CKR CARBON CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
CKR Carbon Corp.

We have audited the accompanying consolidated financial statements of CKR Carbon Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) 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 CKR Carbon Corp. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 28, 2017

CKR CARBON CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

	2016 $	2015 $
Assets		
Current		
Cash	303,170	5,765
Restricted cash (Note 4)	16,329	-
Receivables	79,920	16,319
Prepaid expenses	5,000	-
Subscription receivable	-	1,100
	404,419	23,184
Exploration and evaluation assets (Note 3)	1,972,749	1,387,722
Property and equipment (Note 4)	438,895	-
	2,816,063	1,410,906
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5&8)	407,031	279,391
Loans payable (Note 6)	-	25,253
Flow through premium liability(Note 7)	13,333	18,722
	420,364	323,366
Shareholders' equity (deficiency)		
Share capital (Note 7)	9,721,073	7,917,221
Share based payment reserve (Note 7)	1,093,653	977,033
Deficit	(8,419,027)	(7,806,714)
	2,395,699	1,087,540
	2,816,063	1,410,906

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 13)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Roger Moss"
Director

"Luisa Moreno"
Director

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

CKR CARBON CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Operating expenses		
Marketing fees	$ 67,086	$ 15,490
Consulting fees	61,250	128,142
Filing fees and permits	40,341	28,996
Investor relations	24,719	17,716
Interest	1,131	3,955
Management fees (Note 8)	119,750	119,410
Office and other (Note 8)	38,721	97,261
Professional fees	52,243	72,404
Share-based compensation (Note 7)	49,673	124,066
Travel, meals and accommodation	13,300	14,824
	(468,214)	(622,264)
Write-off of exploration and evaluation assets (Note 3)	(162,821)	-
Reversal of flow-through premium liability (Note7)	18,722	21,278
Gain on settlement of accounts payable (Note 7)	-	65,933
Loss and comprehensive loss for the year	$ (612,313)	$ (535,053)
Basic and diluted loss per share	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding	32,858,114	16,368,054

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

CKR CARBON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Operating Activities		
Loss for the year	$ (612,313)	$ (535,053)
Non-cash items:		
Share-based compensation	49,673	124,066
Write off of exploration and evaluation assets	162,821	-
Gain on settlement of accounts payable	-	(65,933)
Reversal of flow-through premium	(18,722)	(21,278)
Accrued interest on loan payable	-	3,955
Change in subscription receivable	1,100	-
Changes in receivables	(63,601)	21,028
Change in prepaid expenses	(5,000)	-
Changes in accounts payable and accrued liabilities	131,424	3,391
Cash used for operating activities	(354,618)	(469,824)
Investing Activities		
Exploration and evaluation expenditures, net of recoveries	(743,931)	(482,224)
Purchase of property and equipment	(113,925)	-
Cash used for investing activities	(857,856)	(482,224)
Financing Activities		
Private placement proceeds	1,696,469	1,003,200
Share issuance costs	(222,514)	(18,980)
Loan payable received	56,124	-
Loan repayment	(20,200)	(70,300)
Options exercised proceeds	-	39,900
Notes payable	-	3,800
Cash provided by financing activities	1,509,879	957,620
Changes in cash	297,405	5,572
Cash – beginning of year	5,765	193
Cash – end of year	$ 303,170	$ 5,765

See Note 12 For Non-cash supplemental Information

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

CKR CARBON CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
December 31, 2014	6,356,893	$ 6,234,860	$ 832,758	$ (7,271,661)	$ (204,043)
Shares issued for exploration and evaluation assets	99,999	10,000	-	-	10,000
Shares issued for private placements	11,277,399	1,092,067	32,773	-	1,124,840
Shares issued for asset acquisition	3,500,000	350,000	-	-	350,000
Share issuance costs - cash	-	(18,980)	-	-	(18,980)
Share issuance costs - broker warrants	-	(3,850)	3,850	-	-
Shares issued for options exercised	539,000	39,900	-	-	39,900
Shares issued for debt	1,968,103	196,810	-	-	196,810
Transfer of share based payment reserve to share capital for options exercised	-	16,414	(16,414)	-	-
Warrants exercised	-	-	-	-	-
Share-based compensation	-	-	124,066	-	124,066
Loss for the year	-	-	-	(535,053)	(535,053)
December 31, 2015	23,741,394	7,917,221	977,033	(7,806,714)	1,087,540
Shares issued for exploration and evaluation assets	400,000	34,000	-	-	34,000
Shares issued for private placements	22,125,786	1,696,469	-	-	1,696,469
Shares issued for asset acquisition	3,500,000	315,000	-		315,000
Share issuance costs - cash	-	(222,514)	-	-	(222,514)
Share issuance costs - broker warrants	-	(66,947)	66,947	-	-
Shares issued for options exercised	-	-	-	-	-
Shares issued for debt	764,712	61,177	-		61,177
Transfer of share based payment reserve to share capital for options exercised	-	-	-	-	-
Flow through share premium liability	-	(13,333)	-	-	(13,333)
Share-based compensation	-	-	49,673	-	49,673
Loss for the year	-	-	-	(612,313)	(612,313)
December 31, 2016	50,531,892	$ 9,721,073	$ 1,093,653	-$ 8,419,027	$ 2,395,699

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

1. NATURE OF OPERATIONS AND GOING CONCERN

CKR Carbon Corporation (hereafter the "Company" or "CKR" was incorporated under the Business Corporations Act (Ontario), R.S.O. 1990, on February 27, 2007 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's corporate office is located at 96 Avenue Road, 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, 2016. The consolidated financial statements were approved by the Board of Directors on April 28, 2017.

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:

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.

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 from the date of acquisition on September 8, 2015 and Ludbay Properties Pty Ltd from the date of acquisition on November 6, 2016. All significant inter-company transactions and balances have been eliminated.

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

Financial instruments

Financial assets

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.

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.

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 and loans payable 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.

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

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.

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.

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

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.

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.

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

Property and equipment (cont'd…)

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
Equipment	Straight-line	3 years

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 fair value attributed to the warrants is recorded as share-based payment reserve.

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.

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

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.

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 and the Company is currently assessing the impact of these new standards.

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.

IFRS 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.

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

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.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets summary

	December 31, 2016			
	Montpellier, Quebec	**Tac, Lac Vert and Buckingham, Quebec**	**Aukam, Namibia**	**Total**
Acquisition costs, beginning of year	$ 216,993	$ 215,660	$ 443,641	$ 876,294
Additions	34,000	-	97,255	131,255
Acquisition costs written off		(149,303)		(149,303)
Acquisition costs, end of year	250,993	66,357	540,896	858,246
Exploration costs, beginning of year	9,428	365,961	136,039	511,428
Additions				
Drilling	-	-	-	-
Field work, supplies and other	6,795	43,257	44,125	94,177
Geological and other consulting	6,759	5,815	47,446	60,020
Equipment	-	-	43,422	43,422
Surveying	18,384	21,216	4,460	44,060
Bulk sampling	-	-	327,982	327,982
Travel and accommodation	-	-	46,932	46,932
Exploration costs written off	-	(13,518)	-	(13,518)
Exploration costs, end of year	41,366	422,731	650,406	1,114,503
Total, end of year	292,359	489,088	1,191,302	1,972,749

(Expressed in Canadian Dollars)

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

Exploration and evaluation assets summary

	December 31, 2015			
	Montpellier, Quebec	**Tac, Lac Vert and Buckingham, Quebec**	**Aukam, Namibia**	**Total**
Acquisition costs, beginning of year	$ 210,000	$ 207,500	$ -	$ 417,500
Additions	6,993	8,160	443,641	458,794
Acquisition costs, end of year	216,993	215,660	443,641	876,294
Exploration costs, beginning of year	990	220,616	-	221,606
Additions				
Drilling	-		-	-
Field work, supplies and other	-	68,065	-	68,065
Geological and other consulting	8,438	65,241	105,982	179,661
Surveying	-	1,155	-	1,155
Travel and accommodation	-	10,884	30,057	40,941
Exploration costs, end of year	9,428	365,961	136,039	511,428
Total, end of year	$ 226,421	$ 581,621	$ 579,680	$ 1,387,722

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.

3. 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. In consideration, the Company will:

i) issue 266,667 common shares (issued at a value of $160,000);
ii) issue 66,667 common shares by April 6, 2014 (issued at a value of $30,000);
iii) issue 33,333 common shares by September 16, 2014 (issued at a value of $1,500);
iv) issue 33,333 common shares by March 15, 2015 (issued at a value of $4,000);
v) spend exploration expenditures of $40,000 on or before May 31, 2013 (incurred);
vi) spend exploration expenditures of $110,000 by February 25, 2016 (incurred).

The Company also issued 26,667 common shares (at a value of $16,000) as a finder's fee.

The vendor has been granted a 3% NSR. The Company has the right to repurchase a 1% NSR from the vendor for $1,000,000.

During the year ended December 31, 2016, the Company decided not to continue exploring the Tac and Lac Vert properties and have written 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 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.

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 the License by:

i) Spending USD $1,100,000 on the property; or
ii) Completing the plant and infrastructure set up; and
iii) Obtaining government authorization to begin commercial operations; and
iv) Making quarterly payments for a total of USD$180,000 (USD$132,500 paid ($177,634 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.

(Expressed in Canadian Dollars)

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

Aukam Graphite Project, Namibia (cont'd)

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 licence 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.
As at December 31, 2016, The Company had earned a 51.84% participating interest in the Aukam license.

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

Subsequent to December 31, 2016, the Company paid USD $47,500 ($58,717 CDN) relating to the quarterly payments within the farm-out agreement.

4. Property and Equipment

Cost	Land	Equipment	Total
At December 31, 2015 and 2014	-	-	-
2016 Additions	369,434	69,461	438,895
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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables	$ 316,539	$ 188,141
Accrued liabilities	90,492	91,250
	$ 407,031	$ 279,391

6. 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 bears 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.

7. SHARE CAPITAL

Common Shares

Authorized - An unlimited number of common shares

The following summarizes the share issuance transactions:

During the year ended December 31, 2016 the Company:

i) issued 314,500 shares (Note 6) 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 6) 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 3) 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.

7. SHARE CAPITAL (cont'd…)

Common shares (cont'd…)

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 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.

vii) issued 3,500,000 shares (Note 4) as part consideration for property acquired in Luderitz Namibia for a total value of $315,000.

During the year ended December 31, 2015 the Company:

i) completed a non-brokered private placement of 2,000,000 common shares at a price of $0.10 per share for a total of $200,000.

ii) closed a debt settlement and issued 1,968,103 common shares to creditors to settle debts aggregating $196,811.

iii) issued 66,666 shares (Note 3) for the Montpellier property at a price of $0.09 per share for a total value of $6,000.

iv) issued 33,333 shares (Note 3) for the Tac, Lac Vert Property and Buckingham at a price of $0.12 per share for a total value of $4,000.

v) completed a non-brokered private placement of 3,350,000 units at a price of $0.10 per unit for a total of $335,000, of which $94,000 was for settlement of accounts payable resulting in a gain on settlement of debt of $65,933. 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 non-flow-through share at a price of $0.15 per share until March 27, 2016.

The Company issued 26,100 finder's warrants exercisable at a price of $0.10 for a period of 12 months valued at $1,545.

vi) completed a non-brokered private placement of 1,999,999 flow-through units at a price of $0.12 per unit for aggregate gross proceeds of $240,000 and the second tranche of its non-brokered private placement of 650,000 units at a price of $0.10 per unit for aggregate gross proceeds of $65,000. Each unit is comprised of one common share and one-half of one share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one common share in the capital of the Company at a price of $0.15 per warrant until April 10, 2016. Each flow-through unit is

comprised of one share and one-half of one share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one common share in the capital of the Company at a price of $0.20 per warrant until April 10, 2016. A total of $40,000 of the flow-through financing was attributed to a flow-through premium liability which was reduced to $18,722 as at December 31, 2015.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

Common shares (cont'd)

The Company issued to the finders under the flow-through offering a total of 23,360 finder's warrants exercisable at a price of $0.12 for a period of 12 months valued at $2,305.

vii) issued 3,500,000 shares (Note 3) for the Aukam asset acquisition at a price of $0.10 per share for a total value of $350,000.

viii) completed a non-brokered private placement of 3,277,400 units at a price of $0.10 per unit for a total of $327,740 of which $66,540 was for settlement of accounts payable. 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 share at a price of $0.15 per share until November 18, 2016. $32,773 was allocated to the warrants.

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, 2016, the Company:

i) granted 1,483,333 (2015 – 2,355,000) stock options with a fair value of $52,938 (2015 – $124,066) or $0.04 (2015 – $0.05) per option of which $49,673 relates to 1,350,000 stock options being issued to directors , officers and consultants recorded as share based compensation, and $3,265 relates to broker options. Refer to Note 7 common shares vi) for details.

A summary of option transactions is as follows:

	Year ended December 31, 2016			**Year ended December 31, 2015**		
	Number of options		Weighted average exercise price	**Number of options**		Weighted average exercise price
Balance, beginning of year	1,965,000	$	0.15	240,667	$	0.84
Granted	1,483,333		0.09	2,355,000		0.11
Exercised	-		-	(539,000)		0.07
Expired/Cancelled	(1,205,000)		0.15	(91,667)		1.26
Balance, end of year	2,243,333		0.11	1,965,000	$	0.15

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

Stock Options (cont'd…)

As at year ended December 31, 2016, the following options were outstanding and exercisable:

Exercise price	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
0.075	300,000	57 months	0.075	200,000
0.09	133,333	10 months	0.09	133,333
0.10	470,000	10 months(2)	0.10	470,000
0.10	850,000	50 months	0.10	680,000
0.11	250,000	6 months	0.11	250,000
0.13	80,000	6 months	0.13	80,000
0.14	130,000	3 months(1)	0.14	130,000
0.75	6,667	25 months	0.75	6,667
1.05	23,333	21 months	1.05	23,333
	2,243,333		0.11	1,973,333

(1) Expired unexercised subsequent to year end
(2) 200,000 of these options expired unexercised subsequent to year end.

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, 2016	Year ended December 31, 2015
Expected dividend yield	Nil	Nil
Stock price volatility	87.52%	126.06%
Risk-free interest rate	0.49%	0.58%
Expected life of options	4.2 years	1.3 years

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

Warrants

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

	Year ended December 31, 2016			**Year ended December 31, 2015**		
	Number of Warrants		Weighted average exercise price	**Number of Warrants**		Weighted average exercise price
Balance, beginning of year	4,983,492	$	0.21	927,904	$	1.30
Granted	13,256,021		0.13	4,688,159		0.16
Exercised	-		-	-		-
Expired	3,308,492		0.24	(632,571)		1.44
Balance, end of year	14,931,021		0.13	4,983,492	$	0.21

As of December 31, 2016, the following share purchase warrants were outstanding and exercisable:

Expiry Date	**Number of Warrants**	**Weighted Average Exercise Price**		**Fair Value**
March 27, 2017(1)	1,675,000	0.15		-
April 28, 2017(1)	750,000	0.13		-
May 3, 2017	3,967,295	0.13		-
May 3, 2017	741,876	0.07		26,361
November 4, 2017	6,632,196	0.15		-
November 4, 2017	1,164,654	0.08		37,321
	14,931,021	0.13	$	63,682

(1) expired unexercised subsequent to year end

The fair value of compensatory warrants are estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31, 2016	**Year ended December 31, 2015**
Expected dividend yield	0.00%	0.00%
Stock price volatility	90.23%	123.76%
Risk-free interest rate	0.62%	0.52%
Expected life of warrants	1 year	1.0 year

8. 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 year ended December 31, 2016, the Company:

i. paid or accrued management fees of:
   a. $85,250 (2015 – 22,000) to the CEO and a company controlled by the CEO.
   b. $Nil (2015 - $70,875) to the former CEO and a company controlled by the former CEO.
   c. $Nil (2015 - $26,535) to a former director and former CFO of the Company through a company controlled by the former CEO.
   d. $31,500 (2015 - $nil) to the CFO of the company.

ii. paid or accrued exploration costs of $20,119 (2015 - $nil) to the CEO and a company controlled by the CEO.

iii. paid or accrued office and other expenses of $nil (2015 – $53,265) to a company controlled by the former CEO and director of the Company for rent, administration, consulting, and general.

iv. received and repaid advances of $20,200 from the CEO (Note 6).

v. granted a total of 1,100,000 stock options (2015 – 730,000) to officers and directors of the Company, of which the fair value was estimated at $40,802 (2015 - $30,439) and was included in share share-based compensation expense.

At December 31, 2016, $80,836 (2015 - $ 16,679) was owing to the CEO and $16,950 (2015 - $nil) to the CFO recorded in accounts payable and accrued liabilities. $Nil (2015 - $10,325) was owing to a company controlled by the former CEO.

During the year, the Company received and repaid $nil (2015 - $3,800) in short term loans to a company controlled by the former CEO.

9. SEGMENTED INFORMATION

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

	2016 $	2015 $
Exploration and evaluation assets		
Canada	781,447	808,042
Namibia	1,191,302	579,680
	1,972,749	1,387,722
Property and equipment		
Canada	-	-
Namibia	438,895	-
	438,895	-

10. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value

The fair value of cash is measured on level 1 of the fair value hierarchy. Given that they will mature shortly, the fair value of, receivables, accounts payable and accrued liabilities approximate their carrying value.

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 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.

(Expressed in Canadian Dollars)

10. 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. Commodity taxes recoverable is 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, 2016.

11. INCOME TAXES

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

		2016		**2015**
Loss for the year before tax	$	(612,313)	$	(535,053)
Expected income tax (recovery)	$	(159,000)	$	(139,000)
Share issue costs and other		(53,000)		(9,000)
Permanent difference		8,000		28,000
Impact of flow through share		27,000		33,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		-		(14,000)
Change in unrecognized deductible temporary differences		177,000		101,000

(Expressed in Canadian Dollars)

Total income tax expense (recovery)	$ -	$ -

11. INCOME TAXES (cont'd…)

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

	2016	2015
Deferred Tax Assets		
Exploration and evaluation assets	$ 471,000	$ 428,000
Property and equipment	(7,000)	-
Share issue costs	53,000	13,000
Allowable capital losses	1,000	1,000
Non-capital losses available for future period	1,224,000	1,116,000
	1,742,000	1,558,000
Unrecognized deferred tax assets	(1,742,000)	(1,558,000)
Net deferred tax assets	$ -	$ -

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:

	2016	Expiry Date Range	2015	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 1,786,000	No expiry date	$ 1,620,000	No expiry date
Investment tax credit	9,000	2031 to 2033	9,000	2031 to 2033
Canadian eligible capital (CEC)	1,000	No expiry date	1,000	No expiry date
Property and equipment	(19,000)	No expiry date	-	No expiry date
Share issue costs	204,000	2036 to 2041	50,000	2036 to 2039
Allowable capital losses	6,000	No expiry date	6,000	No expiry date
Non-capital losses available for future period	4,696,000	2026 to 2036	4,291,000	2026 to 2035
Canada	4,673,000	2026 to 2036	4,291,000	2026 to 2035
Namibia	23,000	No expiry date	-	No expiry date

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

As at December 31, 2016 the Company has an obligation to spend $120,000 in eligible flow-through expenditures.

(Expressed in Canadian Dollars)

12. NON-CASH SUPPLEMENTAL INFORMATION

Warrants issued in payment of agent's fees	**$**	**66,947**	**$**	**3,850**
Exploration and evaluation expenditure in accounts payable	**$**	**100,941**	**$**	**131,024**
Flow through premium	**$**	**13,333**	**$**	**40,000**
Property and equipment in accounts payable	**$**	**9,970**		**-**
Purchase of Ludbay net assets	**$**	**4,414**	**$**	**-**
Shares issued to purchase Micron		**-**	**$**	**350,000**
Shares issued for exploration and evaluation assets	**$**	**34,000**	**$**	**10,000**
Shares issued to purchase Ludbay Properties Pty Ltd	**$**	**315,000**		**-**
Shares issued for accounts payable settlement	**$**	**61,177**	**$**	**357,350**
Reserves reallocated on exercise of options	**$**	**-**	**$**	**16,414**
Residual value of warrants	**$**	**-**	**$**	**32,773**
Cash paid for interest	**$**	-		**$** -
Cash paid for taxes	**$**	-		**$** -

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company:

a. 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. Each unit consisted of one common share and 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 $0.20 per share until March 29, 2020.

   Completed a private placement of 4,100,000 flow-through shares at a price of $0.10 per unit for aggregate gross proceeds of $410,000

   The Company paid to the finders cash compensation of $176,405 and issued 1,504,500 broker warrants in relation to the sale of the non-flow through units with an exercise price if $0.09 and 410,000 broker options in relation to the flow through shares.

b. Issued 4,650,000 options to purchase common shares of the Company to officers and directors of the Company at an option price of $0.17 for a term of five years.

c. Issued 1,241,877 common shares upon exercise of warrants for gross proceeds of $116,931.

d. Received 51.84% of outstanding shares of Gazania Investments Two Hundred and Forty Two Pty Ltd. as a result of earning a 51.84% participating interest in the Aukam license (Note 3).

CKR CARBON CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(Form 51-102F1)
For the Twelve Months Ended December 31, 2016

This MD&A is dated April 28, 2017

CKR Carbon Corporation (hereafter the "Company" or "CKR Carbon Corporation"), which was incorporated under the Business Corporations Act (Ontario), R.S.O. 1990, on February 27, 2007 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's corporate office is located at 96 Avenue Road, Toronto, Ontario, Canada. The Company is a junior exploration company primarily engaged in the acquisition and exploration of exploration and evaluation assets located in Canada and Namibia.

The following is the management discussion and analysis ("MD&A") of the financial condition, changes in financial condition and results of operations of CKR Carbon Corporation for the twelve months ended December 31, 2016. The MD&A should be read in conjunction with the audited financial statements of the Company for the twelve months ended December 31, 2016 (www.sedar.com) which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of financial statements, 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 reader should also refer to the financial statements for the year ended December 31, 2015. The operations of the Company were 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.

Unless otherwise specified, all dollar amounts herein and therein are expressed in Canadian currency.

Additional information on the Company may be found on SEDAR on www.sedar.com

Forward-Looking Information

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) assumptions about the price of metals; (ii) that there are no material delays in the optimisation of operations at the exploration and evaluation assets; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that there is no unanticipated fluctuation in foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of base metals; (ii) the risk that the Company will continue to have negative operating cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; and (vi) environmental risks and changes in environmental legislation.

This MD&A (See "Risks and Uncertainties") and the Company's annual information form contain information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

Annual Information

	2016	2015	2014
	$	$	$
Revenue	0	0	0
Loss and comprehensive loss for the year	(612,313)	(535,053)	(946,127)
Loss per common share	(0.02)	(0.03)	(0.17)
Weighted average number of common shares	32,858,114	16,368,054	5,510,230
Statement of Financial Position data			
Working capital (deficit)	(15,945)	(300,182)	(843,149)
Total assets	2,816,063	1,410,906	676,646

Overall Performance and Results and Operations

During the year ended December 31, 2016, the Company incurred a loss and comprehensive loss of $612,313 (2015 - $535,053).

i) $514,367 was invested in exploration and evaluation of the Company's Aukam graphite project in Namibia.

ii) Consulting fees incurred in the year were $61,250 compared to $128,142 incurred in 2015.

iii) Office and other decreased to $38,721 (2015 - $97,261) primarily due to the move of the Company's head office from Vancouver to Toronto on October 2015 and a decrease in administrative costs charged by a corporation owned by the former CEO.

iv) Share based compensation decreased to $49,673 (2015 - $124,066) primarily due to a decrease in the number of options granted and a decrease in the volatility factor used in the Black Sholes calculation to determine fair value of the options issued.

v) Investor relations expenses during the year were $24,719 (2015 - $17,716)

vi) Marketing expenses of $67,086 were incurred in the year to develop markets for the Company's graphite. Marketing expenses incurred in 2015 were $15,490.

vii) $162,821 was expensed to write-off the exploration and evaluation assets associated with the Tac and Lac Vert properties.

viii) Management fees in 2016 of $119,750 were comparable with the mamagement fees of $119,410 incurred in 2015.

Fourth Quarter

During the quarter ended December 31, 2016, the Company incurred a loss and comprehensive loss of $280,562 (2015 - $297,857).

i) During the quarter the Company decided not to continue exploring the Tac and Lac Vert properties and have written off all costs associated with the properties resulting in the amount of $162,821.

ii) 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.

iii) 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.

iv) Acquired property in the town of Luderitz, Nambia in the acquisition of Ludbay Properties Pty Ltd. 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.

The property covers 6,564 square metres and contains three buildings: a large warehouse, a double garage with six storerooms/workshops and a single garage with two offices and a store room. The company intends to use the warehouse for the processing and packaging of graphite from the Aukam Graphite Mine. The property gives CKR waterfront access to the Port of Luderitz and to container facilities enabling direct delivery to ports in Europe, Asia and North America. Traditionally dominated by diamond mining and fisheries, the Port of Luderitz in Namibia has recently expanded its facilities to meet the demands of modern industries including mineral development and oil and gas production. Recent upgrades include a 500m long quay providing cargo handling and container facilities and a new mobile harbour crane that can handle containers and break-bulk cargo up to 64 tonnes. In recent years, the port has handled over 300,000 tonnes of cargo and had 900 to 1,000 vessel visits each year. Transit time to Hamburg, Germany is approximately 19 days.

v) Invested $216,760 in evaluation, environmental impact assessments and site infrastructure at its Aukam project.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters.

Three Months Ended	**December 31 2016**	**September 30 2016**	**June 30 2016**	**March 31 2016**
Interest Income	$ -	$ -	$ -	$ -
Exploration and evaluation assets	1,972,749	1,724,845	1,605,714	1,393,722
Deficit	8,419,027	8,138,464	8,069,577	7,909,042
Total Assets	2,816,063	1,783,880	1,822,070	1,420,509
Net and Comprehensive Loss	280,562	68,887	160,536	102,328
Basic and Diluted Loss Per Share	0.008	0.002	0.005	0.005

Three Months Ended	**December 31 2015**	**September 30, 2015**	**June 30, 2015**	**March 31 2015**
Interest Income	$ -	$ -	$ -	$ -
Exploration and evaluation assets	1,387,722	1,256,965	748,088	678,523
Deficit	7,806,714	7,710,827	7,569,517	7,396,634
Total Assets	1,410,906	1,306,967	801,579	847,406
Net and Comprehensive Loss	95,887	141,310	172,883	124,973
Basic and Diluted Loss Per Share	0.01	0.005	0.01	0.01

Subsequent events

Subsequent to December 31, 2016, the Company:

a. 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. Each unit consisted of one common share and 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 $0.20 per share until March 29, 2020.

   Completed a private placement of 4,100,000 flow-through units at a price of $0.10 per unit for aggregate gross proceeds of $410,000. Each flow-through unit consisted of one flow through share and one flow through share purchase warrant of the Company. Each warrant will entitle the holder to purchase one flow through common share in the capital of the Company at a price of $0.20 per warrant until March 29, 2020.

   The Company paid to the finders cash compensation of $176,405 and issued 1,504,500 broker warrants in relation to the sale of the non-flow through units with an exercise price if $0.09 and 410,000 broker options in relation to the flow through units.

b. Issued 4,650,000 options to purchase common shares of the Company to officers and directors of the Company at an option price of $0.17 for a term of five years.

c. Issued 1,241,877 common shares upon exercise of warrants for gross proceeds of $116,931.

d. Received 51.84% of outstanding shares of Gazania Investments Two Hundred and Forty Two Pty Ltd. as a result of earning a 51.84% participating interest in the Aukam license .

Mineral Properties / Exploration and Evaluation Assets

The technical content of the mineral property disclosure in this MD&A has been reviewed and approved by Dr. Roger Moss, a qualified person as defined by National Instrument 43-101. Except where noted the property disclosure in this MD&A has not been the subject of a National Instrument 43-101 report.

Montpellier Graphite Property, 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.

The property hosts graphite mineralization in a zone 15 meters wide, and has been delineated over a strike length of 250 meters by historical drilling and trenching. The historical drilling at Montpellier included one drill hole with a weighted average of 10.47% Cg (Carbon as graphite) over 44.97 meters and 12.33% Cg over 21.64 meters. (*1984, Ministere de l’Energie et de Ressources Quebec,Report Nos. GM42965, 80p; GM41744, 41p.*). Note that estimates of true thickness were not determined in the historical drilling. Two other graphite zones occur 575 meters east of the main zone of mineralization.

During 2016 an airborne electromagnetic and magnetic survey was carried out over the property to determine possible extensions to the graphite mineralization. Results of the survey indicate a single, wide, prospective area defined by electromagnetic conductors and associated magnetic anomalies that appear to be folded into a “C” shape about an east-west trending axis. The strike length of the folded conductors and associated magnetic anomalies is more than 2.2 kilometres, as such this area will be investigated further during 2017.

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. In consideration, the Company will:

i) issue 266,667 common shares (issued at a value of $160,000);
ii) issue 66,667 common shares by April 6, 2014 (issued at a value of $30,000);
iii) issue 33,333 common shares by September 16, 2014 (issued at a value of $1,500);
iv) issue 33,333 common shares by March 15, 2015 (issued at a value of $4,000);
v) spend exploration expenditures of $40,000 on or before May 31, 2013 (incurred);

vi) spend exploration expenditures of $110,000 by February 25, 2016 (incurred).

The Company also issued 26,667 common shares (at a value of $16,000) as a finder's fee.

The vendor has been granted a 3% NSR. The Company has the right to repurchase a 1% NSR from the vendor for $1,000,000.

No work was carried out on the Tac and Lac Vert properties during 2016.
During the year ended December 31, 2016, the Company decided not to continue exploring the Tac and Lac Vert properties and have written off all costs associated with the properties resulting in the amount of $162,821.

Work on the Buckingham project included an airborne magnetic and electromagnetic survey that was followed up with a trenching program.

The airborne time domain electromagnetic (TDEM) survey flown over the Buckingham project resulted in several anomalies. The largest conductor stretches over 1.54 kilometres in a northeast-southwest direction. The northeastern portion of this conductor is coincident with graphite mineralization in the Case Zone from which 35 grab samples collected in 2015, yielded values ranging from 1.6% carbon as graphite (Cg) to 28.7% Cg (See news releases dated May 22, 2015 and November 4, 2015). The length of the conductor suggests that the Case Zone may be longer than previously thought.
The trenching tested the long TDEM conductor with five trenches from 15 to 70 metres long oriented perpendicular to the conductor axis. A sixth trench, of approximately 30 metres, tested a smaller adjacent conductor. All trenches uncovered zones of graphite mineralization hosted primarily by paragneiss. Highlights of the trench sampling include 8.33% Cg (Carbon as graphite) over 11.3 metres, 2.76%Cg over 15 metres, 2.23% Cg over 27 metres and 1.52% Cg over 65.5 metres (See table below). Individual samples assayed between 0.02% Cg and 17.3% Cg, with an average of 1.92% Cg for the 158 samples.

Trench ID	**Width (m)***	**Cg (%)**
10	18.8	5.22
including	11.3	8.33
3	27	2.23
including	4.9	5.84
6	12.5	1.60
including	9.0	2.03
2	65.5	1.52
including	15.1	2.76
5	No Significant Results	

*Not true width. Insufficient information available to determine true width

Aukam Graphite Mine, 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 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.

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 the License by:

i) Spending USD $1,100,000 on the property; or
ii) Completing the plant and infrastructure set up; and
iii) Obtaining government authorization to begin commercial operations; and
iv) Making quarterly payments for a total of USD$180,000 (USD$132,500 paid ($177,634 CDN). during the farm-out period (from June 8, 2015 until i, ii and iii are complete); and

The Company shall have the option to buy an incremental 10% of Next's remaining interest for a cash payment of $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 licence 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.

As at December 31, 2016, The Company had earned a 51.84% participating interest in the Aukam license. There is a 2% gross revenue royalty on the Aukam Mine.

Work on the Aukam project during 2016 included bulk sampling, rehabilitating the historic mine, setting up of site infrastructure, including ventilation system for the mine, environmental impact assessments and a geophysical survey.

Bulk sampling of the Aukam dumps was undertaken with the dump material screened and hand sorted to produce a graphitic stockpile. Approximately 160 kilograms of material in seven samples taken from a 1.6 tonne sample of the screened and sorted material assayed 55.64% Cg (carbon as graphite) to 63.87% Cg with an average of 59.40% Cg (See results below). While these samples were selected from the larger 1.6 tonne sample of the dump material, they are not considered representative of the mineralization on the property as a whole.

Sample Number	Carbon as Graphite (%)
1975	57.50
1980	63.87
2015	55.64
2075	58.66
2080	58.75
2225	60.86

2345	60.49
Average	**59.40**

Rehabilitation of the mine included the surveying of the underground adits and open pit, and barring down and blasting of loose material in the adits in order to make the workings safe for underground exploration. Two adits were surveyed, the lower adit extends into the hillside for a total of 165 metres with two of the largest stopes, each over two metres wide, occurring near the end of the adit. The upper adit, located 27 metres above the lower adit extends into the hillside for 75 metres. Both adits end directly below the open pit, which is located approximately 30 metres above the upper adit and 57 metres above the lower adit. This suggests that graphite veins observed at surface in the open pit, extend 57 metres down dip to the stopes in the lower adit.

Recent mapping and sampling of the veins in the lower adit (see News Release dated July 12, 2016) indicate that they continue below the level of the adit suggesting further exploration potential. Chip channel samples were taken from three graphite veins exposed in the lower adit and assayed from 18.34% Cg to 56.06% Cg (see table below). The first sample was taken close to the entrance to the adit and assayed 18% Cg (carbon as graphite) over 0.9 metres (true width of 0.85 metres). A second sample was taken at the intersection of the adit with a crosscut and assayed 41.98% Cg over 0.84 metres (true width of 0.83 metres). The third sample was taken from the wall of a 2.2 metre wide stope near the end of the adit and assayed 52.08% Cg. With the exception of the low grade sample RM-001, results of these assays are consistent with historical assays of graphite veins that range from 41.21 to 68.85% Cg.

Sample Number	Sample Type	Description	True Thickness (m)	Carbon as Graphite (Cg %)
RM-001	Channel chip	Graphite Vein	0.85	18.34
RM-002	Channel chip	Graphite Vein	0.83	41.98
RM-003	Channel chip	Graphite Vein	Unknown	56.06

Part of the mine rehabilitation involved the installation of an underground ventilation system to ensure proper venting of gases following blasting. The system was procured and installed by CKR staff and completed two weeks ahead of schedule and approximately 40% under budget.

Environmental impact assessments (EIA) were started for a mining operation at Aukam and a 5,000 tonne per annum plant at the warehouse facility in Luderitz. The EIA for the Aukam operation was completed subsequent to year end and has been submitted to the Ministry of Environment and Tourism. The Luderitz EIA is ongoing and expected to be completed soon.

A horizontal loop electromagnetic (Max-Min) survey was undertaken around the old workings to determine the extent of graphite mineralization. The survey had a line spacing of 50 metres, station interval of 25 metres and coil spacing of 100 metres initially. Following a review of preliminary data, several lines were run at a station interval of 10 metres and coil spacing of 50 metres for better resolution over the main anomalies.

The results of the survey showed a 700 metre long anomaly extending east-northeast along strike from the known graphite deposit at Aukam. The anomaly includes the known graphite occurring in the old workings and shows indications of the three vein lodes. In addition, an anomaly 200 metres to the east, similar in size and intensity, suggests the possibility of additional near surface graphite mineralization. The anomaly is open ended to the east and west and is coincident with a shear zone that may be one of the controls on the location of the graphite mineralization.

Marketing of Aukam graphite continued during 2016. On March 16, the Company announced a letter of intent with a a vertically integrated graphite producer that was subsequently expanded on in a definitive agreement to supply an initial 5,000 tonnes of graphite per annum following a positive production decision expected during 2017. The agreement is for ten (10) years and the Producer has the option to renew the agreement for a further ten (10) years.

Aukam graphite also underwent testing for graphene related technology with favourable initial results indicating chemical and physical similarity of Aukam mineralization to that from Sri-Lanka.

Financial Instruments and Risks and Uncertainties:

Fair value

Given that they will mature shortly, the fair value of receivable, accounts payable and accrued liabilities approximate their carrying value.

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 with a major Canadian chartered bank and with a bank in Namibia. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates with respect to the US dollar. The Company has not utilized derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk

Fluctuations in interest rates have only an impact on the return that the cash and cash equivalents generates as interest income. Unfavorable changes in the applicable interest rate may result in a decrease of interest income.

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.

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. In particular, the Company may have to issue additional common shares. 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 in Canada. 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.

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 share 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, 2016.

Market Risk

There is no open trading market for graphite in the way there is for other base metals such as zinc,copper and nickel. The Company needs to market their graphite and secure purchase orders or supply contracts with graphite processors or users.

Liquidity and Capital Resources

On December 31, 2016, the Company had a working capital deficiency of $15,945 (December 31, 2015 - $300,182) .

Accounts payable and accrued liabilities totaled $407,000 on December 31, 2016. Of this amount, $98,000 or 24% represents amounts owing to management for unpaid management fees and $92,000 is related to unpaid marketing and project management fees to one consultant.

During the period from January 1, 2016 to December 31, 2016, the Company:

i) closed debt settlements and issued 764,712 common shares to creditors to settle debts aggregating $59,946.

ii) granted 1,350,00 stock options to directors, officers and consultants of the Company, exercisable at an average price of $0.09 per share for a period of up to five years.

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.

iv) 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.

v) 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.

vi) 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 to acquire property in the town of Luderitz Namibia.

vii) issued 400,000 common shares at a value of $34,000 on October 12, 2016 in satisfaction of an obligation to incur $50,000 of exploration expenditure on the Montpellier property.

Transactions with Related Parties

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 year ended December 31, 2016, the Company:

i. paid or accrued management fees of:
   a. $85,250 (2015 – 22,000) to the CEO and a company controlled by the CEO.
   b. $Nil (2015 - $70,875) to the former CEO and a company controlled by the former CEO.
   c. $Nil (2015 - $26,535) to a former director and former CFO of the Company through a company controlled by the former CEO.
   d. $31,500 (2015 - $nil) to the CFO of the company.

ii. paid or accrued exploration costs of $20,119 (2015 - $nil) to the CEO and a company controlled by the CEO.

iii. paid or accrued office and other expenses of $nil (2015 – $53,265) to a company controlled by the former CEO and director of the Company for rent, administration, consulting, and general.

iv. received and repaid advances of $20,200 from the CEO (Note 6).

v. granted a total of 1,100,000 stock options (2015 – 730,000) to officers and directors of the Company, of which the fair value was estimated at $40,802 (2015 - $30,439) and was included in share share-based compensation expense.

At December 31, 2016, $80,836 (2015 - $ 16,679) was owing to the CEO and $16,950 (2015 - $nil) to the CFO recorded in accounts payable and accrued liabilities. $Nil (2015 - $10,325) was owing to a company controlled by the former CEO.

During the year, the Company received and repaid $nil (2015 - $3,800) in short term loans to a company controlled by the former CEO.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Disclosure of Outstanding Share Data

As of April 28, 2017, the Company had the following outstanding:

Common shares - 70,918,769 common shares

Options

Expiry Date	Number of Options	Exercise Price
June 25, 2017	250,000	0.13
July 3, 2017	80,000	0.13
August 28, 2017	270,000	0.10
September 3, 2018	6,667	0.75
September 25, 2018	23,333	1.05
January 15, 2018	200,000	0.10
February 17,2016	850,000	0.10
January 27,2019	33,334	0.75
September 22, 2021	300,000	0.075
April 4, 2022	4,650,000	0.17
	6,663,334	

Warrants

Expiry Date	Number of Warrants	Exercise Price
April 28, 2017	750,000	0.13
May 3, 2017	3,096,357	0.13
May 3, 2017	370,938	0.07
November 4, 2017	6,049,869	0.15
November 4, 2017	1,164,658	0.08
November 4, 2017	582,327	0.15
November 4, 2017	133,333	0.09
March 29, 2020	15,045,000	0.20
March 29, 2020	1,504,500	0.09
March 29, 2020	1,504,500	0.20
March 29, 2020	410,000	0.10
	30,611,482	

Newly adopted and pending accounting policies

Please refer to the December 31, 2016 consolidated financial statements on www.sedar.com.

Financial Instruments

Please refer to the December 31, 2016 consolidated financial statements on www.sedar.com .