ALABAMA GRAPHITE CORP.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the Three-Month Periods Ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

ALABAMA GRAPHITE CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in Canadian Dollars)

	Notes		**November 30, 2017**		**August 31, 2017**
ASSETS					
Current assets					
Cash and cash equivalents		$	64,149	$	508,993
Receivables			37,723		49,038
Prepaid expenses and deposits			45,755		94,258
Total current assets			147,627		652,289
Exploration and evaluation assets	5		7,791,648		7,563,149
Equipment	6		1,210		1,555
TOTAL ASSETS		$	7,940,485	$	8,216,993
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9, 11	$	885,702	$	495,990
Total current liabilities			885,702		495,990
SHAREHOLDERS' EQUITY					
Share capital	7		16,886,849		16,886,849
Contributed surplus	8		4,188,005		4,215,266
Deficit			(14,020,071)		(13,381,112)
Total shareholders' equity			7,054,783		7,721,003
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	7,940,485	$	8,216,993

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 5, 12 and 13)
Subsequent events (Note 14)

The consolidated financial statements were authorized for issue by the Board of Directors on January 26, 2018 and were signed on its behalf by:

"Jean Depatie", Director
Jean Depatie

"Daniel Goffaux", Director
Daniel Goffaux

ALABAMA GRAPHITE CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

For the Three Month Periods Ended November 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Notes	2017	2016
Expenses			
Amortization		$ 345	$ 345
Automobile		10,813	2,723
Consulting	9	328,853	644,244
Office and administration		41,499	34,740
Professional fees	9	163,535	22,368
Regulatory and filing		2,945	10,607
Rent		11,444	9,367
Share-based payments	9	(27,261)	452,598
Travel and investor relations		112,242	167,114
Loss before other items		644,415	1,344,106
Gain from foreign exchange		(5,456)	(21,997)
Net loss and comprehensive loss for the period		$ 638,959	$ 1,322,109
Basic and Diluted Loss Per Common Share		$ 0.00	$ 0.01
Weighted Average Number of Common Shares Outstanding - basic and diluted		145,315,187	129,547,225

See accompanying notes to the condensed interim consolidated financial statements

ALABAMA GRAPHITE CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three Month Periods Ended November 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at August 31, 2016	119,310,947	$ 13,381,873	$ 3,455,646	$(10,174,381)	$ 6,663,138
Net loss for the period				(1,322,109)	(1,322,109)
Shares issued for cash	12,041,083	1,806,163	-	-	1,806,163
Share issuance costs paid in cash	-	(86,570)	-	-	(86,570)
Share-based payments	-	-	452,598	-	452,598
Options exercised	5,000	525	-	-	525
Warrants exercised	150,000	15,000	-	-	15,000
Balance as at November 30, 2016	131,507,030	$ 15,116,991	$ 3,908,244	$(11,496,490)	$ 7,528,745
Balance as at August 31, 2017	145,315,187	16,886,849	4,215,266	(13,381,112)	7,721,003
Net loss for the period	-	-	-	(638,959)	(638,959)
Share-based payments	-	-	(27,261)	-	(27,261)
Balance as at November 30, 2017	145,315,187	$ 16,886,849	$ 4,188,005	$(14,020,071)	$ 7,054,783

ALABAMA GRAPHITE CORP.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the Three Month Periods Ended November 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
OPERATING ACTIVITIES		
Net loss for the three month period	$ (638,959)	$ (1,322,109)
Add items not affecting cash:		
Amortization	345	345
Share-based payments	(27,261)	452,598
Changes in non-cash working capital items:		
Receivables	11,315	(74,633)
Prepaid expenses and deposits	48,503	(18,421)
Accounts payable and accrued liabilities	359,218	(202,177)
Net cash flow from operating activities	(246,839)	(1,164,397)
FINANCING ACTIVITIES		
Shares issued for cash	-	1,821,688
Share issuance costs	-	(86,570)
Net cash flow from financing activities	-	1,735,118
INVESTING ACTIVITIES		
Loan receivable	-	60,000
Acquisition of exploration and evaluation assets	(20,314)	(21,461)
Exploration and evaluation expenditures incurred	(177,691)	(113,639)
Net cash flow from investing activities	(198,005)	(75,100)
Change in cash and cash equivalents during the period	(444,844)	495,621
Cash and cash equivalents, beginning of the period	508,993	95,665
Cash and cash equivalents, end of the period	$ 64,149	$ 591,286
Supplemental Cash Flow Information:		
Exploration and evaluation expenditures in accounts payable and accrued liabilities	$ 222,890	-

1. Nature and Continuance of Operations

Alabama Graphite Corp. (the "Company") was incorporated under the Business Corporation Act (British Columbia) on April 13, 2006. On August 28, 2012, the Company changed its name to Alabama Graphite Corp. The Company is currently trading on the TSX Venture Exchange (symbol "CSPG"), OTCQB (symbol "CSPGF"), and the Frankfurt Stock Exchange (symbol "IAG"). The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The Company's office and principal office is located at First Canadian Place, 100 King Street West, Suite 5700, Toronto, ON, M5X 1C7, Canada.

The Company is currently engaged in exploration and evaluation of its 100% owned Coosa graphite property located in Alabama, USA and associated secondary processing to produce value-added graphite products, namely Coated Spherical Purified Graphite ("CSPG") engineered for use in the manufacture of lithium-ion battery anodes. There has been no determination whether the Company's exploration and evaluation assets contain mineral reserves and resources that are economically viable. The Company has a disclosure of its Mineral Resource Estimate and Preliminary Economic Assessment for the Coosa Project in Coosa County, Alabama filed on SEDAR on November 18, 2015 and November 27, 2015 respectively.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration for such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims and non-compliance with regulatory and environment requirements.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. At November 30, 2017, the Company had an accumulated deficit of $14,020,071 (August 31 2017 - $13,381,112) and a working capital deficiency of $738,075 (August 31, 2017 – working capital of $156,299). The Company incurred losses of $638,959 during the three-month period ended November 30, 2017 (2016 - $1,322,109). The Company's ability to continue as a going concern is dependent upon its ability to raise adequate financing and generate profitable operations in the future. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

On December 13, 2017, the Company announced that it had entered into a definitive agreement (the "Arrangement Agreement") with Westwater Resources Inc. ("Westwater"), a corporation listed on Nasdaq, pursuant to which it is proposed that Westwater will acquire all the issued and outstanding securities of the Company (the "Acquisition"). Refer to Note 14 of these statements.

2. Basis of Presentation

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Specifically, they have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

2. Basis of Presentation (continued)

Basis of preparation

The financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual audited consolidated financial statements of the Company for the year ended August 31, 2017.

These condensed interim consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for those financial instruments carried at fair value. They are presented in Canadian dollars, which is the Company's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances; However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Income, value added, withholding and other taxes – The Company is subject to income, value added, withholding and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

- Assets’ carrying values and impairment charges – In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell, in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

2. Basis of Presentation (continued)

Significant accounting judgments, estimates and assumptions (continued)

- Impairment of exploration and evaluation assets – While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which mineral property interests are being used, are expected to be used and indications of expected economic performance of the assets. Estimates include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral property interests, costs to sell the properties and the appropriate discount rate. Reductions in graphite price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable graphite reserves or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Share-based payments – Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of the grant using generally accepted valuation techniques. Assumptions are made, and judgments used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies – (see notes 12 and 13)

Foreign currency translation

These condensed interim consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of the subsidiary that has operations in the United States is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of loss and comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. Significant Accounting Policies

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Alabama Graphite Company, Inc. ("AGC"). All significant inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, were eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

Share-based payments

The Company has adopted an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. The Company does not have any derivative financial assets and liabilities.

Site rehabilitation obligations

Site rehabilitation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the site rehabilitation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. The liability is accreted to its present value at each reporting period and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss.

Exploration and evaluation assets

Costs incurred before the legal rights to undertake exploration and evaluation activities were acquired are expensed as incurred. The Company capitalizes all costs related to mineral exploration properties on a property-by-property basis. Such costs include mineral property acquisition costs, exploration, evaluation and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold, or the Company's mineral rights are allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such, options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received. At the development stage, as when the mineral reserves are proven or the permit to operate the mineral property is received and financing to complete the development has been obtained, the capitalized costs of mineral property interests will be amortized using the unit-of-production method based upon estimated proven and probable reserves.

Management of the Company reviews the recoverability of the capitalized mineral properties at each reporting date and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues

3. Significant Accounting Policies (continued)

from the property or from the sale of the property.

The amount shown for exploration and evaluation assets represents costs incurred, net of write-downs and recoveries, and is not intended to represent present or future values.

Impairment of assets

The carrying amounts of the Company's equipment and exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated on the declining balance method at the following rate:

Automobile	30% per annum

Additions during the year are amortized at one-half the annual rate.

Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period; However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive.

The calculation also excludes common shares that are being held in escrow at period end where the terms of release are dependent on requirements other than the passage of time. Diluted loss per share for the periods

3. Significant Accounting Policies (continued)

presented exclude the effects of the outstanding stock options and warrants as they were determined to be anti-dilutive.

Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4. Accounting Standards

Issued and Effective

The following amendment was adopted during the period ended November 30, 2017.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of the new standard did not have any material impact on the consolidated financial statements.

Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. Accounting Standards (Continued)

Issued But Not Yet Effective *(Continued)*

IFRS 2 – Share-based payments ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payments transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is effective for annual period beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces *IAS 17 – Leases* as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying AFRS 16 as an adjustment to opening equity at the date of initial application. IFRS requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 – [Revenue from Contracts with Customers] has also been applied.

5. Exploration and Evaluation Assets

Coosa Property, Alabama, USA

Pursuant to an agreement dated August 1, 2012 (the "Lease Agreement"), the Company has leased the mineral rights in respect of an area with a potential for graphite (the "Coosa Property") in Coosa County, Alabama, USA. In addition, the Company received an option of first refusal (the "Option") to lease the mineral rights in and to an adjacent area comprising approximately 27,515 acres.

Under the terms of the Lease Agreement, the Company leases the Coosa Property for successive renewable 5-year terms (not to exceed 70 years) in consideration for an initial cash payment of US$30,000 (paid) and annual advance royalty payments of US$10,000 commencing from July 1, 2015 (paid July to date). The Company paid US$1,000 in respect of the grant of the Option. The Company has also agreed to pay the lessor a net smelter return royalty ("NSR") of 2% from the commercial production and sale of graphite from the properties, as well as royalties for precious metals and rare earths commercially produced and sold from the properties.

5. Exploration and Evaluation Assets (continued)

***Coosa Property, Alabama, USA** (continued)*

In connection with the Lease Agreement, the Company is also committed to paying or issuing additional future consideration on the following basis:

(a) US$320,000 in cash (paid) for introducing the Coosa Property to the Company;
(b) 500,000 common shares of the Company (the "Finder's Shares") once the Company has secured the surface rights to the Coosa Property which shares are to be escrowed with 1/3 to be released after every 6 months;
(c) US$100,000 upon receipt by the Company of a bankable feasibility study in respect of the leased property;
(d) US$150,000 upon full permitting of the leased property; and
(e) Net smelter royalties of 0.5% up to an aggregate amount of US$150,000 upon commencement of graphite operations on the Coosa Property.

For a period of five years after the date of the Lease Agreement and provided that the Company continues the exploration activities, the lessor will provide to the Company a right of first refusal to acquire any and all mineral interests that the lessor owns, controls or represents in Coosa County, Alabama.

In November 2012, the Company paid US$48,537 to exercise its right of first refusal to lease an additional 27,515 acres, bringing the total mineral acres under lease to 41,535 acres. The terms of this agreement are identical to the mineral lease dated August 1, 2012 such that the Company has prepaid for three years of the lease, which is structured in five-year renewable tranches for the period of 70 years. Subsequent annual payments of $16,119 have been paid to date. The Company also issued 25,000 common shares of the Company valued at $16,000 pursuant to the option lease agreement.

On October 12, 2014, the Company obtained a permit to conduct surface exploration in Coosa County, Alabama, which expired on September 30, 2015. In accordance with the permit, the Company paid US$50,000 to the owner of the surface rights. This is in addition to the US$20,000 performance bond paid previously.

Chilton County Properties, Alabama, USA

Chestnut Creek Property

On August 5, 2014, the Company entered into a mining lease agreement whereby the Company acquired a 100% right to explore, develop and mine the Chestnut Creek Property located in Chilton County, Alabama, for a period of 10 years renewable every five years thereafter for a maximum of 70 years. The Chestnut Creek Property comprises of approximately 1,160 acres located about 4 miles west of Coosa County line. In consideration, the Company has agreed to pay a NSR on graphite and vanadium (2%), precious metals (8%) and other minerals (5%) mined from the property. In addition, the Company has also agreed to payments as follows:

(1) US$17,400 on signing (paid);
(2) US$5 per acre per year starting on June 1, 2015 for the first ten years (paid to date);
(3) At a rate to be negotiated every five years thereafter.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

The Company has the right to purchase back one half of the graphite NSR for a one-time payment of US$1,000,000. This right of re-purchase, if exercised, will not affect the other royalties.

Bama Property, Alabama

On July 1, 2014, the Company entered into a mining lease agreement whereby the Company acquired a 100% right to explore, develop and mine the Bama Property located in Chilton County, Alabama for a period of 10 years renewable every five years thereafter for a maximum of 70 years. The Bama Property comprises of approximately 200 acres located about 4 miles west of Coosa County. In consideration, the Company has agreed to pay a NSR on graphite and vanadium (2%), precious metals (8%) and other minerals (5%) mined from the property. In addition, the Company has also agreed to pay advance royalties, recoverable from payment of royalties, as follows:

(1) US$4,000 on signing (paid);
(2) A non-refundable payment of US$45 per acre (US$9,000) upon execution of the lease as payment for the first five years of the lease (paid to date);
(3) US$10 per acre each year for the next five years commencing July 1, 2019; and
(4) Payment per acre rate to increase by US$5 per acre every five years thereafter.

During the three-month period ended November 30, 2017, the Company incurred expenditures for exploration and evaluation assets as follows:

	Coosa County Property, Alabama	Chilton County Property, Alabama	Total
Acquisition Costs			
Balance, August 31, 2017	$ 663,538	$ 33,464	$ 697,002
Additions:			
Options payments - cash	20,314	-	20,314
Balance, November 30, 2017	**$ 683,852**	**$ 33,464**	**$ 717,316**
Deferred Exploration Costs			
Balance, August 31, 2017	$ 6,510,626	$ 355,521	$ 6,866,147
Additions:			
Geological consultants	32,550	-	32,550
Metallurgical and assays	175,238	-	175,238
Mapping	397	-	397
Total	208,185	-	208,185
Balance, November 30, 2017	**$ 6,718,811**	**$ 355,521**	**$ 7,074,332**
Total Exploration and Evaluation Assets	**$ 7,402,663**	**$ 388,985**	**$ 7,791,648**

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

During the three-month period ended November 30, 2016, the Company incurred expenditures for exploration and evaluation assets as follows:

	Coosa County Property, Alabama	Chilton County Property, Alabama	Total
Acquisition Costs			
Balance, August 31, 2016	$ 621,744	$ 33,464	$ 655,208
Additions:			
Options payments – cash	21,461	-	21,461
Balance, November 30, 2016	**$ 643,205**	**$ 33,464**	**$ 676,669**
Deferred Exploration Costs			
Balance, August 31, 2016	$ 5,856,031	$ 355,521	$ 6,211,552
Additions:			
Environmental and reclamation	31,889	-	31,889
Geological consultants	34,473	-	34,473
Metallurgical and assays	46,311	-	46,311
Transportation and travelling	966	-	966
Total	113,639	-	113,639
Balance, November 30, 2016	**$ 5,969,670**	**$ 355,521**	**$ 6,325,191**
Total Exploration and Evaluation Assets	**$ 6,612,875**	**$ 388,985**	**$ 7,001,860**

(Expressed in Canadian Dollars)

6. Equipment

	Automobile
Cost	
Balance, August 31, 2016 and 2017 and November 30, 2017	**$ 11,025**
Accumulated amortization	
Balance, August 31, 2016	$ 8,090
Additions	1,380
Balance, August 31, 2017	9,470
Additions	345
Balance, November 30, 2017	**$ 9,815**
Net book value, November 30, 2017	**$ 1,210**
Net book value, August 31, 2017	**$ 1,555**

7. Share Capital

Authorized

Unlimited number of common shares without par value.

Issued and fully paid

At November 30, 2017, there were 145,315,187 issued and fully paid common shares (August 31, 2017– 145,315,187).

<u>During the three-month period ended November 30, 2017:</u>

No shares were issued, and no warrants or options were exercised during the period.

<u>During the three-month period ended November 30, 2016:</u>

On September 6, 2016, the Company completed a private placement of 4,916,745 units at a price of $0.15 per unit for total proceeds of $737,512 (an officer of the Company subscribed for 33,334 units for gross proceeds of $5,000). Each unit comprised of one common share of the Company and one common share purchase warrant. Each one whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.20 per share until September 6, 2018.

On September 21, 2016, the Company completed a private placement of 7,124,338 units at a price of $0.15 per unit for total proceeds of $1,068,651 (officers and directors of the Company subscribed for 2,363,338 units for gross proceeds of $354,500). Each unit comprised of one common share of the Company and one common share purchase warrant. Each one whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.20 per share until September 21, 2018.

On September 30, 2016, 150,000 warrants were exercised to acquire 150,000 common shares at an exercise price of $0.10 per share.

On October 4, 2016, 5,000 stock options were exercised to acquire 5,000 common shares at an exercise price of $0.105 per share.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

Stock options

On December 16, 2011, the Company adopted a new stock option plan pursuant to which it may grant incentive stock options to directors, officers, employees and consultants of the Company or any affiliate thereof. As a 10% rolling plan, the aggregate number of common shares issuable as options under the plan may be up to 10% of the Company's issued and outstanding common shares on the date on which the option is granted, less common shares reserved for issuance on exercise of options then outstanding under the plan. The term of any options will be fixed by the board of directors at the time such options are granted. The exercise price of any options will be determined by the board of directors, in its sole discretion, but shall not be less than the greater of closing market price of the Company's common shares on: (i) the day proceeding the day on which the directors grant such options; and (ii) the date of grant of the options. Vesting requirements may be imposed as determined by the directors. All options will be non-assignable and non-transferable.

Disinterested shareholder approval must be obtained for: (i) any grant of options to insiders exceeding 10% of the Company's issued common shares (calculated on a fully diluted basis); (ii) any grant of options to insiders within a one-year period exceeding 10% of the Company's issued common shares (calculated on a fully diluted basis); (iii) any grant of options to any one individual within a 12-month period exceeding 5% of the Company's issued common shares (calculated on a fully diluted basis); and (iv) any reduction in the exercise price of an option previously granted to an insider of the Company.

The changes in stock options during the three-month period ended November 30, 2017, and the year ended August 31, 2017, are as follows:

	Three Months Ended November 30, 2017		Year Ended August 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	13,291,000	$ 0.18	7,071,000	$ 0.21
Granted	-	-	8,185,000	0.16
Exercised	-	-	(380,000)	0.15
Expired or forfeited	-	-	(1,585,000)	0.23
Options outstanding, end of year	**13,291,000**	**$ 0.18**	**13,291,000**	**$ 0.18**

(Expressed in Canadian Dollars)

7. Share Capital (continued)

***Stock options** (continued)*

Stock options outstanding and exercisable at November 30, 2017, are as follows:

Expiry Date	Number of Options Outstanding	Exercise Price	Exercisable
May 18, 2018	2,350,000	$0.155	2,209,375
August 8,2018	400,000	$0.15	400,000
September 3, 2018	280,000	$0.35	280,000
September 19, 2018	200,000	$0.16	200,000
September 19, 2018	200,000	$0.19	200,000
January 20, 2019	36,000	$0.105	36,000
February 3, 2019	330,000	$0.145	330,000
July 18, 2019	400,000	$0.18	400,000
September 2, 2019	4,100,000	$0.16	3,987,500
January 3, 2020	760,000	$0.155	760,000
June 12, 2020	1,210,000	$0.27	1,210,000
June 17, 2020	500,000	$0.27	366,667
November 10, 2020	525,000	$0.16	525,000
January 3, 2021	500,000	$0.155	500,000
April 26, 2021	250,000	$0.17	250,000
May 10, 2021	1,250,000	$0.15	1,250,000
	13,291,000	**$0.18**	**12,904,542**
Weighted average remaining contractual life			1.85 years

On September 2, 2016, stock options were granted to officers, employees and consultants to acquire 4,500,000 common shares at an exercise price of $0.16 per share for a period of three years. 4,350,000 options vested immediately with the remaining 150,000 options vesting quarterly in equal amounts over a three-year period.

On September 19, 2016, the Company granted incentive stock options to purchase up to 400,000 common shares to a consultant. All options vested immediately. An aggregate of 200,000 of the options entitle the consultant to acquire one common share at a price of $0.16 per share for a period of 24 months and the remaining 200,000 of the options entitle the consultant to acquire one common share each at a price of $0.19 per share for a period of 24 months.

On October 4, 2016, stock options to acquire 5,000 common shares at $0.105 were exercised.

On January 3, 2017, the Company announced that stock options to acquire 300,000 common shares at $0.16 per share were cancelled and options were granted to consultants and advisors to acquire 760,000 common shares at an exercise price of $0.155 per share for a period of up to three years. Also, on January 3, 2017, stock options were granted to a consultant to acquire 500,000 common shares at an exercise price of $0.155 per share for a period of four years.

On January 23, 2017, stock options to acquire 275,000 common shares at $0.145 per share and 100,000 common shares at $0.155 per share were exercised.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

***Stock options** (continued)*

On April 26, 2017, stock options were granted to a consultant to acquire 250,000 common shares at an exercise price of $0.17 per common shares for a period of four years.

On May 10, 2017, stock options were granted to directors and consultants to acquire 1,250,000 common shares at an exercise price of $0.15 per common share for a period of four years. Also, on May 10, 2017, stock options were granted to a consultant to acquire 525,000 common shares at an exercise price of $0.16 per share for a period of 42 months.

During the year ended August 31, 2016, stock options were granted to officers, employees and consultants to acquire 2,650,000 shares at $0.155 per share for a period of two years, 2,275,000 options vested immediately with the remaining 375,000 options vesting quarterly in equal amounts over a two-year period. The Company also granted stock options to a director to acquire 400,000 shares at $0.15 per share for a period of two years. These options vested immediately. The fair value recorded for the stock options granted was $180,134. The Company extended the term of 290,000 stock options, exercisable at prices in the range from $0.105 to $0.35 per share that were to be cancelled on January 22, 2016 due to termination of services by an officer, to October 22, 2016. On November 6, 2016, the Company cancelled 500,000 stock options exercisable at prices in the range from $0.155 to $0.27 per share due to the termination of the services by an officer. The Company cancelled 3,154,000 stock options exercisable at prices in the range from $0.105 to $0.27 per share due to the termination of services by an officer and granted 1,000,000 stock options to the former officer and director exercisable at $0.25 per share for a period of two years. These options were cancelled on August 23, 2016.

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

	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016
Risk-free interest rate	-	0.85%
Expected dividend yield	-	0%
Expected stock price volatility	-	93%
Expected life of options (years)	-	3
Weighted average fair value of options granted	-	$0.09
Weighted average exercise price of options granted	-	$0.16

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. Changes in the subjective assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

Warrants

The changes in warrants during the three-month period ended November 30, 2017, and the year ended August 31, 2017 are as follows:

	Three Months Ended November 30, 2017		Year Ended August 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	31,688,067	$ 0.23	17,700,199	$ 0.23
Granted	-	-	21,024,233	0.20
Exercised	-	-	(4,743,157)	0.10
Expired or forfeited	-	-	(2,293,208)	0.15
Warrants outstanding, end of year	**31,688,067**	**$ 0.23**	**31,688,067**	**$ 0.23**

The following table summarizes the warrants outstanding at November 30, 2017:

Expiry Date	Number of Warrants	Exercise Price
May 19, 2018	3,476,334	$0.20
June 30, 2018	7,187,500	$0.35
September 6, 2018	4,916,745	$0.20
September 21, 2018	7,124,338	$0.20
May 5, 2020	5,660,000	$0.20
May 5, 2020 (Finders warrants)(1)	113,750	$0.15
May 10, 2020	3,180,000	$0.20
May 10, 2020 (Finders warrants)(1)	29,400	$0.15
	31,688,067	**$0.23**
Weighted average remaining contractual life		1.17 years

(1) Finders warrants are exercisable into units comprised of one common share and one common share purchase warrant.

The fair value for agent’s warrants granted during the year ended August 31, 2017, was $9,409.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

Warrants (continued)

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

	Three Month Period Ended November 30, 2017	Three Month Period Ended November 30, 2016
Risk-free interest rate	-	-
Expected dividend yield	-	-
Expected stock price volatility	-	-
Expected life of options (years)	-	-
Weighted average fair value of options granted	-	-
Weighted average exercise price of options granted	-	-

Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. Changes in the subjective assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

8. Contributed Surplus

Contributed surplus includes the accumulated fair value of options and agent/broker warrants. Contributed surplus records items recognized as share-based compensation expense and the fair value of warrants until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants expire unexercised, the amount recorded will stay in contributed surplus.

9. Related-Party Transactions

Related-party balances

The following amounts due to related parties are included in accounts payable and accrued liabilities:

	November 30, 2017	August 31, 2017
Directors and officers of the Company	$ 134,276	$ 55,947

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the three-month periods ended November 30, 2017, and 2016, the Company incurred the following charges with related parties:

(Expressed in Canadian Dollars)

9. Related-Party Transactions (continued)

	2017	2016
Accounting and administration fees and rent to a private company controlled by the current CFO of the Company	$ 26,340	$ 43,162
Consulting fees paid to directors and officers of the Company	176,038	490,183
Share-based payments to officers and directors of the Company	(27,261)	282,068
Total	**$ 175,117**	**$ 815,413**

See also Notes 7 and 13.

10. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents are deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

As at November 30, 2017, the Company had receivables in the amount of $37,723 (2016 - $112,234), which is represented by a refund expected from the Canada Revenue Agency for harmonized sales tax input credits. The Company considers credit risk with respect to these receivables as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at November 30, 2017, all the Company's financial liabilities are due within one year.

10. Financial Risk Management (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's United States subsidiary is exposed to currency risk as it incurs expenditures that are denominated in United States dollars while its functional currency is the Canadian dollar. As at November 30, 2017, the Company's subsidiary holds bank balances in the amount of US$1,747 and is indebted to suppliers in the amount of US$324,537 and GBP10,000 and CHF16,000. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital net of accumulated deficit.

The Company's capital management objectives, policies and processes have remained unchanged during the three-month period ended November 30, 2017, and the year ended August 31, 2017.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months.

As of November 30, 2017, and August 31, 2017, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Classification of financial instruments

The Company's financial instruments are classified into the following categories: loans and receivables, held to maturity and other financial liabilities.

Financial assets included in the statements of financial position are as follows:

Loans and Receivables	November 30, 2017	August 31, 2017
Cash and cash equivalents	$ 64,149	$ 508,993
Total	**$ 64,149**	**$ 508,993**

(Expressed in Canadian Dollars)

10. Financial Risk Management (continued)

Classification of financial instruments (continued)

Financial liabilities included in the statements of financial position are as follows:

Other Financial Liabilities	November 30, 2017	August 31, 2017
Accounts payable and accrued liabilities	$ 885,702	$ 495,990
Total	**$ 885,702**	**$ 495,990**

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short-term nature. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

11. Segmented Information

The Company's equipment and exploration and evaluation assets are located in Alabama, USA.

12. Environmental Contingencies

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. Commitments and Contingencies

The Company is required to make the following payments, in addition to the commitments outlined in Note 5 that are related to the mineral properties:

(a) Minimum payments to officers of the Company in the amount of $199,200.

The Company is party to certain consulting contracts with two corporations controlled by officers of the Company that provide for aggregate contingent payments of up to approximately $241,200 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements (see Note 14).

13. Commitments and Contingencies (Continued)

The Company is party to legal action as follows:

(a) The Company was subject to a small claims court action for a contractual interpretation matter that was settled in the quarter ended November 30, 2017. The Company has agreed to pay $16,000 by December 31, 2017, at which time the action will be dismissed, and a release provided. The Company has accrued this amount as a liability as of November 30, 2017. This liability was paid in full on December 31, 2017.

(b) The Company is subject to an action brought on by a non-registered securities advisor and newsletter writer, who is claiming $1 million in general damages, $1 million in special damages, $500,000 for aggravated damages and $500,000 for punitive damages in relation to alleged libels and slanders allegedly anonymously committed by the Company, two of its officers and a director. The action is in its infancy and pleadings have not closed. An assessment of the merits of this action is currently premature. The Company is defending this action and feels that there is good evidence of many negative comments about the plaintiff from non-parties that if there is any liability as a result of this action the damages are likely to be a nominal or nuisance amount. The Company is not yet aware that the plaintiff has any damages. The Company has launched a counter claim alleging libelous statements made by the original plaintiff. No amounts have been accrued in these financial statements related to these matters.

14. Subsequent Events

On December 13, 2017, the Company announced that it had entered into a definitive agreement (the “Arrangement Agreement”) with Westwater Resources Inc. (“Westwater”), a corporation listed on Nasdaq, pursuant to which it is proposed that Westwater will acquire all the issued and outstanding securities of the Company (the “Acquisition”).

The acquisition will be by way of a court-approved Plan of Arrangement pursuant to the Business Corporations Act (British Columbia) whereby each issued and outstanding share of the Company will be purchased by Westwater in exchange for 0.08 of one Westwater common share.

Holders of common share purchase warrants and stock options of the Company will receive replacement warrants and options issued by Westwater. Management, staff and directors of the Company have agreed to surrender 8,741,000 stock options and 4,883,337 warrants so that Westwater is not required to issue replacement securities for these stock options and warrants.

Upon the closing of this transaction the current shareholders of the Company will hold approximately 30% of the issued and outstanding shares of Westwater.

The Arrangement Agreement also provides for, among other things, a non-solicitation covenant on the part of the Company, subject to customary “fiduciary out” provisions that entitle the Company to consider and accept a superior proposal, a right in favor of Westwater to match any superior proposal and an entitlement for expense reimbursement upon termination for Westwater of up to US$1.5 million (approximately Canadian $1.9 million), under certain circumstances.

In addition, on December 13, 2017, Westwater agreed to provide a secured loan to the Company for up to US$2 million to fund the Company’s working capital, to pay outstanding liabilities and to provide sufficient operating funds to enable the Company to carry on its business until the closing of the Acquisition. The secured loan bears interest at the rate of 3% per annum, is secured by the assets of the Company and is convertible into common shares of the Company at Westwater’s election using a conversion price of $0.0878**,** which was determined by calculating the volume-weighted average price (“VWAP”) of the Common Shares for the five

14. Subsequent Events (Continued)

trading days immediately following the initial public announcement of the Acquisition (which occurred on December 13, 2017). The secured loan remains subject to the final approval of the TSX Venture Exchange.

As of January 26, 2018, Westwater has advanced a total of US$1,017,515.

Should the Arrangement Agreement be terminated, the secured loan will become payable on June 30, 2018; however, if the Company withdraws its support for the Acquisition and recommends a competing transaction, the secured loan becomes repayable immediately.

The Arrangement remains subject to various shareholder and regulatory approvals.