



SAINT JEAN CARBON INC.
(An exploration stage company)

Condensed Interim Financial Statements

(Unaudited – presented in Canadian Dollars)

for the period ended January 31, 2019

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and the accompanying Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in *Note 3* to the financial statements.

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

The accompanying unaudited interim financial statements of Saint Jean Carbon Inc. ("Saint Jean" or the "Company") have been prepared by and are the responsibility of the Company's management.

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

"Paul Ogilvie"
Paul Ogilvie
Chief Executive Officer

"Anna Lentz"
Anna Lentz
Chief Financial Officer

SAINT JEAN CARBON INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

ASSETS	January 31,	October 31,
Current	2019	2018
Cash and equivalents	\$ 16,860	\$ 30,000
Accounts receivable (Note 6)	33,539	63,943
Prepaid expenses	45,741	46,337
	96,140	140,280
Restricted cash (Note 12)	41,000	41,000
Equipment (Note 3 (f) & 7)	579,407	612,134
Mineral exploration and evaluation assets (Note 3 (b) & 8)	3,907,664	3,907,664
Other assets	534	-
	\$ 4,624,745	\$ 4,701,078
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 799,094	\$ 618,174
	799,094	618,174
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	20,882,797	20,882,797
Contributed surplus	1,805,054	1,805,054
Deficit	(18,862,200)	(18,604,947)
	3,825,651	4,082,904
	\$ 4,624,745	\$ 4,701,078
Going concern (Note 2(b)), Contingent liability (Note 17) and Subsequent events (Note 18)		

See accompanying notes

On behalf of the Board of Directors

"Paul Ogilvie"

CEO

"Anna Lentz"

CFO

SAINT JEAN CARBON INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	<u>Quarter ended</u> <u>January 31, 2019</u>	<u>Quarter ended</u> <u>January 31, 2018</u>
Revenue		
Consulting service income	\$ -	\$ -
Graphite/Graphene sales	10,000	-
	<u>10,000</u>	<u>-</u>
Cost of goods sold		
	1,290	-
	<u>8,710</u>	<u>-</u>
Administrative costs		
Amortization	\$ 32,727	\$ 19,671
Automotive	3,287	3,287
Bank and loan interest	162	409
Business development	-	1,000
General meetings	297	96
Internet and website	-	144
Investor relations	4,290	35,885
Management fees	87,570	118,000
Mill operating expense	13,964	7,689
Office expense	19,242	17,616
Professional fees	29,570	50,560
Research expenses	-	118,750
Sales and marketing	72,250	66,000
Telecommunications	1,362	1,240
Transfer agent	1,242	838
Travel and promotion	-	2,416
Write-down of mineral property interest (Note 8)	-	-
	<u>265,963</u>	<u>443,601</u>
Interest income	-	52
	<u>-</u>	<u>52</u>
Loss before income taxes	(257,253)	(443,549)
Deferred income tax provision (recovery)	-	-
	<u>-</u>	<u>-</u>
Loss and comprehensive loss for the year	(257,253)	(443,549)
	<u>(257,253)</u>	<u>(443,549)</u>
Loss per share - basic and diluted (Note 10(b))	\$ (0.004)	\$ (0.007)
	<u>(0.004)</u>	<u>(0.007)</u>
Weighted average number of shares outstanding - basic and diluted	71,330,032	59,792,668
	<u>71,330,032</u>	<u>59,792,668</u>

SAINT JEAN CARBON INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Contributed Surplus	Equity component of debenture	Deficit	Total
Balance at November 1, 2017	238,770,130	20,034,138	1,805,054	-	(16,417,305)	5,421,887
Private placements	2,600,000	130,000	-	-	-	130,000
Share issuance costs	-	(8,940)	-	-	-	(8,940)
Shares issued pursuant to property agreement (post consolidation)	250,000	8,750	-	-	-	8,750
Cancelled due to 4:1 consolidation	(181,215,098)	-	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(443,549)	(443,549)
Balance, January 31, 2018	60,405,032	\$ 20,163,948	\$ 1,805,054	\$ -	\$ (16,860,854)	\$ 5,108,148
Balance at November 1, 2018	71,330,032	20,882,797	1,805,054	-	(18,604,947)	4,082,904
Net loss and comprehensive loss for the period	-	-	-	-	(257,253)	(257,253)
Balance, January 31, 2019	71,330,032	\$ 20,882,797	\$ 1,805,054	\$ -	\$ (18,862,200)	\$ 3,825,651

SAINT JEAN CARBON INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Period ended January 31, 2019	Period ended January 31, 2018
Cash flows from (used in) the Operating Activity		
Net and comprehensive loss for the year	\$ (257,253)	\$ (443,549)
Items not involving cash:		
Stock based compensation	-	-
Amortization	32,727	19,671
Impairment of mineral properties	-	-
	(224,526)	(423,878)
Changes in non-cash working capital items:		
Accounts receivable	30,404	(9,842)
Prepaid expenses	596	(35,833)
Accounts payable and accrued liabilities	180,920	(137,936)
	(12,606)	(607,489)
Cash flow from (used in) financing activities		
Issuance of share capital	-	138,750
Share issuance costs	-	(8,940)
Restricted cash	-	(5,000)
	-	124,810
Cash flows from (used in) investing activities		
Purchase of capital assets	-	(301,768)
Acquisition of mineral properties and rights	-	(8,750)
Acquisition of other assets	(534)	-
Exploration and evaluation expenditures	-	(62,026)
	(534)	(372,544)
Increase in cash and cash equivalents	(13,140)	(855,223)
Cash and cash equivalents, beginning of year	30,000	1,081,436
Cash and equivalents, end of year	\$ 16,860	\$ 226,213
Cash and equivalents is comprised of:		
Cash	\$ 16,860	\$ 226,213
Short-term investments	-	-
	\$ 16,860	\$ 226,213
Supplemental cash flow disclosure:		
Shares issued for acquisition of property	-	8,750
Interest paid	162	409
Income tax paid	-	-

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Saint Jean Carbon Inc. (formerly Torch River Resources Ltd.) incorporated provincially in Alberta, and extra provincially Saskatchewan, Manitoba, Quebec and British Columbia has shares listed on the TSX Venture Exchange.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company has added a new business division to include the processing of raw materials.

2. BASIS OF PRESENTATION AND GOING CONCERN

A) Statement of compliance

These financial statements 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 Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by the Board of Directors on March 28, 2019.

B) Going concern

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

As at January 31, 2019, the Company had working capital deficiency of \$702,954 and an accumulated deficit of \$18,862,200. The Company has increasing losses and negative cash flow from operations. The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing. The Company has a history of being able to attract such equity financing and does not anticipate this changing in the future. However, the current financial equity market conditions and the low price of the Company's common shares have caused the Company to balance the need for additional operating funds against the dilutive effect of issuing new common shares.

The amounts shown as mineral exploration and evaluation assets costs represent costs net of recoveries to date, less amounts written off, and do not represent present or future values.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

Recoverability of these amounts is dependent upon the discovery of economically recoverable mineral reserves, securing and performing sufficient work to maintain title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The Company has not experienced any property specific adverse impact to date on its operations, but general mining market conditions have deteriorated, resulting in a decrease in the price of the Company's common shares, which in turn has created difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described, or other factors beyond management's control, could in future periods adversely affect the Company's operations and could result in future partial or total write downs of the Company's recorded mineral exploration and evaluation assets of \$3,907,664 as at January 31, 2019. Such write-down amounts could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policy set out in *Note 13*. The Company's presentation and functional currency is Canadian dollars.

b) Mineral exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. Expenditures incurred before the entity has obtained the legal rights to explore a specific area are expensed.

All costs directly associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to the acquisition and exploration activities that can be associated with finding specific mineral resources, and do not include costs related to production, administrative expenses and other general indirect costs.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to the acquisition of mining properties and exploration and evaluation expenditures are capitalized by property until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified as mining assets under development. Exploration and evaluation assets are assessed for impairment before reclassification, and any impairment loss is then recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

c) Impairment of non-financial assets

Property and equipment and mineral exploration and evaluation assets are regularly tested for recoverability, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. For the purposes of determining impairment the Company considers each property to be a cash-generating unit. When assessing for a possible impairment the Company considers whether any of the following facts and circumstances apply to a specific property: the rights to explore the property have expired (or are about to expire), no further substantive expenditure or further exploration of the property is planned, the exploration conducted on the property has not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities, or sufficient data exists to indicate that development of the property is likely to proceed but the carrying amount of the property is unlikely to be recovered in full from successful development or by sale.

The recoverable amount is the greater of fair value less costs to sell and value in use of the asset. When the recoverable amount of an exploration and evaluation asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss.

Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. For resource properties, fair value less costs to sell may be determined by using discounted future net cash flows of proved and probable reserves using forecast prices and costs. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverable amount of exploration and evaluation assets depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The carrying amount of exploration and evaluation assets does not necessarily represent present or future values.

d) Cash and equivalents

Cash equivalents consist of cash or highly liquid investments which are readily convertible into cash and subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis. The Company has designated cash as fair value through profit and loss.

e) Short-term investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains recognized in income.

f) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the declining balance basis at the following annual rates:

Leasehold improvements	Straight line -Lease term
Mill equipment	20%
Furniture, fixtures and office equipment	20 – 55%

One-half of the above rates are used in the year of acquisition.

g) Revenue recognition

Consulting service and graphite processing income is recognized at the time persuasive evidence of an agreement exists, the amount of income can be measured reliably, the related service has been provided to the external customer and collectability is reasonably assured.

h) Government assistance and tax credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carry forwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, the Company's results of operations and financial position could be materially impacted.

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

k) Share capital

The Company records proceeds from share issuances net of issue costs. When unit issuances include warrants the excess of proceeds over fair value of shares is credited to contributed surplus.

Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods and services is readily determinable.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments

The Company has a stock option plan that is described in *Note 10*.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

Where equity instruments are used to purchase mineral properties the value of these share-based payments is calculated using the closing price of the shares on the date of issue as determined by the public exchange upon which they are listed as this is the most readily determinable value.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is determined by the Black-Scholes Option Pricing Model with assumptions for: weighted average risk-free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common Shares; and a weighted average expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

m) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to Common Shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

n) Share capital – flow through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions for such expenditures.

The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, the deduction of which flow through to the shareholders.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company may incur liabilities in the event that it has not incurred sufficient qualifying expenditures or has renounced expenses to investors that do not meet the definition of a qualifying expenditure for tax purposes.

The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference (“premium”) between the quoted price of the Company’s existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium (“other liability”), and is reversed into the statement of loss as a deferred tax recovery when the eligible expenditures are incurred. If the flow-through shares are not issued at a premium, a liability is not recorded.

o) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss (“FVTPL”). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

p) Segmented information

The business units are grouped into two distinct operating segments: Mineral exploration and development and Research and development. The operating segments’ financial results are reviewed regularly by the Company’s chief operating decision-makers who make decisions about resource allocation and assess segment performance based on internally prepared segment information.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, Financial Instruments

IFRS 9 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Based on current operations, the Company does not anticipate that this standard will have significant financial reporting implications.

IFRS 15, Revenue Recognition

IFRS 15, *Revenue Recognition*: provides for a single, comprehensive revenue recognition model for all contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company’s properties are not yet producing and, at present, its only other source of revenue is limited. As such the Company does not anticipate that this standard will have significant financial reporting implications until additional revenue sources are obtained.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16, Leases

In January of 2016 the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. As the Company has few leased assets it does not anticipate that this standard will have significant financial reporting implications.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk to cause material adjustment to the carrying amounts of assets and liabilities recognized in these financial statements within the next financial year are discussed below:

Mineral exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of an expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

At each reporting period, assets, specifically exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

January 31, 2019 and 2018

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may differ materially from the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which unused tax losses can be utilized. However, due to uncertainty regarding future taxable income no deferred tax assets have been recorded.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in *Note 10*.

6. ACCOUNTS RECEIVABLE

	Jan. 31, 2019	Oct. 31, 2018
Trade receivables	\$ 20,080	\$ 35,830
GST receivable	13,459	28,113
	\$ 33,539	\$ 63,943

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
January 31, 2019 and 2018

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
Furniture, fixtures, office and computer equipment	\$ 15,184	\$ 3,683	\$ 11,501
Leasehold improvements	48,416	12,930	35,486
Mill equipment	627,941	62,794	565,147
At October 31, 2018	\$ 691,541	\$ 79,407	\$ 612,134
Furniture, fixtures, office and computer equipment	\$ 15,184	\$ 4,316	\$ 10,868
Leasehold improvements	48,416	16,767	31,649
Mill equipment	627,941	91,051	536,890
At January 31, 2019	\$ 691,541	\$ 112,134	\$ 579,407

8. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has acquired certain mineral properties and rights. The property acquisition costs are as follows:

	High Rock and Climpy	Red Bird	Mount Copeland	Walker mine	Clot	Bell	Whabouchi	Buckingham /Kendall	Lochaber	Total
At November 1, 2017	\$ 15,000	\$420,000	\$331,779	\$607,699	\$178,820	\$76,133	\$117,391	\$44,123	\$ -	\$1,790,945
Additions	-	-	-	-	8,750	-	-	-	455,000	463,750
Impairment	(15,000)	(280,000)	(110,593)	-	-	-	(117,391)	-	-	(522,984)
Transfer	-	-	-	-	-	-	-	-	-	-
At October 31, 2018	\$ -	\$140,000	\$221,186	\$607,699	\$187,570	\$76,133	\$ -	\$44,123	\$455,000	\$1,731,711
Additions	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-
At January 31, 2019	\$ -	\$140,000	\$221,186	\$607,699	\$187,570	\$76,133	\$ -	\$44,123	\$455,000	\$1,731,711

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
January 31, 2019 and 2018

8. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

The deferred exploration costs are as follows:

	High Rock and Climpy	Red Bird	Mount Copeland	Walker mine	Clot	Bell	Whabouchi	Buckingham /Kendall	Lochaber	Total
At November 1, 2017	\$ 85,335	\$50,045	\$692,572	\$654,467	\$302,084	\$588,234	\$ 172,389	\$51,622	\$ -	\$2,596,748
Additions	110	-	-	(9,098)	13,080	47,517	-	-	49,651	101,260
Impairment	(85,445)	(33,364)	(230,857)	-	-	-	(172,389)	-	-	(522,055)
Transfer	-	-	-	-	-	-	-	-	-	-
At October 31, 2018	\$ -	\$16,681	\$461,715	\$645,369	\$315,164	\$635,751	\$ -	\$51,622	\$49,651	\$2,175,953
Additions	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-
At January 31, 2019	\$ -	\$16,681	\$461,715	\$645,369	\$315,164	\$635,751	\$ -	\$51,622	\$49,651	\$2,175,953

A. High Rock and Climpy

The High Rock property and the Climpy property are gold prospects in northeast Manitoba. The Company has acquired a 100% interest in the property.

B. Red Bird

The Red Bird molybdenum property consists of three mineral claims situated in the Skeena Mining Division of west central British Columbia. The Company has acquired a 25% undivided interest in the property.

C. Mount Copeland

The Mount Copeland molybdenum property is situated in British Columbia. The Company has acquired a 100% interest in the Mount Copeland property.

D. Walker mine

The Walker property includes a past producing graphite mine and is situated in Quebec. The Company has acquired a 100% interest in the Walker property.

E. Clot

The Clot graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

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8. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

F. Bell

The Bell graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

G. Whabouchi

The Whabouchi lithium property is situated in Quebec. The Company has acquired a 100% interest in the property.

H. Buckingham/Kendall

The Buckingham/Kendall graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

I. Lochaber

The Company acquired a 100% ownership of the historical mining property known as the Lochaber claims located in South Western Quebec.

9. ACCOUNTS PAYABLE

	Jan. 31, 2019	Oct. 31, 2018
Trade payables	\$ 635,984	\$ 532,600
Trade payables – related parties	163,110	85,574
	\$ 799,094	\$ 618,174

Included in accounts payable are amounts due to related parties; further details are as follows:

Amounts due to	Nature of relationship	Service for	Jan. 31, 2019	Oct. 31, 2018
Mineral Developments	Company controlled by CEO	Management fees	\$ 114,550	\$ 39,550
Dr. William Pfaffenberger (President)	Key Management personnel	Management Fees	43,000	43,000
Wilson Lentz LLP	Partnership of which CFO is a partner	Management fees	5,560	3,024
			\$ 163,110	\$ 85,574

All related party payables are due on demand, non-interest bearing and are unsecured.

10. SHARE CAPITAL

(a) Authorized:

The authorized share capital of the Company is:

- An unlimited number of voting common shares without par value.
- An unlimited number of non-voting first preferred shares.
- An unlimited number of non-voting second preferred shares.

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10. SHARE CAPITAL (continued)

(b) Issued and outstanding:

See the Statement of Changes in Shareholders' Equity. The number of the shares outstanding presented in the statements of changes in shareholders' equity refers only to voting common shares. Diluted loss per share did not include the effect of 3,366,422 options (4,453,922 – 2018, adjusted for 4:1 consolidation) and 16,845,750 warrants and broker warrants (11,343,000 – 2018, adjusted for 4:1 consolidation) as they are anti-dilutive.

Effective June 12, 2018, the Company's common shares were consolidated on the basis of one post-consolidation common share for every four pre-consolidation common shares (the "Consolidation"). The Consolidation was approved by the Company's shareholders at the Annual and Special Meeting of the shareholders of the Company held on May 25, 2018 and was accepted by the TSX Venture Exchange. The Company had 249,120,130 common shares outstanding and, following the Consolidation, had approximately 62,280,032 common shares outstanding. No fractional common shares of the Company were issued.

(c) Private placements:

Subsequent to the end of the period, the Company announced that it intends to complete a non-brokered private placement financing of up to 11,428,571 Units (the "Units") at a price of \$0.035 per Unit for gross proceeds of up to \$400,000 (the "Offering"). Each Unit will consist of one (1) common share in the capital of the Company and one (1) common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to acquire one (1) additional common share in the capital of the Company (each a "Warrant Share") at an exercise price of \$0.05 per Warrant Share for a period of 36 months from the date of issuance. The Company intends to close the Offering as soon as practicable. Closing of the Offering is subject to customary conditions and regulatory approvals.

(d) Stock options:

The Company has established a stock based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. Exercise price of options equals at least the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a two or five-year term in accordance with TSX Venture Exchange policy.

No options have been granted during the current or comparative period.

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10. SHARE CAPITAL (continued)

A summary of the status of the Company's incentive stock option plan as at January 31, 2019 is as follows:

	Number of options	Weighted Average Exercise Price
Balance November 1, 2017	17,815,689	\$0.05
Cancelled due to 4:1 consolidation	(13,361,767)	\$0.05
Granted	-	-
Expired (post-consolidation)	(750,000)	\$0.20
Exercised	-	-
Balance October 31, 2018	3,703,922	\$0.20
Granted	-	-
Expired (post-consolidation)	(337,500)	\$0.20
Exercised	-	-
Balance January 31, 2019	3,366,422	\$0.20

Options Granted

A summary of options granted as at January 31, 2019, adjusted for 4:1 share consolidation, is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
125,000	\$0.20	December 12, 2019
1,257,672	\$0.20	June 16, 2020
300,000	\$0.20	April 5, 2021
1,108,750	\$0.20	November 8, 2021
575,000	\$0.20	January 13, 2022
<u>3,366,422</u>		

The Black-Scholes option valuation model was used to estimate the fair value of the options with the following assumptions.

	Dividend Yield	Volatility	Risk free interest rate	Expected life	Grant date value (per option)
Options granted November 9, 2016	0%	133.05%	0.82%	5 years	\$0.04
Options granted December 12, 2016	0%	137.29%	0.92%	3 years	\$0.07
Options granted January 13, 2017	0%	137.99%	1.14%	5 years	\$0.06

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10. SHARE CAPITAL (continued)

(e) Share purchase warrants:

A summary of outstanding warrants as at January 31, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 1, 2017	42,590,000	\$0.06
Granted (pre-consolidation)	10,793,000	\$0.05
Cancelled due to 4:1 consolidation	(40,037,250)	\$0.06
Granted (post-consolidation)	3,500,000	\$0.075
Expired	-	-
Exercised	-	-
Balance October 31, 2018 and January 31, 2019	16,845,750	\$0.19

A summary of warrants granted as at January 31, 2019, adjusted for 4:1 share consolidation, is as follows:

Number of Warrants	Exercise Price	Expiry Date
1,250,000	\$0.24	December 21, 2018
572,500	\$0.24	April 26, 2019
135,000	\$0.24	May 4, 2019
2,600,000	\$0.22	October 5, 2019
3,222,500	\$0.22	December 12, 2020
695,500	\$0.20	January 25, 2021
2,002,750	\$0.20	February 8, 2021
1,705,000	\$0.22	May 17, 2021
1,162,500	\$0.22	May 29, 2021
2,400,000	\$0.075	June 28, 2021
1,100,000	\$0.075	July 18, 2021
<u>16,845,750</u>		

11. RELATED PARTY TRANSACTIONS

Key management personnel include the board of directors, chief executive officer, chief financial officer and chief technology officer. Key management personnel compensation comprised:

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11. RELATED PARTY TRANSACTIONS (continued)

<u>Key management compensation</u>	<u>Three months ended January 31,</u>	
	<u>2019</u>	<u>2018</u>
Retainers, wages and benefits	\$ 87,570	\$ 118,000
Share based payments (to all key management personnel)	-	-
Mineral exploration and evaluation costs	-	12,500
Expense reimbursement	-	26,230
	<u>\$ 87,570</u>	<u>\$ 156,730</u>

<u>Services and reimbursement of expenses</u>	<u>Three months ended January 31,</u>	
	<u>2019</u>	<u>2018</u>
Company controlled by the CEO	\$ 75,000	\$ 75,000
Partnership of which the CFO is a partner	12,570	-
Company controlled by the former CFO	-	40,500
Business controlled by the former President	-	15,000
Share based payments	-	-
Reimbursement of expenses	-	26,230

12. RESTRICTED CASH

Term deposits of \$36,000 have been pledged as security to the Scotia Bank for their irrevocable letter of credit in favor of the Province of British Columbia, Ministry of Energy and Mines. A term deposit of \$5,000 has been pledged as security to the Scotia Bank to secure the Company credit card.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

Financial instruments recognized at fair value on the statements of financial position must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy levels are as follows:

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on inputs that are other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

As at January 31, 2019, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2018 are shown in the table below:

	January 31, 2019		October 31, 2018	
	Fair value	Carrying value	Fair value	Carrying value
<i>Financial assets</i>				
Cash and equivalents	16,860	16,860	30,000	30,000
Accounts receivable (1)	20,080	20,080	35,830	35,830
<i>Financial liabilities</i>				
Accounts payable and accrued liabilities	799,094	799,094	618,174	618,174

(1) Excluding taxes receivable

The fair values of the Company's financial instruments measured at January 31, 2019, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

The Company recognized interest income during the period ended January 31, 2019, totaling \$nil (2017 \$52) which represents interest income from the Company's held-for-trading investments. This balance represents interest income from all sources.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk as at January 31, 2019 under its financial instruments is summarized as follows:

	January 31, 2019	October 31, 2018
Accounts and other receivables -		
Currently due	-	-
Past due by 90 days or less, not impaired	-	-
Past due by greater than 90 days, not impaired	20,080	35,830
	20,080	35,830
Cash and equivalents	16,860	30,000
	36,940	65,830

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Notes to the financial statements

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

All of the Company's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. As at January 31, 2019, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at January 31, 2019, is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in *Note 14*, in normal circumstances. Due to the lack of liquidity, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of finance. Further information regarding liquidity risk is set out in *Note 2 (b)*.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at January 31, 2019, are summarized as follows:

	January 31, 2019	October 31, 2018
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	799,094	514,403
In later than 90 days, not later than one year	-	103,771
Due to related parties with contractual maturities -		
Within 90 days or less	163,110	85,574
In later than 90 days, not later than a year	-	-

Market risk

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of graphite, molybdenum, copper and gold and the outlook for these metals, as the Company's ability to raise capital is affected by the commodity that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

- Interest rate risk

The Company has no significant exposure at January 31, 2019, to interest rate risk through its financial instruments.

- Currency risk

The Company has no significant exposure at January 31, 2019 to currency risk as all cash and cash equivalents are held in Canadian funds.

14. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard its ability to continue as a going concern in order to pursue the development of its mineral property interests.

The Company considers the items included in shareholders' equity to be capital. The Company relies on equity financing in order to fund future exploration and development and makes adjustments to the Company's capital structure based on financing needs, as well as in response to economic conditions and the risk characteristics of the underlying assets.

Management makes adjustments to its capital structure through share issuances and the acquisition or disposition of assets.

As the Company is in the exploration stage it endeavors to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company facilitates the management of capital through the preparation of annual expenditure budgets and cash forecasts that are updated as necessary. The Company does not have any externally imposed capital requirements.

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14. MANAGEMENT OF CAPITAL (continued)

The Company's managed capital is as follows:

	January 31, 2019	October 31, 2018
Share capital	20,882,797	20,882,797
Equity component of convertible debentures	-	-
Contributed surplus	1,805,054	1,805,054
Deficit	(18,862,200)	(18,604,947)
	3,825,651	4,082,904

15. SEGMENTED INFORMATION

The Company has two operating segments. These two operating segments have been differentiated based on the type of services provided and equipment requirements. The mineral exploration and development segment focuses on the acquisition and exploration of property interests that are considered potential sites of economic mineralization. The research and development segment focuses on the scientific study and technology applications for graphite and graphene. All of the Company's operations are in Canada. The following tables provide financial results by segment:

Period ended January 31, 2019	Mineral exploration and development	Research and development	Total
	\$	\$	\$
Revenue	-	10,000	10,000
Depreciation and impairment of equipment	633	32,094	32,727
Total expenses	219,905	46,058	265,963
Capital expenditures	-	-	-
Total assets at January 31, 2019	4,055,672	569,073	4,624,745

Year ended October 31, 2018	Mineral exploration and development	Research and development	Total
	\$	\$	\$
Revenue	478	408,870	409,348
Depreciation and impairment of equipment	2,569	75,724	78,293
Total expenses	2,384,853	212,137	2,596,990
Capital expenditures	4,037	379,141	383,178
Total assets at October 31, 2018	4,100,444	600,634	4,701,078

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16. OPERATING LEASES

The Company is committed to payments under three operating leases until 2022. Two of the Company's operating leases relate to buildings and the third lease relates to a vehicle. The Company's operating lease commitments are as follows:

	January 31, 2019	October 31, 2018
Less than one year	\$ 67,224	\$ 84,951
Between one and five years	49,240	66,046
More than five years	-	-
	\$ 116,464	\$ 150,997

17. CONTINGENT LIABILITY

The Company's tax filings related to flow-through shares for a prior year were audited by the Canada Revenue Agency (CRA). As a result of this audit an assessment was charged to the Company. The Company disagrees with the CRA's audit filings and has appealed the assessment. As it is not probable that a future outflow of resources will be required to settle this obligation and because the amount of the obligation cannot be measured reliably no liability has been recognized in the statements of financial position. The estimated range of the potential obligation is \$0 to \$160,000.

18. SUBSEQUENT EVENT

Subsequent to the end of the period, the Company announced that it intends to complete a non-brokered private placement financing of up to 11,428,571 Units (the "Units") at a price of \$0.035 per Unit for gross proceeds of up to \$400,000 (the "Offering"). Each Unit will consist of one (1) common share in the capital of the Company and one (1) common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to acquire one (1) additional common share in the capital of the Company (each a "Warrant Share") at an exercise price of \$0.05 per Warrant Share for a period of 36 months from the date of issuance. The Company intends to close the Offering as soon as practicable. Closing of the Offering is subject to customary conditions and regulatory approvals.