# GLOBAL LI-ION GRAPHITE CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

For the three months ended November 30, 2019

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)
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## NOTICE TO READER

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

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

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

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

| | November 30, 2019 | August 31, 2019 |
|---|---|---|
| ASSETS | | |
| Current | | |
| Cash | $ 133,762 | $ 226,160 |
| Amounts receivable | 897 | 897 |
| GST recoverable | 3,312 | 3,324 |
| Deposits and prepaid expenses | 77,900 | 82,625 |
| Amounts due from related parties (Note 3) | 15,176 | 26,401 |
| Investments (Note 4) | 11,500 | 11,000 |
| | 242,547 | 350,407 |
| Non-Current | | |
| Exploration and evaluation assets (Note 6) | 3,740,918 | 3,688,542 |
| Total Assets | $ 3,983,465 | $ 4,038,949 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 177,971 | $ 185,028 |
| Amounts due to related parties (Note 3) | 164,125 | 149,864 |
| | 342,096 | 334,892 |
| EQUITY | | |
| Share capital (Note 7) | 9,326,894 | 9,304,394 |
| Contributed surplus | 1,102,436 | 1,102,436 |
| Deficit | (6,787,961) | (6,702,773) |
| | 3,641,369 | 3,704,057 |
| Total Liabilities and Equity | $ 3,983,465 | $ 4,038,949 |

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on January 28, 2020:

*“Jason Walsh”* Director *“Geoff Watson”* Director

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

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the three months ended November 30, 2019 and 2018
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

| | For the three months ended November 30, 2019 | November 30, 2018 |
|---|---|---|
| EXPENSES | | |
| Administration fees (Note 8) | $ 11,400 | $ 12,000 |
| Advertising and awareness | 1,000 | 1,000 |
| Consulting fees (Note 8) | 33,750 | 37,805 |
| General and administrative (Note 8) | 9,497 | 31,794 |
| Management fees (Note 8) | 15,000 | 15,000 |
| Professional fees (Note 8) | 11,951 | 10,944 |
| Travel, meals and entertainment | 3,090 | - |
| | (85,688) | (108,543) |
| Unrealized gain (loss) on investment (Note 4) | 500 | (10,000) |
| Net and comprehensive loss | $ (85,188) | $ (118,543) |
| Loss per share – basic and diluted | $ (0.00) | $ (0.00) |
| Weighted average number of shares outstanding – basic and diluted | 47,146,869 | 40,675,182 |

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

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

| | Number of Shares | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|
| Balance August 31, 2018 | 40,675,182 | $ 8,619,475 | $ 1,055,397 | $ (4,471,307) | $ 5,203,565 |
| Net loss for the period | - | - | - | (118,543) | (118,543) |
| Balance November 30, 2018 | 40,675,182 | $ 8,619,475 | $ 1,055,397 | $ (4,589,850) | $ 5,085,022 |
| Balance August 31, 2019 | 47,083,682 | $ 9,304,394 | $ 1,102,436 | $ (6,702,773) | $ 3,704,057 |
| Shares issued pursuant to: | | | | | |
| Property acquisition | 250,000 | 22,500 | - | - | 22,500 |
| Net loss for the period | - | - | - | (85,188) | (85,188) |
| Balance November 30, 2019 | 47,333,682 | $ 9,326,894 | $ 1,102,436 | $ (6,787,961) | $ 3,641,369 |

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

GLOBAL LI-ION GRAPHITE CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended November 30, 2019 and 2018
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

| | For the three months ended November 30, 2019 | For the three months ended November 30, 2018 |
|---|---|---|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Loss for the period | $ (85,188) | $ (118,543) |
| Accrued interest | - | 7,813 |
| Realized and unrealized loss on investment | (500) | 10,000 |
| Changes in working capital: | | |
| GST recoverable | 12 | 641 |
| Deposits and prepaid expenses | 4,725 | 5,040 |
| Accounts payable and accrued liabilities | (7,057) | (16,127) |
| Cash used in operating activities | (88,008) | (111,176) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans from related parties | 25,486 | 5,000 |
| Cash provided by financing activities | 25,486 | 5,000 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Exploration and evaluation assets | (29,876) | (170,670) |
| Cash used in investing activities | (29,876) | (170,670) |
| Change in cash | (92,398) | (276,846) |
| Cash, beginning | 226,160 | 637,480 |
| Cash, ending | $ 133,762 | $ 360,634 |
| Supplemental disclosures | | |
| Fair value of shares issued for the acquisition of exploration and evaluation assets | $ 22,500 | $ - |
| Interest paid | $ - | $ - |
| Income tax paid | $ - | $ - |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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 three months ended November 30, 2019, the Company has not generated revenues, net loss was $85,188 (2018: $118,543) and, as at November 30, 2019, it had working capital deficit of $99,549 (August 31, 2019: 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 condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards 34 - *Interim Financial Reportin*g of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended August 31, 2019.

### *(b) Basis of Preparation*

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

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

The consolidated financial statements include Global Li-Ion Graphite Corp., 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 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) Changes in Accounting Policies*

*IFRS 9 – Financial Instruments*

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 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, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("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 assets on the transition date. The Company designated its equity securities as FVTPL, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in profit or loss.

*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 financial statements as the Company had no revenue since inception.

*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 adoption of IFRS 16 did not have any impact on the financial statements.

(Expressed in Canadian Dollars)

## 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*

| | November 30, 2019 | | August 31, 2019 | |
|---|---|---|---|---|
| Director | $ | 3,940 | $ | 3,940 |
| Bios Energy Corp. | | 269 | | 269 |
| Incubara Capital Corp. | | - | | 11,226 |
| Swiss EMX | | 10,967 | | 10,966 |
| Total | $ | 15,176 | $ | 26,401 |

*Amounts due to related parties*

| | November 30, 2019 | | August 31, 2019 | |
|---|---|---|---|---|
| Bua Capital Management Ltd. | $ | 87,621 | $ | 88,531 |
| Bua Group Holdings | | 3,140 | | 3,140 |
| Incubara Capital Corp. | | 19,384 | | 19,384 |
| Zadar Ventures Ltd. | | 1,230 | | 1,059 |
| Directors | | 52,750 | | 37,750 |
| Total | $ | 164,125 | $ | 149,864 |

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.

(Expressed in Canadian Dollars)

## 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 November 30, 2019 the investment in Zadar was determined to have a fair value of $11,500 (August 31, 2019: $11,000). The Company recorded an unrealized gain on investment of $500 during the period (2018: unrealized loss of $10,000).

## 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, 2018 | $ | 220,913 |
| Foreign exchange adjustment | | 11,750 |
| Write-down | | (232,663) |
| Balance, August 31, 2019 and November 30, 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.

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.

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Lac de Gras property (continued)

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, and 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). On November 7, 2019, the Company agreed to extend the deadline to issue these common shares by one full year. In consideration for this extension, the Company issued an additional 250,000 common shares to Callinex valued at $22,500 (Note 7).

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);

(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 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, 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 |
| Additions – shares | - | - | 22,500 | - | 22,500 |
| Balance, November 30, 2019 | 10,000 | - | 1,058,500 | 2,550,558 | 3,619,058 |
| **Deferred Exploration Costs** | | | | | |
| Balance, August 31, 2018 | - | 394,922 | 43,325 | 41,704 | 479,951 |
| Work program | - | - | 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 |
| Technical reports | - | - | 715 | - | 715 |
| Other | - | - | 1,500 | 27,661 | 29,161 |
| Balance, November 30, 2019 | $ - | $ - | $ 52,495 | $ 69,365 | $ 121,860 |
| Balance as at August 31, 2019 | $ 10,000 | $ - | $1,086,280 | $ 2,592,262 | $ 3,688,542 |
| Balance as at November 30, 2019 | $ 10,000 | $ - | $1,110,995 | $ 2,619,923 | $ 3,740,918 |

## 7. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of Common shares, without par value.

b) Issued

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).

On November 7, 2019, the Company 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, the Company issued an additional 250,000 common shares to Callinex valued at $22,500.

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 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.

(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, 2018 | 3,425,000 | $ 0.47 |
| Granted | 600,000 | 0.30 |
| Exercised | (1,175,000) | 0.25 |
| Outstanding, August 31, 2019 | 2,850,000 | 0.52 |
| Expired | (450,000) | 0.52 |
| Outstanding, November 30, 2019 | 2,400,000 | $ 0.53 |

Options outstanding and exercisable at November 30, 2019 are as follows:

| Number of options | Exercise price | Grant date | Expiry date | Remaining life (years) |
|---|---|---|---|---|
| 1,800,000 | $0.60 | January 25, 2018 | January 25, 2020 | 0.15 |
| 600,000 | $0.30 | February 19, 2019 | February 19, 2021 | 1.22 |
| 2,400,000 | $0.52 | | | 0.42 |

d) Warrants

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

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| 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 |
| Expired | (3,008,000) | 1.00 |
| Outstanding, November 30, 2019 | 6,096,000 | $ 0.25 |

(Expressed in Canadian Dollars)

## 7. SHARE CAPITAL AND RESERVES (continued)

d) Warrants (continued)

Warrants outstanding at November 30, 2019 are as follows:

| Number of warrants | Exercise price | Grant date | Expiry date |
|---|---|---|---|
| 6,096,000 | $0.25 | February 12, 2019 | February 12, 2021 |
| 6,096,000 | $0.25 | | |

## 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 three months ended November 30, 2019 | For the three months ended November 30, 2018 |
|---|---|---|
| Administration fees | $ 11,400 | $ 12,000 |
| Professional fees | 10,500 | 10,500 |
| Management and consulting fees | 30,000 | 49,055 |
| Rent | 4,500 | 4,800 |
| | $ 56,400 | $ 76,355 |

Refer to Note 3 for balances owing to and from other related parties as at November 30, 2019 and August 31, 2019.

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, 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 a working capital deficit of $99,549 as at November 30, 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 November 30, 2019, the Company owns 100,000 common shares. Each common share is valued at $0.115 (August 31, 2019: $0.11). A 10% change in the market price of Zadar would have an impact of $1,150 (2018: $4,000) 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 and accounts payable and accrued liabilities. As at November 30, 2019, the Company held US$2,379 cash, and US$96,500 accounts payable and accrued liabilities. As at November 30, 2019, a 10% change in the foreign exchange rate would have impacted profit or loss by approximately $13,000.