GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Gratomic Inc. (formerly CKR Carbon Corp.)

We have audited the accompanying consolidated financial statements of Gratomic Inc. (formerly CKR Carbon Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Gratomic Inc. (formerly CKR Carbon Corp.) as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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__Emphasis of Matter__

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Gratomic Inc. (formerly CKR Carbon Corp.)'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 30, 2018

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,
(expressed in Canadian dollars)

	Notes	2017	2016
		$	$
Assets			
Current			
Cash		2,317,221	303,170
Restricted cash	**5**	16,329	16,329
Receivable		166,616	79,920
Prepaid expenses		-	5,000
		2,500,166	404,419
Deferred acquisition costs	**3**	-	1,191,302
Exploration and evaluation assets	**4**	4,200,063	781,447
Property, plant and equipment	**5**	652,851	438,895
		7,353,080	2,816,063
Liabilities			
Current			
Accounts payable and accrued liabilities	**6,9**	267,871	407,031
Loans payable (Note 6)		-	-
Flow through premium liability	**8**	25,409	13,333
		293,280	420,364
Shareholders' equity			
Share capital	**8**	13,693,171	9,721,073
Reserves	**8**	2,463,343	1,093,653
Deficit		(10,257,019)	(8,419,027)
Equity attributable to owners of the Company		5,899,495	2,395,699
Non-controlling interests	**14**	1,160,305	-
Total equity		7,059,800	2,395,699
Total shareholders' equity and liabilities		7,353,080	2,816,063
Nature of Operations and Going Concern	**1**		
Subsequent Events	**15**		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Arno Brand"
Director

"Daniel Bloch"
Director

See accompanying notes to consolidated financial statements.

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	Notes	**2017**	**2016**
		$	$
Operating expenses			
Consulting	**9**	49,000	61,250
Filing fees and permits		16,482	40,341
Investor relations		27,616	24,719
Interest		(90)	1,131
Management fees	**9**	249,323	119,750
Marketing		212,699	67,086
Office and other	**9**	15,815	38,721
Professional fees		152,196	52,243
Share-based compensation	**8,9**	1,041,000	49,673
Travel, meals and accomodation		59,191	13,300
Amortization	**5**	43,684	-
		(1,866,916)	(468,214)
Write-off of exploration and evaluation assets	**4**	-	(162,821)
Reversal of flow-through premium liability	**8**	28,924	18,722
Loss and comprehensive loss for the year		(1,837,992)	(612,313)
Loss and comprehensive loss for the year attributable to :			
Owners of the Company		(1,837,992)	(612,313)
Non-controlling interests		-	-
		(1,837,992)	(612,313)
Basic and diluted loss per share		(0.03)	(0.02)
Weighted average number of shares outstanding	8	70,112,422	32,858,114

See accompanying notes to consolidated financial statements

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	2017	2016
	$	$
Operating Activities		
Loss for the year	(1,837,992)	(612,313)
Non-cash items:		
Amortization	43,684	-
Share-based compensation	1,041,000	49,673
Write off of exploration and evaluation assets	-	162,821
Shares for services	8,000	-
Reversal of flow through premium	(28,924)	(18,722)
Change in subscription receivable	-	1,100
Change in receivable	(86,696)	(63,601)
Change in prepaid expenses	5,000	(5,000)
Changes in accounts payable and accrued liabilities	(113,916)	131,424
Cash used for operating activities	(969,844)	(354,618)
Investing Activities		
Exploration and evaluation expenditures,net of recoveries	(921,114)	(132,309)
Purchase of property and equipment	(202,648)	(113,925)
Deferred acquisition costs	(169,964)	(611,622)
Cash used for investing activities	(1,293,726)	(857,856)
Financing Activities		
Private placement procceds	4,557,690	1,696,469
Share issuance costs	(410,000)	(222,514)
Loan payable received	-	56,124
Loan repayment	-	(20,200)
Warrants exercised proceeds	129,931	-
Cash provided by financing activities	4,277,621	1,509,879
Changes in cash	2,014,051	297,405
Cash beginning of year	303,170	5,765
Cash end of year	2,317,221	303,170

Non-cash supplemental information (note 13)
See accompanying notes to consolidated financial statements

GRATOMIC INC.
(formerly CKR Carbon Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Reserves	Deficit	Attributable to owners	Non-controlling Interest	Total Equity
December 31, 2015	23,741,394	$ 7,917,221	$ 977,033	$ (7,806,714)	$ 1,087,540	$ -	$ 1,087,540
Shares issued for exploration and evaluation asset	400,000	34,000	-	-	34,000	-	34,000
Shares issued for private placements	22,125,786	1,696,469	-	-	1,696,469	-	1,696,469
Shares issued for asset acquisition	3,500,000	315,000	-		315,000	-	315,000
Share issuance costs - cash	-	(222,514)	-	-	(222,514)	-	(222,514)
Share issuance costs - broker warrants	-	(66,947)	66,947	-	-	-	
Shares issued for debt	764,712	61,177	-		61,177	-	61,177
Flow through share premium liability	-	(13,333)	-	-	(13,333)	-	(13,333)
Share-based compensation	-	-	49,673	-	49,673	-	49,673
Loss for the year	-	-	-	(612,313)	(612,313)	-	(612,313)
December 31, 2016	50,531,892	9,721,073	1,093,653	(8,419,027)	2,395,699	-	2,395,699
Shares issued for private placements	59,054,143	4,557,690	-	-	4,557,690	-	4,557,690
Shares issued for services	139,077	8,000	-	-	8,000	-	8,000
Share issuance costs - cash		(410,000)	-	-	(410,000)	-	(410,000)
Share issuance costs - broker warrants		(298,860)	298,860	-	-	-	-
Shares issued for warrants exercised	1,341,877	156,268	(26,337)		129,931	-	129,931
Flow through share premium liability	-	(41,000)	-	-	(41,000)	-	(41,000)
Share-based compensation	-	-	1,041,000	-	1,041,000	-	1,041,000
Acquisition of control of subsidiary	-	-	-	-	-	1,216,472	1,216,472
Equity acquisition of subsidiary	-	-	316,932	-	316,932	(316,932)	-
Non-controlling interests carried interest	-	-	(260,765)	-	(260,765)	260,765	-
Loss for the year	-	-	-	(1,837,992)	(1,837,992)	-	(1,837,992)
December 31, 2017	111,066,989	13,693,171	2,463,343	(10,257,019)	5,899,495	1,160,305	7,059,800

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

On December 22, 2017, the Company changed its name to Gratomic Inc. (formerly CKR Carbon Corporation) (hereafter the "Company" or "Gratomic"). The Company was incorporated under the Business Corporations Act (Ontario), and is listed on the TSX Venture Exchange ("TSX-V"). The Company's corporate office is located at 69 Yonge St Suite 1010, Toronto, Ontario, Canada. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration and evaluation assets located primarily in Canada and Namibia.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company are primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the financial statements are presented below and are based on IFRS' issued and outstanding as of December 31, 2017. The consolidated financial statements were approved by the Board of Directors on April 27, 2018.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd….)

Estimates

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such a expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

ii) Capitalization of deferred exploration costs

The Company has entered into an agreement to acquire a company holding a mineral licence. The acquisition is being accounted for as advances toward the purchase of a company interest in accordance with IFRS 10 and capitalized to the statement of financial position. Upon attaining control of such company the Company will consolidate as a subsidiary. Subsequent to consolidation, and where a minority interest shareholder has a carried interest for deferred exploration costs, minority interest and equity are adjusted to reflect the ownership interest.

Critical estimates exercised are as follows:

i) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

iii) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd….)

Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries (which are wholly owned by the Company) are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the consolidated financial statements include the accounts of Micron Investments Pty Ltd and Ludbay Properties Pty Ltd from the date of acquisition on November 6, 2016 and Gazania Investments Two Hundred and Forty Two (Pty) Ltd ("Gazania"); on July 28, 2017. All significant inter-company transactions and balances have been eliminated.

Micron Investments Pty Ltd.	Namibia	100%
Ludbay Properties Pty Ltd.	Namibia	100%
Gazania Investments Two Hundred and Forty Two Pty Ltd	Namibia	63%

Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit and loss (FVTPL) - Financial assets classified as FVTPL are measured at fair value with gains and losses recognized through profit or loss.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

Loans and receivables -All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified cash and restricted cash as fair value through profit or loss. Receivables are classified as loans and receivables.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category includes accounts payables and accrued liabilities which are recognized at amortized cost using the effective interest method.

Financial instruments that are measured at fair value, which are classified within a hierarchy that prioritizes their significance. 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.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors in IAS 21, *The Effects of Change in Foreign Exchange Rates.*

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 of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

During the years presented, the Company does not have any decommissioning or restoration obligations.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to profit or loss during the fiscal period in which they occur.

Depreciation is calculated using a straight-line method to write-off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis	Period
Land	nil	nil
Buildings	Straight-line	10 years
Plant & equipment	Straight-line	3 years
Vehicles	Declining balance	30%

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded in reserves.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options, compensatory warrants and agent options are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options, is credited to share capital.

In situations where equity instruments, compensatory warrants and agent options are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF ACCOUNTING POLICIES (cont'd…)

New accounting pronouncements not yet adopted

The international Accounting Standards Board has issued the following Standards, interpretations and amendments to Standards that are not yet effective and while considered relevant to the Company have not yet been adopted by the Company.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

FRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

The Company does not expect these standards to have a significant effect on these financial statements other than increased disclosure.

Effective for annual periods beginning on or after January 1, 2019

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company is evaluating the effect that this standard will have on its financial statements.

(Expressed in Canadian Dollars)

3. Deferred Acquisition Costs

	2017	2016
Acquisition costs, beginning of year	$ 540,896	$ 443,641
Additions	39,145	97,255
Reallocation to exploration and evaluation assets	(580,041)	-
Acquisition costs, end of year	-	540,896
Exploration costs, beginning of year	650,406	136,039
Additions		
Drilling	48,674	-
Field work, supplies and other	18,965	44,125
Geological and other consulting	29,295	47,446
Equipment	3,274	43,422
Surveying	-	4,460
Bulk sampling	-	327,982
Travel & accomomodation	24,736	46,932
Transport	5,875	-
Reallocation of equipment to property plant & equipment	(43,422)	-
Reallocation of deferred cost upon acquisition of Gazania	(737,803)	-
Exploration costs, end of year	-	650,406
Deferred acquisition costs end of year	-	1,191,302

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets summary

	December 31, 2017			
	Montpellier Quebec	**Buckingham Quebec**	**Aukam Namibia**	**Total**
Acquisition costs, beginning of year	$ 250,993	$ 66,357	$ -	$ 317,350
Additions (Note 3)	-	-	1,317,844	1,317,844
Recognition of NCI ownership in asset	-	-	1,216,472	1,216,472
Other additions	-	-	19,572	19,572
Acquisition costs, end of year	250,993	66,357	2,553,888	2,871,238
Exploration costs, beginning of year	41,366	422,731	-	464,097
Additions				
Drilling	-	106,798	44,356	151,154
Field work, supplies and other	23,722	150,978	68,012	242,712
Assays	-	-	56,406	56,406
Geological and other consulting	1,159	-	289,282	290,441
Bulk sampling	-	-	104	104
Transport	-	-	28,021	28,021
Travel and accomodation	-	-	95,890	95,890
Exploration costs, end of year	66,247	680,507	582,071	1,328,825
Total, end of year	317,240	746,864	3,135,959	4,200,063

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation assets summary

	December 31, 2016		
	Montpellier, Quebec	**Tac, Lac Vert and Buckingham, Quebec**	**Total**
Acquisition costs, beginning of year	$ 216,993	$ 215,660	$ 432,653
Additions	34,000	-	34,000
Acquisition costs written off		(149,303)	(149,303)
Acquisition costs, end of year	250,993	66,357	317,350
Exploration costs, beginning of year	9,428	365,961	375,389
Additions			
Field work, supplies and other	6,795	43,257	50,052
Geological and other consulting	6,759	5,815	12,574
Surveying	18,384	21,216	39,600
Exploration costs written off	-	(13,518)	(13,518)
Exploration costs, end of year	41,366	422,731	464,097
Total, end of year	292,359	489,088	781,447

Montpellier, Quebec

On December 9, 2013, the Company entered into an option agreement, with a corporation that is related by virtue of a common director, to acquire certain claims located in the Hartwell Township, Casse Laurentides Region in Quebec. As consideration, the Company must:

i) issue 400,000 common shares (issued at a value of $210,000);
ii) issue 66,667 common shares by December 9, 2014 (issued at a valued at $6,000);
iii) incur $50,000 in exploration expenditures by December 9, 2015. (The Company issued 400,000 common shares at a value of $34,000 on October 12, 2016 in satisfaction of this condition.)

The vendors have been granted a 2% net smelter royalty ("NSR"). The Company has the right to repurchase a 1% NSR from the vendors for $1,000,000.

4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Tac, Lac Vert and Buckingham, Quebec

In February 2013, the Company entered into an option agreement, amended on April 22, 2014, to acquire a 100% interest in the Tac, Lac Vert and Buckingham properties located in the Province of Quebec.

During the year ended December 31, 2016, the Company decided not to continue exploring the Tac and Lac Vert properties and wrote off all costs associated with the properties resulting in the amount of $162,821.

Aukam Graphite Project, Namibia

During the year ended December 31, 2015, the Company acquired 100% of the issued and outstanding share capital of Micron Investment Pty. Ltd. ("Micron') which held an option to acquire 63% of Gazania which holds the Aukam Exclusive Prospecting License (EPL) 3895 (the "License") located in Namibia's Karas Region, Africa, which has been accounted for as an asset acquisition. In consideration for transfer of the option and net assets of $39,255, the Company issued 3,500,000 common shares (issued at a value of $350,000) and agreed to pay $30,000 in cash. The excess amounts paid over net assets acquired were allocated to the mineral property for deferred acquisition costs.

As per a Joint Venture Agreement dated June 8, 2015, amended July 17, 2015 between Micron and Next Graphite Pty. Ltd. ("Next") and a subsequent Farm-out Agreement dated September 12, 2016, between the Company, and Next, the Company can earn 63% of Gazania by:

i) Spending USD $1,100,000 on the property(completed); or
ii) Completing the plant and infrastructure set up; (completed subsequent to year end)and
iii) Obtaining government authorization to begin commercial operations; and
iv) Making quarterly payments for a total of USD$180,000 (USD$180,000 paid ($225,000 CDN) during the farm-out period (from June 8, 2015 until i, ii and iii are complete).

The Company shall have the option to buy an incremental 10% of Next's remaining interest for a cash payment of USD$180,000 if mutually agreed to by the parties. Should the Farm-out period need to be extended beyond six months following receipt of a mining license, Next will continue to be paid USD$25,000 until ii and iii are completed. In the case where the Farm-out period is extended as above and the revenue is less than USD$100,000 per month, the Company will loan Next US$25,000 per quarter. Interest on the loan will be compounded monthly at a rate equal to one-month term LIBOR plus one.

Should the Company fail to provide payment or work expenditures for any farm-out period or fail to complete ii) and iii) above 6 months after receipt of the mining license it will forfeit 2% of its interest for each 30-day delay.

Following conclusion of the Farm-out period the Company will for the first 5 months fund all operations to run all plant related activities and expenditures. Thereafter, each party will contribute funding proportionate to their respective holdings.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The Company reclassified $1,191,302 from exploration and evaluation assets to deferred acquisition assets as at December 31, 2016. This resulted from the Company's assessment that it was acquiring Gazania (which held a prospecting license) as opposed to the assets directly. Upon gaining control, the Company will consolidate Gazania (note 14).

As at December 31, 2017, the Company had earned a 63% participating interest in Gazania.

There is a 2% gross revenue royalty on the Aukam Mine.

5. Property Plant and Equipment

	Land	Buildings	Plant & Equipment	Vehicles	Total
Cost					
At December 31, 2015	-		-	-	-
2016 Additions	369,434	-	69,461	-	438,895
At December 31, 2016	369,434	-	69,461	-	438,895
2017 Additions	-	69,904	168,974	18,762	257,640
At December 31, 2017	369,434	69,904	238,435	18,762	696,535
Accumlated Depreciation					
At December 31, 2016	-	-	-	-	-
2017 Depreciation	-	-	38,055	5,629	43,684
At December 31, 2017	-	-	38,055	5,629	43,684
Carrying Value					
At December 31, 2017	369,434	69,904	200,380	13,133	652,851
At December 31, 2016	369,434	-	69,461	-	438,895

During the year end December 31, 2016, the Company acquired property in the town of Luderitz, Namibia in the acquisition of Ludbay Properties Pty Ltd. which has been accounted for as an asset acquisition. In consideration for all the outstanding shares of Ludbay, the Company issued 3,500,000 shares valued at $315,000, paid cash of $50,000, assumed restricted cash of $16,329, accounts payable of $20,743 with the net amount of $ 369,434 allocated to land.

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2017		December 31, 2016
Trade payables	$	201,121	$	316,539
Accrued liabilities		66,750		90,492
	$	267,871	$	407,031

7. LOANS PAYABLE

On January 1, 2016 the Company repaid $25,253 of accrued interest and principal owing on a demand loan agreement from the year ended December 31, 2012. The loan and accrued interest was settled in full through the issuance of 314,500 common shares valued at $25,160.

During the year ended December 31, 2016 the Company arranged a $34,800 loan from a Namibian corporation. The loan bore monthly compound interest at LIBOR plus 1 percent for US dollar deposits. The loan was repaid in April 2016 through the issuance of 450,212 shares at a value of $36,017.

During the year end December 31, 2016 the Company received loans from an officer of the Company totalling $20,200 (Note 8). The loans were due on demand and bore no interest. The loans were repaid in May 2016.

8. SHARE CAPITAL

Common Shares

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

During the year ended December 31, 2017 the Company:

i) completed a private placement of 15,045,000 units at a price of $0.09 per unit for aggregate gross proceeds of $1,354,050 and 4,100,000 flow through shares at a price of $0.10 for gross proceeds of $410,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.20 until the March 29, 2020 subject to an acceleration clause.

   A value of $41,000 was attributed to a flow through premium liability.

   The Company issued to the finders 1,504,500 broker warrants valued at $156,843 which entitles the holder to acquire one unit of Gratomic at $0.09 for a period of two years from the closing of the placement. Each unit comprises one common share of the Company and a share purchase warrant exercisable at $0.20 for a period of three years from the initial financing. The Company also issued 410,000 broker warrants valued at $41,022 which entitles the holder to acquire one common share of Gratomic at $0.10 for a period of two years from the closing of the placement. In addition, the Company paid cash commissions to the finders totaling $176,405.

8. SHARE CAPITAL (cont'd…)

ii) completed a private placement of 39,909,143 units at a price of $0.07 per unit for aggregate gross proceeds of $2,793,640. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.10 until November 24, 2020, subject to an acceleration clause

The Company issued to the finders 2,160,140 broker warrants valued at $100,995. Each broker warrant entitles the holder to acquire one common share of Gratomic at $0.07 for a period of three years. In addition, the Company paid cash commissions to the finders totaling $151,210.

During the year ended December 31, 2016 the Company:

i) issued 314,500 shares (Note 7) to settle $25,163 of principal and accrued interest on a loan agreement at an issue price of $0.08 per share.

ii) issued 450,212 shares (Note 7) to settle a loan payable and accrued interest of $34,783 at an issue price of $0.08 per share

iii) completed a private placement of 8,692,714 units at a price of $0.07 per unit for aggregate gross proceeds of $608,490. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the capital of the Company at a price of $0.13 per share until May 3, 2017.

The Company issued to the finders 741,876 broker warrants valued at $26,361. The broker warrants are convertible to 741,876 common shares and 370,938 warrants. The warrants entitle the holder to purchase up to 370,938 common shares of the Company at a price of $0.13 for a period of 12 months. In addition, the Company paid cash commissions to the finders totaling $88,380.

iv) issued 400,000 shares (Note 4) for the Montpellier property at a price of $0.09 per share for a total value of $34,000.

v) completed a private placement of 12,099,738 units at a price of $0.08 per unit for a total proceeds of $967,979. Each unit consisted of one common share and one half common share purchase warrant. Each whole warrant will entitle the holder to purchase one share at an exercise price of $0.15 per share until November 4, 2017.

vi) completed a private placement of 1,333,334 flow through common shares at a price of $0.09 per share for a total proceeds of $120,000. A fair value of $13,333 was attributed to the flow through premium liability.

In relation to the 12,099,738 units and 1,333,334 flow through common shares the Company issued 1,164,654 broker warrants with an exercise price of $0.08 per agent warrant until November 4, 2017 valued at $37,321. The broker warrant is comprised of one common share and one half common share purchase warrant. The warrant entitles the holder to purchase an additional common share at a price of $0.15 for a period of 12 months. In addition, the Company issued broker options exercisable at $0.09 per common share until November 4, 2017 valued at $3,265. The Company paid $134,134 in share issuance costs.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Common shares (cont'd)

vii) issued 3,500,000 shares (Note 5) as part consideration for property acquired in Luderitz Namibia for a total value of $315,000.

Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, exercisable for a period and the exercise price to be determined by the Board at the time the option is granted.

During the year ended December 31, 2017, the Company:

i) granted 9,950,000 (2016 – 1,483,333) stock options with a fair value of $1,041,000 (2016 – $49,673) or $0.13 (2016 – $0.04) per option of which $824,243 relates to 7,725,000 stock options being issued to directors , officers and consultants recorded as share based compensation.

A summary of option transactions is as follows:

	Year ended December 31, 2017			Year ended December 31, 2016		
	Number of options		Weighted average exercise price	**Number of options**		Weighted average exercise price
Balance, beginning of year	2,250,000	$	0.11	1,971,667	$	0.15
Granted	9,950,000		0.13	1,483,333		0.09
Exercised	-		-	-		-
Expired/Cancelled	(1,636,666)		0.14	(1,205,000)		0.15
Balance, end of year	10,563,334		0.13	2,250,000	$	0.11

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Stock Options (cont'd…)

As at year ended December 31, 2017, the following options were outstanding and exercisable:

Exercise price	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
0.75	6,667	8 months	0.75	6,667
0.75	6,667	13 months	0.75	6,667
0.10	200,000	1 month	0.10	200,000
0.10	550,000	38 months	0.10	550,000
0.08	300,000	6 months	0.08	300,000
0.17	4,200,000	51 months	0.17	4,200,000
0.07	1,000,000	56 months	0.07	1,000,000
0.10	4,300,000	60 months	0.10	4,300,000
	10,563,334		0.13	10,563,334

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31, 2017	Year ended December 31, 2016
Expected dividend yield	Nil	Nil
Stock price volatility	124%	88%
Risk-free interest rate	1.43%	0.49%
Expected life of options	5 years	4 years

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Warrants

The Company has issued and outstanding the following share purchase warrants:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of Warrants	Weighted average exercise price	**Number of Warrants**	Weighted average exercise price
Balance, beginning of year	14,931,021	$ 0.13	4,983,492	$ 0.21
Granted	59,028,783	0.12	13,256,021	0.13
Exercised	1,341,877	0.10	-	-
Expired	13,589,144	0.14	3,308,492	0.24
Balance, end of year	59,028,783	0.12	14,931,021	$ 0.13

As of December 31, 2017, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted Average Exercise Price	Fair Value
March 29, 2019	1,504,500	0.09	$ 156,843
March 29, 2020	15,045,000	0.20	-
March 29, 2019	410,000	0.10	41,022
November 24, 2020	39,909,143	0.10	-
November 24, 2020	2,160,140	0.07	100,995
	59,028,783	0.12	$ 298,860

The fair value of finder's warrants is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31, 2017	Year ended December 31, 2016
Expected dividend yield	0.00%	0.00%
Stock price volatility	92.32%	90.23%
Risk-free interest rate	1.10%	0.62%
Expected life of warrants	2.0 years	1.0 year

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the years ended December 31, 2017 and 2016, the Company incurred the following amounts charged by officers and directors and companies controlled and/or owned by officers and directors.

	Year ended December 31,	
	2017	2016
	$	$
Costs included in exploration and evaluation assets	80,000	20,119
Management, consulting fees, salaries and benefits	297,413	116,750
Costs included in office and other	9,000	-
Share-based compensation	824,243	40,802
Total key management compensation	1,210,656	177,671
Other related party compensation:		
Costs included in exploration and evaluation assets	22,582	-
Costs included in property plant and equipment	45,164	-
	67,746	-

At December 31, 2017, $113,000 (2016 - $ 80,836) was owing to companies controlled by the Co-CEO's, and $3,390 (2016 - $16,950) to the CFO, and $17,355 (2016- $Nil) to a close family member of a Co-CEO, recorded in accounts payable and accrued liabilities.

10. SEGMENTED INFORMATION

The Company's primary business activity is the acquisition and exploration of mineral properties in Canada and Namibia.

	2017 $	2016 $
Exploration and evaluation assets		
Canada	1,064,104	781,447
Namibia	3,135,959	1,191,302
	4,200,063	1,972,749
Property and equipment		
Canada	-	-
Namibia	652,851	438,895
	652,851	438,895

11. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value

The fair value of cash is measured on level 1 of the fair value hierarchy. The fair value of receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties. The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate and foreign exchange.

Foreign Exchange

The Company's cash is held in US dollar, Namibian dollar and Canadian dollar denominated accounts primarily with a major Canadian chartered bank. The Company is nominally exposed to financial risk arising from fluctuations in foreign exchange rates.

Interest Rate Risk

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result, fluctuations in market interest rates during the current period would not have any material impact on the Company's financial results.

11. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd…)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. The Company is exposed to liquidity risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently, the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high quality external credit rating of that institution. Receivables are primarily due from a government agency.

Political Risk

The Company has subsidiaries in Namibia. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

Capital Management

The Company considers the items included in equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the year ended December 31, 2017.

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	**2016**
Loss for the year	$1,837,992	$612,313
Expected income tax (recovery)	(478,000)	(159,000)
Share issue costs and other	(107,000)	(53,000)
Permanent difference	263,000	8,000
Impact of flow through shares	72,000	27,000
Adjustment to prior years provision versus statutory tax returns	(40,000)	-
Change in statutory rate and foreign exchange	(91,000)	-
Change in unrecognized deductible temporary differences	381,000	177,000
Income tax expense (recovery)	-	-

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

	2017	2016
Deferred Tax Assets		
Exploration and evaluation assets	$ 303,000	$ 471,000
Property and equipment	16,000	(7,000)
Share issue costs	127,000	53,000
Allowable capital losses	2,000	1,000
Non-capital losses available for future period	1,675,000	1,224,000
	2,123,000	1,742,000
Unrecognized deferred tax assets	(2,123,000)	(1,742,000)
Net deferred tax assets	$ -	$ -

(Expressed in Canadian Dollars)

12. INCOME TAXES (cont'd…)

The significant components of the Company's temporary differences, and unused tax losses that have not been included on the statements of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 1,096,000	No expiry date	$ 1,786,000	No expiry date
Investment tax credit	9,000	2031 to 2033	9,000	2031 to 2033
Canadian eligible capital	1,000	No expiry date	1,000	No expiry date
Property and equipment	44,000	No expiry date	(19,000)	No expiry date
Share issue costs	472,000	2038 to 2041	204,000	2037 to 2040
Allowable capital losses	6,000	No expiry date	6,000	No expiry date
Non-capital losses available for future period	6,188,000	2026 to 2037	4,696,000	2026 to 2036
Canada	6,150,000	2026 to 2037	4,673,000	2026 to 2036
Namibia	38,000	No expiry date	23,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

As at December 31, 2017 the Company has an obligation to spend $254,000 in eligible flow-through expenditures.

13. NON-CASH SUPPLEMENTAL INFORMATION

		2017		**2016**
Allocation of equipment from deferred acquisition costs to property plant and equipment		43,422		-
Warrants issued in payment of agent's fees	$	298,860	$	66,947
Exploration and evaluation expenditure in accounts payable	$	64,127		100,941
Flow through premium	$	41,000		13,333
Property and equipment in accounts payable	$	-		9,970
Purchase of Ludbay net assets	$	-		4,414
Shares issued for exploration and evaluation assets	$	-		34,000
Shares issued to purchase Ludbay Properties Pty Ltd	$	-		315,000
Shares issued for settlement of accounts payable	$	-		61,177
Acquisition of control of Gazania	$	1,216,472		-
Conversion of deferred acquisition cost in Gazania	$	1,357,871		-
Acquisition of equity in Gazania	$	316,932		-
Fair value of warrants exercised	$	26,337		-
Non-controlling interests carried interest	$	260,765		-
Property plant and equipment in accounts payable	$	11,570		-
Cash paid for interest	**$**	-	**$**	-
Cash paid for taxes	**$**	-	**$**	-

(Expressed in Canadian Dollars)

14. NON-CONTROLLING INTERESTS

The Company gained control of Gazania by earning a 52% interest on February 24, 2017 and consolidated Gazania. The mineral property was its sole asset and deferred acquisition costs of $1,317,844 were reallocated to exploration and evaluation assets upon acquisition and consolidation of Gazania in accordance with IFRS 10 concurrent with the gross-up of the exploration and evaluation asset of $1,256,620 to account for the recognition of the non-controlling interests.

The Company thereafter obtained an additional 11% of Gazania and the non-controlling interest has been decreased by $316,932, representing the value of the exploration and evaluation asset given up by the non-controlling interest at the time.

Next Graphite has a free carried interest in the Company until a specified period after the conclusion of the Farm-in period. Accordingly, the non-controlling interest has been increased by $260,765 to reflect their interest in the funding completed by the Company.

Each of the decrease of $316,932 and increase of $260,765 related to the change in minority interest have been offset to reserves.

As at December 31, 2017, the Company had earned a 63% participating interest in Gazania.

A reconciliation of the non-controlling is as follows:

	December 31, 2017	December 31, 2016
Initial recognition of NCI	$ 1,216,620	$ -
NCI dilution of interest	(316,932)	-
NCI free carried interest	260,765	-
	$ 1,160,305	$ -

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2017; the Company

a. Issued 1,100,000 options to purchase common shares of the Company to officers, directors and service providers of the Company at an average exercise price of $0.144. The options have a term of 5 years.
b. Issued 1,952,750 common shares upon exercise of warrants for gross proceeds of $349,493.
c. Issued 300,000 common shares upon exercise of options for gross proceeds of $27,000.
d. 1,263,334 options to purchase common shares of the Company with an average exercise price of $0.12 expired.
e. signed a letter of collaboration (“Agreement”) with Perpetuus Carbon Technologies Limited (“Perpetuus”) pursuant to which the Company and Perpetuus will develop and market graphite derived graphenes and graphene hybrids for tire elastomers. The Agreement contemplates the first phase (“Phase 1”), with other phases to be described in a joint venture agreement to be entered into between the Company and Perpetuus.
   Pursuant to the Agreement, and as part of Phase 1, the Company has committed to fund the purchase, and retain ownership, of three process tooling chambers at an aggregate cost of $540,000.
   The Agreement contemplates the supply of Graphite from the Aukam Graphite mine in Namibia.
   The Company will receive US$5 per kilogram of graphite supplied and a share of profit on sales after deductions for operating costs and Perpetuus margin.