GLOBAL LI-ION GRAPHITE CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the years ended August 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Li-Ion Graphite Corp.:

Opinion

We have audited the consolidated financial statements of Global Li-Ion Graphite Corp., and its subsidiaries, (together the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

December 30, 2019

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31,
(Expressed in Canadian Dollars)

		2019		2018
ASSETS				
Current				
Cash	$	226,160	$	637,480
Amounts receivable		897		-
GST recoverable		3,324		5,170
Deposits and prepaid expenses		82,625		79,790
Amounts due from related parties (Note 3)		26,401		3,630
Investments (Note 4)		11,000		50,000
		350,407		776,070
Non-Current				
Advances to BEGO Technologies Ltd. (Note 5)		-		220,913
Exploration and evaluation assets (Note 6)		3,688,542		4,695,201
Total Assets	$	4,038,949	$	5,692,184
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	185,028	$	251,008
Amounts due to related parties (Note 3)		149,864		176,500
		334,892		427,508
Non-Current				
Other liability (Notes 7 and 11)		-		61,111
		334,892		488,619
EQUITY				
Share capital (Note 7)		9,304,394		8,619,475
Contributed surplus		1,102,436		1,055,397
Deficit		(6,702,773)		(4,471,307)
		3,704,057		5,203,565
Total Liabilities and Equity	$	4,038,949	$	5,692,184

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved and authorized for issue by the Directors on December 27, 2019:

"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,
(Expressed in Canadian Dollars)

		2019		2018
EXPENSES				
Administration fees (Note 8)	$	52,350	$	65,293
Advertising and awareness		226,738		1,460,526
Consulting fees (Note 8)		175,306		379,512
Financing and interest		15,009		37,380
Foreign exchange gain		(8,283)		(1,801)
General and administrative (Note 8)		61,610		93,406
Management fees (Note 8)		60,000		50,000
Professional fees (Note 8)		83,196		141,612
Stock-based compensation (Notes 7 and 8)		47,039		694,931
Travel, meals and entertainment		49,066		241,191
		(762,031)		(3,162,050)
Forgiveness of accounts payable		-		2,244
Loss on settlement of debt (Notes 3 and 7)		(51,563)		-
Other income (Note 7)		61,111		-
Realized loss on investment		-		(10,000)
Unrealized loss on investment (Note 4)		(39,000)		(20,000)
Write-down of advances to BEGO Technologies Ltd. (Note 5)		(232,663)		-
Write-down of exploration and evaluation assets (Note 6)		(1,207,320)		(1,628)
Net and comprehensive loss	$	(2,231,466)	$	(3,191,434)
Loss per share – basic and diluted	$	(0.05)	$	(0.09)
Weighted average number of shares outstanding – basic and diluted		44,186,689		35,918,632

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

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

	Number of Shares	Share capital	Share subscriptions received (receivable)	Contributed surplus	Deficit	Total
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
Shares issued pursuant to:						
Private placement	6,096,000	609,600	-	-	-	609,600
Debt settlement	312,500	82,812	-	-	-	82,812
Share issuance costs	-	(7,493)	-	-	-	(7,493)
Stock-based compensation	-	-	-	47,039	-	47,039
Net loss for the year	-	-	-	-	(2,231,466)	(2,231,466)
Balance August 31, 2019	47,083,682	$ 9,304,394	$ -	$ 1,102,436	$ (6,702,773)	$ 3,704,057

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, 2019 and 2018
(Expressed in Canadian Dollars)

	For the year ended August 31, 2019	For the year ended August 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (2,231,466)	$ (3,191,434)
Accrued interest	13,635	-
Unrealized foreign exchange	(11,750)	-
Forgiveness of accounts payable	-	(2,244)
Other income	(61,111)	-
Realized and unrealized loss on investments	39,000	30,000
Stock-based compensation	47,039	694,931
Write-down of advances to BEGO Technologies Ltd.	232,663	-
Write-down of exploration and evaluation assets	1,207,320	1,628
Changes in working capital:		
Amounts receivable	(897)	-
GST recoverable	1,846	15,496
Deposits and prepaid expenses	(2,835)	165,793
Accounts payable and accrued liabilities	(65,980)	(229,126)
Cash used in operating activities	(832,536)	(2,514,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions collected	-	20,360
Shares issued, net	602,107	2,591,251
Advances from related parties	19,770	97,201
Cash provided by financing activities	621,877	2,708,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposition of Zadar warrants	-	10,000
Expenditures on exploration and evaluation assets	(200,661)	(928,450)
Investment in BEGO Technologies Ltd.	-	(220,913)
Repayment from (advances to) related parties	-	13,664
Cash used in investing activities	(200,661)	(1,125,699)
Change in cash	(411,320)	(931,843)
Cash, beginning	637,480	1,569,323
Cash, ending	$ 226,160	$ 637,480
Supplemental disclosures		
Accounts payable included in exploration and evaluation assets	$ -	$ 123,845
Fair value of shares issued for the acquisition of exploration and evaluation assets	$ -	$ 3,109,533
Fair value of broker warrants	$ -	$ 57,442
Shares issued for debt settlement	$ 82,812	$ -
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, 2019, the Company has not generated revenues, net loss was $2,231,466 (2018: $3,191,434) and, as at August 31, 2019, it had working capital of $15,515. 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 IFRS Interpretations Committee ("IFRIC").

(b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. 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, except as disclosed.

The consolidated financial statements include Global Li-Ion Graphite Corp. and its wholly owned subsidiary Khensani Limited ("Khensani") from the date of acquisition, April 4, 2018, which owns 100% of Avana Industrial Minerals ("AIM"). All inter-company transactions have been eliminated.

Subsidiaries are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation (continued)

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 its wholly owned subsidiaries, is the Canadian dollar.

(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 and other items of comprehensive loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 profit 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method. The effective interest method is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. Cash, amounts receivable, and due from related parties are classified in this category.

Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net in the statement of loss and comprehensive loss in the period in which it arises. The investment is classified in this category.

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

(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.

(ii) Equity instruments issued as consideration

Other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the quoted trading price of those shares on the date of grant to issue shares as determined by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share capital (continued)

(iii) 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 using the residual value method into: i) share capital; and ii) 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. Upon expenses being renounced, 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 income/(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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Changes in accounting policies

IFRS 9 – Financial instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its consolidated financial statements beginning September 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not impact the carrying amounts of any of our financial instruments on the transition date. The classification of financial instruments under IAS 39 and now under IFRS 9 are as follows:

Financial Instrument	**IAS 39**	**IFRS 9**
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Amounts due from related parties	Loans and receivables	Amortized cost
Investments	FVTPL	FVTPL
Advances to BEGO Technologies Ltd.	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Amounts due to related parties	Other financial liabilities	Amortized cost

IFRS 15 – Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for 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 a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not have any impact on the consolidated financial statements as the Company had no revenue since inception.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Recent accounting pronouncements

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. The Company does not expect any significant impact on the adoption of IFRS 16.

3. AMOUNTS DUE TO AND FROM RELATED PARTIES

Bios Energy Corp., Bua Capital Management Ltd., Bua Group Holdings, Incubara Capital Corp., Swiss EMX and Zadar Ventures Ltd. are 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, 2019	August 31, 2018
Director	$ 3,940	$ 3,630
Bios Energy Corp.	269	-
Incubara Capital Corp.	11,226	-
Swiss EMX	10,966	-
Total	$ 26,401	$ 3,630

Amounts due to related parties

	August 31, 2019	August 31, 2018
Bua Capital Management Ltd.	$ 88,531	$ 19,270
Bua Group Holdings	3,140	-
Incubara Capital Corp.	19,384	157,230
Zadar Ventures Ltd.	1,059	-
Directors	37,750	-
Total	$ 149,864	$ 176,500

The amount due to Incubara Capital Corp. was interest-bearing at 25% and was due on March 31, 2019. 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. During the year ended August 31, 2019, the Company accrued additional interest of $13,635 and made repayments consisting of cash of $125,230 and issued 312,500 common shares of the Company valued at $82,812 resulting in a loss on settlement of debt of $51,563 (Note 7). The Company is currently negotiating the terms of repayment of the outstanding interest amount of $19,384.

4. INVESTMENTS

On December 22, 2015, the Company acquired 100,000 units in Zadar Ventures Ltd. ("Zadar"), a company with directors in common, for $0.10 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 $0.50 per share. Effective on April 8, 2019, Zadar consolidated its common shares on the basis of one post-consolidation common share for every 10 pre-consolidation common shares. The number of shares and per share amounts of Zadar have been retroactively restated in these consolidated financial statements to reflect this share consolidation.

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, 2019, the investment in Zadar was determined to have a fair value of $11,000 (2018: $50,000). The Company recorded an unrealized loss on investment of $39,000 during year (2018: unrealized loss of $20,000).

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, 2019, the Company has advanced US$175,000 (CAD$232,663) under the MOU. The funds advanced were unsecured, non-interest bearing and without terms of repayment. During the year ended August 31, 2019, the Company determined that the advance to BEGO HK was impaired and recorded a write-down of $232,663 to a carrying value of $Nil.

Balance, August 31, 2017	$	-
Advances		220,913
Balance, August 31, 2018		220,913
Foreign exchange adjustment		11,750
Write-down		(232,663)
Balance, August 31, 2019	$	-

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.

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Lac de Gras property (continued)

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.

b) Chedic property

Effective December 31, 2016, the Company 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.

During the year ended August 31, 2019, the Company abandoned the Chedic property and recorded an asset impairment loss of $1,207,320.

6. EXPLORATION AND EVALUATION ASSETS (continued)

c) Neuron Graphite Project

On October 27, 2017, amended October 25, 2019, 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 (Note 12).

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);
- 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);

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 shares 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.

	Lac de Gras	Chedic	Neuron Graphite	Madagascar Graphite	Total
Acquisition Costs					
Balance, August 31, 2017	$ 10,000	$ 308,716	$ -	$ 62,645	$ 381,361
Additions – cash	-	93,682	200,000	430,674	724,356
Additions – shares	-	410,000	836,000	1,863,533	3,109,533
Balance, August 31, 2018	10,000	812,398	1,036,000	2,356,852	4,215,250
Additions – cash	-	-	-	193,706	193,706
Write-down	-	(812,398)	-	-	(812,398)
Balance, August 31, 2019	10,000	-	1,036,000	2,550,558	3,596,558
Deferred Exploration Costs					
Balance, August 31, 2017	-	256,699	-	-	256,699
Work program	-	138,223	-	-	138,223
Technical reports	-	-	13,230	22,762	35,992
Other	1,628	-	30,095	18,942	50,665
Write-down	(1,628)	-	-	-	(1,628)
Balance, August 31, 2018	-	394,922	43,325	41,704	479,951
Geological consulting	-	-	3,386	-	3,386
Technical reports	-	-	1,500	-	1,500
Other	-	-	2,069	-	2,069
Write-down	-	(394,922)	-	-	(394,922)
Balance, August 31, 2019	$ -	$ -	$ 50,280	$ 41,704	$ 91,984
Balance as at August 31, 2018	$ 10,000	$1,207,320	$1,079,325	$ 2,398,556	$ 4,695,201
Balance as at August 31, 2019	$ 10,000	$ -	$1,086,280	$ 2,592,262	$ 3,688,542

7. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value.

b) Issued

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.

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.

On February 12, 2019, the Company closed a non-brokered private placement and issued 6,096,000 units at a price of $0.10 per unit for gross proceeds of $609,600. 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 $0.25. Warrants were valued at $Nil using the residual value method.

On February 12, 2019, 312,500 common shares were issued pursuant to the share bonus payable on the promissory note payable to Incubara Capital Corp. At issuance the fair value of the common shares, based on the quote trading price, was $82,812 resulting in a loss on settlement of debt of $51,563 (Note 3).

7. SHARE CAPITAL AND RESERVES (continued)

c) Options

The Company has an incentive stock option plan (the "Plan"), whereby the Company may grant stock options to directors, officers, employees or consultants. Under the Plan, options are exercisable up to a maximum of 5 years and vest as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant. Options awarded under the Plan are equity settled.

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: spot price: $0.52; expected volatility: 100%; expected life: 2 years; forfeiture rate: 0%, 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: spot price: $0.60; expected volatility: 100%, expected life: 2 years, forfeiture rate: 0%, 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.

On February 19, 2019, the Company granted 600,000 stock options to various directors, officers, and/or consultants. Each option is exercisable to acquire one common share at $0.30 per common share for a period of 2 years. The fair value of the stock options granted was $47,039 calculated using the Black-Scholes Option Pricing Model using the following assumptions: spot price: $0.20; expected volatility: 93%, expected life: 2 years, forfeiture rate: 0%, dividend yield rate: 0%, and risk-free interest rate: 1.77%. Expected volatility is based on the historical volatility of the Company.

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

	Number of options	Weighted average exercise price
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
Granted	600,000	0.30
Expired	(1,175,000)	0.25
Outstanding, August 31, 2019	2,850,000	$ 0.52

7. SHARE CAPITAL AND RESERVES (continued)

Options outstanding and exercisable at August 31, 2019 are as follows:

Number of options	Exercise price	Grant date	Expiry date	Remaining life (years)
450,000*	$0.52	September 19, 2017	September 19, 2019	0.05
1,800,000	$0.60	January 25, 2018	January 25, 2020	0.40
600,000	$0.30	February 19, 2019	February 19, 2021	1.47
2,850,000	$0.52			0.57

* Expired unexercised subsequent to the year ended August 31, 2019

d) Warrants

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

	Number of warrants	Weighted average exercise price
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
Granted	6,096,000	0.25
Expired	(8,108,106)	0.52
Outstanding, August 31, 2019	9,104,000	$ 0.50

Broker warrants granted during the year ended August 31, 2018 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, 2019 are as follows:

Number of warrants	Exercise price	Grant date	Expiry date
3,008,000*	$1.00	October 27, 2017	October 27, 2019
6,096,000	$0.25	February 12, 2019	February 12, 2021
9,104,000	$0.50		

* Expired unexercised subsequent to the year ended August 31, 2019

8. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. 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, 2019	For the year ended August 31, 2018
Administration fees	$ 46,400	$ 65,293
Professional fees	42,000	36,500
Management and consulting fees	174,256	208,448
Rent, included in general and administrative	15,300	24,000
Stock-based compensation	47,039	238,087
	$ 324,995	$ 572,328

As at August 31, 2019, accounts payable and accrued liabilities included $101,903 (2018: $91,403) 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, 2019 and August 31, 2018.

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 receivable, 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 credit, liquidity or market 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 $15,515 as at August 31, 2019. Management is assessing various options to raise funds including the issuance of shares.

10. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market 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, 2019, the Company owns 100,000 common shares. Each common share is valued at $0.11 (2018: $0.50). A 10% change in the market price of Zadar would have an impact of $1,100 (2018: $4,500) to profit or loss. 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, and accounts payable and accrued liabilities. As at August 31, 2019, the Company held US$1,380 cash, and US$90,000 accounts payable and accrued liabilities. As at August 31, 2019, a 10% change in the foreign exchange rate would have impacted profit or 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, 2019	For the year ended August 31, 2018
Income (loss) before taxes	$ (2,231,466)	$ (3,191,434)
Statutory Canadian corporate tax rate	27.00%	26.67%
Anticipated tax expense (recovery)	(602,000)	(851,200)
Difference resulting from:		
Items not deductible for tax purposes and other	62,800	205,100
Share issue costs	(2,000)	(29,700)
Impact of flow through share	149,000	-
Impact of change in statutory tax rates	-	(20,100)
Change in unrecognized deferred tax assets	392,200	695,900
Deferred income taxes (recovery)	$ -	$ -

11. INCOME TAXES (continued)

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

	August 31, 2019	August 31, 2018
Investments	30,000	$ (5,400)
Exploration and evaluation assets	198,000	20,900
Share issue costs	38,000	52,500
Allowable capital losses	44,000	-
Non capital loss carry forwards	1,094,000	943,800
Net deferred tax assets	1,404,000	1,011,800
Unrecognized deferred tax assets	(1,404,000)	(1,011,800)
Net deferred tax asset	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes of $4,054,000 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
2039	$ 759,000
2038	2,483,000
2037	586,000
2036	129,000
2035	97,000
	$ 4,054,000

As at August 31, 2019, the Company has $1,831,000 (2018: $2,374,000) 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.

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. The expenditures were renounced effective December 31, 2018, using the look back rule. The Company is obligated to expend a further $543,685

12. SUBSEQUENT EVENT

On October 25, 2019, the Company has agreed to extend the deadline to issue 1,000,000 common shares to Callinex related to the Neuron Graphite Project by one full year (Note 6). In consideration for this extension, subsequent to year end the Company issued an additional 250,000 common shares to Callinex.