



SAINT JEAN CARBON INC.
(An exploration stage company)

Condensed Interim Financial Statements

(Unaudited – presented in Canadian Dollars)

for the period ended April 30, 2018

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	April 30, 2018	October 31, 2017
Current		
Cash and equivalents	\$ 46,110	\$ 1,081,436
Accounts receivable (Note 6)	445,450	65,101
Corporate income tax receivable	-	3,004
Prepaid expenses	144,661	65,626
	636,221	1,215,167
Restricted cash (Note 12)	41,000	36,000
Equipment (Note 3 (f) & 7)	649,790	307,249
Mineral exploration and evaluation assets (Note 3 (b) & 8)	4,458,470	4,387,693
	\$ 5,785,481	\$ 5,946,109
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 390,682	\$ 524,222
Other liabilities (Note 13)	-	-
	390,682	524,222
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	20,491,037	20,034,138
Contributed surplus	1,805,054	1,805,054
Deficit	(16,901,292)	(16,417,305)
	5,394,799	5,421,887
	\$ 5,785,481	\$ 5,946,109

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)

	Three Months ended April 30, 2018	Three Months ended April 30, 2017	Six Months ended April 30, 2018	Six Months ended April 30, 2017
Revenue				
Service income	\$ -	\$ -	\$ -	\$ -
Graphene/Graphite Sales	393,870	-	393,870	-
	<u>393,870</u>	<u>-</u>	<u>393,870</u>	<u>-</u>
Cost of goods sold	79,500	-	79,500	-
	<u>314,370</u>	<u>-</u>	<u>314,370</u>	<u>-</u>
Administrative costs				
Amortization	\$ 19,767	\$ 349	\$ 39,438	\$ 349
Automotive	3,287	-	6,574	-
Bad debts expense	-	-	-	-
Bank and loan interest	1,072	1,583	1,481	4,085
Business development	-	5,000	1,000	5,000
Filing fees	8,144	19,938	8,394	52,512
General meetings	427	5,719	273	13,491
Internet and website	1,623	5,031	1,767	8,569
Investor relations	33,095	37,485	68,980	69,980
Management fees	96,750	104,500	214,750	196,000
Mill operating expense	16,481	-	24,170	-
Payroll expense	930	1,171	930	1,171
Office expense	24,897	4,121	42,513	35,429
Professional fees	51,237	152,282	101,797	194,541
Property evaluation	2,128	-	2,128	-
Research expenses	-	-	118,750	-
Sales and marketing	91,250	44,500	157,250	63,500
Stock based compensation	-	-	-	500,240
Telecommunications	1,368	1,259	2,609	2,671
Transfer agent	929	1,883	1,767	3,032
Travel and promotion	1,431	16,339	3,847	17,789
Write-down of mineral property interests	-	-	-	-
	<u>354,816</u>	<u>401,160</u>	<u>798,418</u>	<u>1,168,359</u>
Interest income	9	5	61	9
Recognition of flow-through premium liability	-	-	-	-
	<u>(40,437)</u>	<u>(401,155)</u>	<u>(483,987)</u>	<u>(1,168,350)</u>
Loss before income taxes	(40,437)	(401,155)	(483,987)	(1,168,350)
Deferred income tax provision (recovery)	-	-	-	-
	<u>(40,437)</u>	<u>(401,155)</u>	<u>(483,987)</u>	<u>(1,168,350)</u>
Loss and comprehensive loss for the period	(40,437)	(401,155)	(483,987)	(1,168,350)
Loss per share - basic and diluted	\$ (0.000)	\$ (0.002)	\$ (0.002)	\$ (0.007)
Weighted average number of shares outstanding - basic and diluted	248,445,973	184,793,054	243,731,456	174,736,268

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 October 31, 2016	152,198,160	\$ 15,921,411	\$ 1,266,473	\$ 38,341	\$ (14,697,461)	\$ 2,528,764
Private placements	39,362,700	1,968,135	-	-	-	1,968,135
Share issuance costs	-	(251,106)	-	-	-	(251,106)
Stock based compensation	-	-	500,240	-	-	500,240
Conversion of warrants	20,071,000	1,144,300	-	-	-	1,144,300
Conversion of options	3,388,270	169,414	-	-	-	169,414
Flow-through shares	-	(265,000)	-	-	-	(265,000)
Net loss and comprehensive loss for the period	-	-	-	-	(1,168,350)	(1,168,350)
Balance, April 30, 2017	215,020,130	\$ 18,687,154	\$ 1,766,713	\$ 38,341	\$ (15,865,811)	\$ 4,626,397
Balance at October 31, 2017	238,770,130	\$ 20,034,138	\$ 1,805,054	\$ -	\$ (16,417,305)	\$ 5,421,887
Private placements	10,100,000	505,000	-	-	-	505,000
Share issuance costs	-	(56,851)	-	-	-	(56,851)
Stock based compensation	-	-	-	-	-	-
Conversion of warrants	-	-	-	-	-	-
Conversion of options	-	-	-	-	-	-
Shares issued pursuant to property agreement	250,000	8,750	-	-	-	8,750
Net loss and comprehensive loss for the period	-	-	-	-	(483,987)	(483,987)
Balance, April 30, 2018	249,120,130	\$ 20,491,037	\$ 1,805,054	\$ -	\$ (16,901,292)	\$ 5,394,799

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

	<u>Period ended</u> <u>April 30, 2018</u>	<u>Period ended</u> <u>April 30, 2017</u>
Cash flows from (used in) the Operating Activity		
Net and comprehensive loss for the period	\$ (483,987)	\$ (1,168,350)
Items not involving cash:		
Stock based compensation	-	500,240
Gain (Loss) on disposal of assets	-	-
Amortization	39,438	-
Recognition of flow-through premium liability	-	265,000
Impairment of mineral properties	-	-
	<u>(444,549)</u>	<u>(403,110)</u>
Changes in non-cash working capital items:		
Accounts receivable	(380,349)	(29,410)
Corporate income tax receivable	3,004	-
Prepaid expenses	(79,035)	(199,078)
Accounts payable and accrued liabilities	(133,541)	(465,754)
Flow-through premium	-	-
	<u>(1,034,470)</u>	<u>(1,097,352)</u>
Cash flow from (used in) financing activities		
Issuance of share capital	505,000	3,016,849
Share issuance cost	(56,851)	(251,106)
Restricted Cash	(5,000)	-
Loans and accrued interest	-	(127,656)
	<u>443,149</u>	<u>2,638,087</u>
Cash flows from (used in) investing activities		
Purchase of capital assets	(381,979)	-
Disposition (Acquisition) of mineral properties and rights	-	-
Disposition (Acquisition) of equipment	-	(22,553)
Deferred exploration expenses	-	(390,810)
Proceeds on disposition of equipment	-	-
Exploration and evaluation expenditures	(62,026)	-
	<u>(444,005)</u>	<u>(413,363)</u>
Increase in cash and cash equivalents	(1,035,326)	1,127,372
Cash and cash equivalents, beginning of period	1,081,436	21,499
Cash and equivalents, end of period	\$ 46,110	\$ 1,148,871
Cash and equivalents is comprised of:		
Cash	\$ 46,110	\$ 1,148,871
Short-term investments	-	-
	<u>\$ 46,110</u>	<u>\$ 1,148,871</u>
Supplemental cash flow disclosure:		
Shares issued for acquisition of property	\$ 8,750	\$ -
Interest paid	-	-
Income tax paid	-	-

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Saint Jean Carbon Inc. (formerly Torch River Resources Ltd.) incorporated provincially in Alberta, and extra provincially in 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.

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 June 28, 2018.

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 April 30, 2018, the Company had working capital of \$243,539 and an accumulated deficit of \$16,901,292. 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)
For the six-month period ended April 30, 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 \$4,458,470 as at April 30, 2018. 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 14*. 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)
For the six-month period ended April 30, 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

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

forecast prices and costs. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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%

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

g) Revenue recognition

Consulting service income is recognized at the time persuasive evidence of an agreement exists, the amount of income can be measured reliably, the consulting 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

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 from consulting service income.

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

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

As such the Company does not anticipate that this standard will have significant financial reporting implications until additional revenue sources are obtained.

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.

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

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*.

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
For the six-month period ended April 30, 2018

6. ACCOUNTS RECEIVABLE

	April 30, 2018	Oct 31, 2017
Trade receivables	\$ 445,080	\$ 7
Sales taxes recoverable	370	65,094
	\$ 445,450	\$ 65,101

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
Furniture, fixtures and office equipment	\$ 11,148	\$ 1,115	\$ 10,033
Leasehold improvements	19,710	-	19,710
Mill equipment	277,506	-	277,506
At October 31, 2017	\$ 308,364	\$ 1,115	\$ 307,249
Furniture, fixtures and office equipment	\$ 14,278	\$ 2,275	\$ 12,003
Leasehold improvements	48,416	6,816	41,600
Computer equipment	907	125	782
Mill equipment	626,742	31,337	595,405
At April 30, 2018	\$ 690,343	\$ 40,553	\$ 649,790

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	Total
At October 31, 2017	\$ 15,000	\$420,000	\$331,779	\$607,699	\$178,820	\$76,133	\$ 117,391	\$44,123	\$1,790,945
Additions	-	-	-	-	8,750	-	-	-	8,750
Impairment	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
At April 30, 2018	\$ 15,000	\$420,000	\$331,779	\$607,699	\$187,570	\$76,133	\$117,391	\$44,123	\$1,799,695

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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	Total
At October 31, 2017	\$ 85,335	\$50,045	\$692,572	\$654,467	\$302,084	\$588,234	\$172,389	\$ 51,622	\$2,596,748
Additions	110	-	-	-	14,400	47,517	-	-	62,027
Impairment	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
At April 30, 2018	\$ 85,445	\$50,045	\$692,572	\$654,467	\$316,484	\$635,751	\$172,389	\$51,622	\$2,658,775

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.

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%

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8. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2018	Oct 31, 2017
Trade payables	\$ 347,032	\$ 432,397
Trade payables – related parties	43,650	91,825
	\$ 390,682	\$ 524,222

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

Amounts due to	Nature of relationship	Service for	2018	2017
Barry Pearson (CFO)	Key Management personnel	Reimbursement of expenses	\$ -	\$ 2,259
Mineral Developments	Company controlled by CEO	Management fees	-	399
Mineral Developments	Company controlled by CEO	Reimbursement of expenses	5,650	-
Paul Ogilvie (CEO)	Key Management personnel	Reimbursement of expenses	-	667
Dr. William Pfaffenberger (President)	Key Management personnel	Management Fees	38,000	88,500
			\$ 43,650	\$ 91,825

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.

(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 17,815,689 options (17,815,689 - 2017) and 53,383,000 warrants and broker warrants (33,715,000 - 2017) as they are anti-dilutive.

(c) Private placements:

On January 25, 2018 the Company closed the first tranche of a private placement for 2,600,000 units at a price of \$0.05 per unit for gross proceeds of \$130,000. Each unit consisted of one common share and warrant.

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10. SHARE CAPITAL (continued)

On February 8, 2018 the Company closed the second tranche of a private placement for 7,500,000 units at a price of \$0.05 per unit for gross proceeds of \$375,000. Each unit consisted of one common share and warrant.

(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.

A summary of the status of the Company's incentive stock option plan as at April 30, 2018 is as follows:

	Number of options	Weighted Average Exercise Price
Balance, October 31, 2016	9,015,689	\$0.06
Granted	9,785,000	\$0.05
Expired	(985,000)	\$0.10
Exercised	-	-
Balance, October 31, 2017	17,815,689	\$0.05
Granted	-	-
Expired	-	-
Exercised	-	-
Balance April 30, 2018	17,815,689	\$0.05

Options Granted

A summary of options granted as at April 30, 2018 is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
1,200,000	\$0.05	December 12, 2019
6,380,689	\$0.05	June 16, 2020
1,650,000	\$0.05	April 5, 2021
4,985,000	\$0.05	November 8, 2021
3,600,000	\$0.05	January 13, 2022
17,815,689		

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10. SHARE CAPITAL (continued)

(e) Share purchase warrants

A summary of outstanding warrants as at April 30, 2018 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2016	27,021,000	\$0.05
Granted	35,840,000	\$0.06
Expired	(200,000)	\$0.05
Exercised	(20,071,000)	\$0.05
Balance, October 31, 2017	42,590,000	\$0.06
Granted	10,793,000	\$0.05
Expired	-	-
Exercised	-	-
Balance April 30, 2018	53,383,000	\$0.05

A summary of warrants granted as at April 30, 2018 is as follows:

Number of Warrants	Exercise Price	Expiry Date
5,000,000	\$0.06	December 21, 2018
2,290,000	\$0.06	April 26, 2019
540,000	\$0.06	May 4, 2019
10,400,000	\$0.055	October 5, 2019
12,890,000	\$0.055	December 12, 2020
2,782,000	\$0.05	January 25, 2021
8,011,000	\$0.05	February 8, 2021
6,820,000	\$0.055	May 17, 2021
4,650,000	\$0.055	May 29, 2021
<u>53,383,000</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)

Key management compensation	Six months ended April 30,	
	2018	2017
Retainers, wages and benefits	\$ 214,750	\$ 340,817
Share based payments (to all key management personnel)	-	-
Mineral exploration and evaluation costs	12,500	-
Equipment additions	15,000	-
Cost of goods sold	18,750	-
Expense reimbursement	33,219	13,869
	\$ 294,219	\$ 354,686

Services and reimbursement of expenses	Six months ended April 30,	
	2018	2017
Company controlled by the CEO	\$ 150,000	\$ 247,646
Company controlled by the CFO	81,000	74,000
Business controlled by the President	30,000	-
Share based payments	-	-
Salaries and benefits	-	19,171
Reimbursement of expenses	33,219	13,869

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 back the Company credit card.

13. OTHER LIABILITIES

Other liabilities include the premium between the quoted price of Company's shares and the amount paid by investors for the flow-through shares. The accounting for flow-through shares under IFRS is explained further in Note 3 (n). The following is a continuity schedule of the liability portion of the flow-through share issuances:

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13. OTHER LIABILITIES (continued)

Balance at October 31, 2016	\$ 54,381
Flow-through premium on flow-through share issuances	-
Settlement of flow-through share liability on incurring expenditures	(54,381)
Balance, October 31, 2017	\$ -
Flow-through premium on flow-through share issuances	-
Settlement of flow-through share liability on incurring expenditures	-
Balance, April 30, 2018	\$ -

14. 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:

- 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 April 30, 2018, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2017 are shown in the table below:

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	April 30, 2018		October 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
<i>Financial assets</i>				
Cash and equivalents	46,110	46,110	1,081,436	1,081,436
Accounts receivable (1)	445,080	445,080	7	7
<i>Financial liabilities</i>				
Accounts payable and accrued liabilities	390,682	390,682	524,222	524,222
Other liabilities	-	-	-	-

(1) *Excluding taxes receivable*

The fair values of the Company's financial instruments measured at April 30, 2018, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

The Company recognized interest income during the period ended April 30, 2018, totaling \$61 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 April 30, 2018 date under its financial instruments is summarized as follows:

	April 30, 2018	October 31, 2017
Accounts and other receivables -		
Currently due	445,080	7
Past due by 90 days or less, not impaired	-	-
Past due by greater than 90 days, not impaired	-	-
	445,080	7
Cash and equivalents	46,110	1,081,436
	491,190	1,081,443

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 April 30, 2018, no material provision has been recorded in respect of impaired

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

receivables. The Company's maximum exposure to credit risk as at April 30, 2018, 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 15*, 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 April 30, 2018, are summarized as follows:

	April 30, 2018	October 31, 2017
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	390,682	524,222
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities -		
Within 90 days or less	43,650	91,825
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.

- 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 April 30, 2018, to interest rate risk through its financial instruments.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Currency risk
The Company has no significant exposure at April 30, 2018 to currency risk as all cash and cash equivalents are held in Canadian funds.

15. 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.

The Company's managed capital is as follows:

	April 30, 2018	October 31, 2017
Share capital	20,491,037	20,034,138
Contributed surplus	1,805,054	1,805,054
Deficit	(16,901,292)	(16,417,305)
	5,394,799	5,421,887

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16. 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:

Year ended October 31, 2017	Mineral exploration and development	Research and development	Total
	\$	\$	\$
Revenue	7	-	7
Depreciation and impairment of equipment	1,115	-	1,115
Total expenses	1,742,877	31,384	1,774,261
Capital expenditures	11,148	297,216	308,364
Total assets at October 31, 2017	5,648,893	297,216	5,946,109

Period ended April 30, 2018	Mineral exploration and development	Research and development	Total
	\$	\$	\$
Revenue	-	393,870	393,870
Depreciation and impairment of equipment	1,285	38,153	39,438
Total expenses	736,095	62,323	798,418
Capital expenditures	74,812	377,943	452,755
Total assets at April 30, 2018	5,148,475	637,006	5,785,481

17. CONTINGENT LIABILITY

During the last fiscal year the Company's tax filings related to flow-through shares 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 EVENTS

In May 2018, the Company acquired a 100% ownership of the historical mining property known as the Lochaber claims located in South Western Quebec in the same general region as the Company's other flag ship properties. On closing, the Company issued 3,000,000 shares at a deemed value of \$0.05 per share to Great Lakes Graphite Inc. and entered into an offtake agreement to allow Great Lakes the first right of refusal to purchase up to 10,000 metric tons per year for the life of the mine. The Company will pay a 1.75% net operational operating cost

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18. SUBSEQUENT EVENTS (continued)

royalty for 10 years and a fee of \$425,000 divided equally into four payments over four years, with the first payment paid in May 2018.

Effective June 12, 2018, the Company consolidated its Common Shares on the basis of one post-consolidation Common Share for every four pre-consolidation Common Shares.

On March 27, 2018, the Company announced that it had entered into an arm's length non-binding term sheet with Gratomic to acquire the Montpelier mining claims located in South Western Quebec. Terms of the transaction, the Company will issue 4,000,000 shares upon closing and pay a 1.75% Net Operational Operating Cost royalty ("NOOCR") for ten years if production has commenced on the subject claims. This transaction is currently continuing though due diligence.

On March 29, 2018, the Company announced that it had signed a term sheet with the landowner (4300351 Canada Inc.) of the Montepellier mining claims located in South Western Quebec. The agreement is for 25 years and gives the Company the right to work the property and full access. The Company will make a onetime payment of \$500,000 payable in the capital stock of the Company upon the completion of the surface rights agreement(s). An issuance of a further 2,500,000 options to be at market price for three years, if the infill drill program is complete and a resource estimate of 10,000,000 tons of mineralized material is defined. Pay a yearly 5% Net Production Royalty (NPR) and a yearly 1.5% Gross Sales Royalty (GSR). A further 1,000,000 bonus shares will be issued should the company receive the bulk sampling permits by December 15, 2018. This transaction is currently continuing through due diligence.