	$ -
Granted	1,550,000	0.25
Outstanding, August 31, 2017	1,550,000	0.25
Granted	2,250,000	0.58
Exercised	(375,000)	0.25
Outstanding, August 31, 2018	3,425,000	$ 0.47

Options outstanding and exercisable at August 31, 2018 are as follows:

Number of options	Exercise price	Grant date	Expiry date	Remaining life (years)
1,175,000	$0.25	July 14, 2017	July 14, 2019	0.87
450,000	$0.52	September 19, 2017	September 19, 2019	1.05
1,800,000	$0.60	January 25, 2018	January 25, 2020	1.40
3,425,000	$0.47			1.17

d) Warrants

Warrant 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	3,619,106	0.75/1.00
Exercised	(1,103,000)	0.50
Expired	(1,844,000)	0.50
Outstanding, August 31, 2018	11,116,106	$ 0.58

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES (continued)

d) Warrants (continued)

Broker warrants granted in the prior year 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%.

Broker warrants granted in the current year 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 August 31, 2018 are as follows:

Number of warrants	Exercise price	Grant date	Expiry date
7,497,000	$0.50	August 23, 2017	August 23, 2019*
3,008,000	$0.75/$1.00	October 27, 2017	October 27, 2019
611,106	$0.75	April 27, 2018	April 27, 2019
11,116,106			

* Expiry date of these warrants were extended for an additional year, expiring on August 23, 2019.

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

	For the year ended August 31, 2018	For the year ended August 31, 2017
Administration fees	$ 65,293	$ 46,000
Accounting fees	36,500	28,214
Management and consulting fees	208,448	45,000
Rent	24,000	-
Stock-based compensation	238,087	165,903
	$ 572,328	$ 285,117

As at August 31, 2018, accounts payable and accrued liabilities included $91,403 (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 and from other related parties as at August 31, 2018 and 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, contributed surplus and deficit. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management from the previous year.

10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts due from related parties, investments, advances to BEGO Technologies Ltd., accounts payable and accrued liabilities, and amounts due to 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 amounts, unless otherwise noted.

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 and amounts due from related parties, with the carrying amounts of each representing the Company's maximum exposure to credit risk. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to due from related parties 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 working capital of $348,562 as at August 31, 2018. Management is assessing various options to raise funds including the issuance of shares.

(Expressed in Canadian Dollars)

10. FINANCIAL RISK MANAGEMENT (continued)

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.

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. As at August 31, 2018, the Company owns 1,000,000 common shares. Each common share is valued at $0.05 (2017: $0.07). A 10% change in the market price of Zadar would have an impact of $5,000 (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.

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk on its foreign currency denominated cash, advances to BEGO Technologies Ltd., and accounts payable and accrued liabilities. As at August 31, 2018, the Company held US$2,984 cash, US$175,000 advances to BEGO Technologies Ltd., and US$90,000 accounts payable and accrued liabilities. As at August 31, 2018, a 10% change in the foreign exchange rate would have impacted net and comprehensive loss by approximately $12,000.

11. 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, 2018	For the year ended August 31, 2017
Income (loss) before taxes	$ (3,191,434)	$ (1,099,308)
Statutory Canadian corporate tax rate	26.67%	26.00%
Anticipated tax expense (recovery)	(851,200)	(285,800)
Difference resulting from:		
Items not deductible (included in income) for tax purposes and other	205,100	100,600
Share issue costs	(29,700)	(43,600)
Impact of change in statutory tax rates	(20,100)	-
Change in unrecognized deferred tax assets	695,900	228,800
Deferred income taxes (recovery)	$ -	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

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

	August 31, 2018	August 31, 2017
Investments	$ (5,400)	$ (10,400)
Exploration and evaluation assets	20,900	24,600
Share issue costs	52,500	37,300
Non capital loss carry forwards	943,800	264,400
Net deferred tax assets	1,011,800	315,900
Unrecognized deferred tax assets	(1,011,800)	(315,900)
Net deferred tax asset	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes of $3,495,600 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
2038	$ 2,480,400
2037	585,500
2036	128,700
2035	204,200
2034	33,300
2033	19,700
2032	43,800
	$ 3,495,600

As at August 31, 2018, the Company has $2,374,000 (2017: $713,800) 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.

As discussed in Note 7, during the year ended August 31, 2018, the Company issued 1,222,219 common shares on a flow-through basis for gross proceeds of $550,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's Canadian mining properties.