

ALABAMA GRAPHITE CORP.
Consolidated Financial Statements
For the Years Ended August 31, 2015 and 2014
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alabama Graphite Corp.,

We have audited the accompanying consolidated financial statements of Alabama Graphite Corp. which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alabama Graphite Corp. at August 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
December 21, 2015

ALABAMA GRAPHITE CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	August 31, 2015	August 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,085,925	\$ 1,286,897
Receivables		39,720	29,073
Prepaid expenses and deposits		229,291	8,981
		2,354,936	1,324,951
Deposit		26,446	21,716
Exploration and evaluation assets	5	5,568,200	3,882,765
Equipment	6	4,315	6,280
TOTAL ASSETS		\$ 7,953,897	\$ 5,235,712
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 424,435	\$ 125,004
Loans payable	7	-	257,952
		424,435	382,956
SHAREHOLDERS' EQUITY			
Share capital	8	12,747,179	8,735,746
Contributed surplus	9	3,227,934	2,364,806
Deficit		(8,445,651)	(6,247,796)
		7,529,462	4,852,756
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 7,953,897	\$ 5,235,712

Nature and continuance of operations (Note 1)

The consolidated financial statements were authorized for issue by the board of directors on December 21, 2015 and were signed on its behalf by:

<u>"Don Baxter"</u> , Director	<u>"Daniel Goffaux"</u> , Director
Don Baxter	Daniel Goffaux

See accompanying notes to the consolidated financial statements

ALABAMA GRAPHITE CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended August 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Notes	2015	2014
Expenses			
Amortization		\$ 1,965	\$ 3,053
Automobile		48,045	12,481
Consulting	10	507,374	297,821
Interest expense (recovery)		(2,908)	36,001
Office and administration		142,959	82,549
Professional fees	10	190,731	226,863
Regulatory and filing		59,504	115,269
Rent		46,778	34,976
Share-based payments	10	663,657	664,010
Travel and investor relations		213,070	268,896
Loss before other items		1,871,175	1,741,919
Interest income		(2,634)	(4,805)
Loss (gain) from foreign exchange		(152,676)	34,124
Exploration and evaluation assets written off	5	481,990	-
Net loss and comprehensive loss for the year		\$ 2,197,855	\$ 1,771,238
Basic and Diluted Loss Per Common Share		\$ 0.02	\$ 0.03
Weighted Average Number of Common Shares Outstanding		96,770,973	58,189,081

See accompanying notes to the consolidated financial statements

ALABAMA GRAPHITE CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended August 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Share Capital		Contributed Surplus	Shares		Total Shareholders' Equity
	Number of Shares	Amount		Allotted and Un-issued	Deficit	
Balance as at August 31, 2013	34,984,128	\$ 5,457,684	\$ 1,362,159	\$ 30,000	\$ (4,476,558)	\$ 2,373,285
Net loss for the year	-	-	-	-	(1,771,238)	(1,771,238)
Shares issued for cash	31,589,285	2,220,000	-	-	-	2,220,000
Warrants exercised	16,164,164	1,597,141	-	-	-	1,597,141
Stock options exercised	55,000	7,975	-	-	-	7,975
Shares issued for finder's fee - property	150,000	30,000	-	(30,000)	-	-
Share issuance costs paid in cash	-	(238,417)	-	-	-	(238,417)
Fair value of warrants issued for finder's fee	-	(338,637)	338,637	-	-	-
Share-based payments	-	-	664,010	-	-	664,010
Balance as at August 31, 2014	82,942,577	8,735,746	2,364,806	-	(6,247,796)	4,852,756
Balance as at August 31, 2014	82,942,577	\$ 8,735,746	\$ 2,364,806	\$ -	\$ (6,247,796)	\$ 4,852,756
Net loss for the year	-	-	-	-	(2,197,855)	(2,197,855)
Shares issued for cash	14,375,000	2,875,000	-	-	-	2,875,000
Warrants exercised	16,706,036	1,592,926	-	-	-	1,592,926
Share issuance costs paid in cash	-	(257,022)	-	-	-	(257,022)
Fair value of warrants issued for finder's fee	-	(199,471)	199,471	-	-	-
Share-based payments	-	-	663,657	-	-	663,657
Balance as at August 31, 2015	114,023,613	\$12,747,179	\$ 3,227,934	\$ -	\$ (8,445,651)	\$ 7,529,462

See accompanying notes to the consolidated financial statements

ALABAMA GRAPHITE CORP.
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
OPERATING ACTIVITIES		
Net loss for the year	\$ (2,197,855)	\$ (1,771,238)
Add items not affecting cash:		
Amortization	1,965	3,053
Exploration and evaluation assets written off	481,990	-
Share-based payments	663,657	664,010
Write-off-accounts payable	-	(25,589)
Changes in non-cash working capital items:		
Receivables	(10,647)	(25,305)
Prepaid expenses and deposits	(220,310)	1,891
Accounts payable and accrued liabilities	(41,815)	(115,245)
	(1,323,015)	(1,268,423)
FINANCING ACTIVITIES		
Loans payable (repaid)	(257,952)	(367,334)
Shares issued for cash	4,467,926	3,825,116
Share issuance costs	(257,022)	(238,417)
	3,952,952	3,219,365
INVESTING ACTIVITIES		
Deposit	(4,730)	(610)
Acquisition of exploration and evaluation assets	(27,609)	(18,770)
Exploration and evaluation expenditures incurred	(1,798,570)	(752,900)
	(1,830,909)	(772,280)
Increase in cash and cash equivalents during the year	799,028	1,178,662
Cash and cash equivalents, beginning of the year	1,286,897	108,235
Cash and cash equivalents, end of the year	\$ 2,085,925	\$ 1,286,897
Supplemental Cash Flow Information:		
Issue of share capital for service	\$ -	\$ 30,000
Fair value of finder's warrants	\$ 199,471	\$ 338,637
Exploration and evaluation expenditures in accounts payable and accrued liabilities	\$ 341,246	\$ 70,114

ALABAMA GRAPHITE CORP.
Notes to the Consolidated Financial Statements
For the Years Ended August 31, 2015 and 2014
(Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

The Company was incorporated under the Business Corporation Act of British Columbia on April 13, 2006. On August 28, 2012, the Company changed its name to Alabama Graphite Corp. and commenced trading under the trading symbol ALP. As a result of European investor interest in the Company, the Company also has its common shares quoted on the Frankfurt Stock Exchange for trading under the symbol, 1AG.F since October 19, 2012. On May 5, 2014, the Company delisted its common shares from the CSE and started trading its common shares on the TSX Venture Exchange (the "TSXV") under the same symbol ALP. On the same day, the Company also commenced trading on the OTCQB venture stage marketplace under the symbol ABGPF. On June 23, 2014, the Company up-graded its listing from the OTCQB and commenced trading on the OTCQX under the same symbol.

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

The Company is in the business of acquiring, exploring and developing graphite mineral properties. The Company is currently engaged in exploration and evaluation of the graphite properties in Alabama, USA and northern Ontario, Canada. There has been no determination whether the Company's exploration and evaluation assets contain mineral reserves and resources that are economically viable. The Company has a National Instrument 43-101 compliant preliminary economic assessment for its Coosa Graphite Property in Alabama which was filed on SEDAR on November 30, 2015.

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

These audited consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. At August 31, 2015, the Company had accumulated deficit of \$8,445,651 (2014 - \$6,247,796). The Company incurred losses of \$2,197,855 during the year ended August 31, 2015 (2014 - \$1,771,238). The Company's ability to continue as a going concern is dependent upon its ability to raise adequate financing and generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of Presentation

Statement of compliance

These audited consolidated 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 Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These audited consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. They are presented in Canadian dollars, which is the Company's functional currency.

ALABAMA GRAPHITE CORP.
Notes to the Consolidated Financial Statements
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2. Basis of Presentation (continued)

Significant accounting judgments, estimates and assumptions

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

Critical judgments in applying accounting policies:

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

- the determination that the Company will continue as a going concern for the next year;
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable; and
- the determination that the functional currency of AGC is the Canadian dollar.

Foreign currency translation

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

Transactions and balances:

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

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

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

ALABAMA GRAPHITE CORP.
Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies

Principles of consolidation

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

Share-based payments

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

Financial instruments

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

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

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

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

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

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

ALABAMA GRAPHITE CORP.
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3. Significant Accounting Policies (continued)

Financial instruments (continued)

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

Site rehabilitation obligations

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

Exploration and evaluation assets

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

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

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

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

ALABAMA GRAPHITE CORP.
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3. Significant Accounting Policies (continued)

Impairment of assets

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

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

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

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

Cash and cash equivalents

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

Equipment

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

Automobile	30% per annum
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Additions during the year are amortized at one-half the annual rate.

Basic and diluted loss per share

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

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

ALABAMA GRAPHITE CORP.
Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies (continued)

Income taxes

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

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

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

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

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

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

4. Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

Standard effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments - This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- *Classification and measurement.* Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- *Impairment.* The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

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4. Accounting Standards Issued But Not Yet Effective (continued)

Standard effective for annual periods beginning on or after January 1, 2018 (continued)

- *Hedge accounting.* Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- *Derecognition.* The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The extent of the impact of adoption of these above standards on the financial statements of the Company has not yet been determined.

5. Exploration and Evaluation Assets

Coosa Property, Alabama, USA

Pursuant to an agreement dated August 1, 2012 (the “Lease Agreement”), the Company has leased the mineral rights in respect of an area with a potential for graphite comprising of approximately 14,020 acres (the “Coosa Property”) in Coosa County, Alabama, USA. In addition, the Company received an option of first refusal (the “Option”) to lease the mineral rights in and to an adjacent area comprising approximately 27,515 acres.

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

Pursuant to a Finder’s Fee Agreement dated July 31, 2012, the Company issued 1,000,000 common shares relating to the acquisition of the Coosa Property and finding the Chief Executive Officer for the Company. The shares were valued at the market price of \$0.19 per share for a total value of \$190,000. The Company allocated \$95,000 as a finder’s fee for the acquisition cost of the property and \$95,000 as a referral fee for referring the CEO of the Company.

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

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

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

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5. Exploration and Evaluation Assets (continued)

Coosa Property, Alabama, USA (continued)

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

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

Chilton County Properties, Alabama, USA

Chestnut Creek Property

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

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

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

Bama Property, Alabama

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

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

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5. Exploration and Evaluation Assets (continued)

Hearst Graphite Project, Northern Ontario, Canada

On August 16, 2013, the Company entered into an agreement to acquire a 100% interest in the Hearst Graphite Project ("Hearst Project") owned by Benton Resources Inc. ("Benton"), and located in Northern Ontario. The 16 claim units comprising the acquired property are located just east of the Zenyatta Albany deposit and measure 1.6 square kilometers in area.

On August 22, 2013, the Company paid \$8,000 in cash and issued 2,000,000 of its common shares at a deemed price of \$0.20 per share to Benton in exchange for the Hearst Project. Pursuant to the terms of the Agreement, 500,000 of the shares issued to Benton were subject to a 10-month trading restriction expiring on June 22, 2014, another 500,000 shares were subject to a 16-month trading restriction expiring on December 22, 2014 and 500,000 shares were subject to a 22-month trading restriction expiring on June 22, 2015.

The Company issued 150,000 common shares as a finder's fee for the acquisition cost of the property and the shares were valued at the market price of \$0.20 per share for a total value of \$30,000.

Benton will also hold a 2% Net Smelter Royalty ("NSR") interest from all ore production at the Hearst Project, subject to the right of the Company under the Agreement to "buy back" 50% of Benton's NSR interest for \$1,000,000.

As of August 31, 2015, the Company decided to write off the Hearst Graphite Project in order to concentrate its efforts on the graphite properties in Alabama.

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5. Exploration and Evaluation Assets (continued)

During the year ended August 31, 2015, the Company incurred expenditures for exploration and evaluation assets as follows:

	Coosa County Property Alabama	Chilton County Properties Alabama	Hearst Graphite Project Ontario	Total
Acquisition Costs				
Balance, August 31, 2014	\$ 566,859	\$ 18,770	\$ 438,000	\$ 1,023,629
Add:				
Option payments - cash	12,915	14,694	-	27,609
	12,915	14,694	-	27,609
Less:				
Written-off	-	-	(438,000)	(438,000)
	-	-	(438,000)	(438,000)
Balance, August 31, 2015	579,774	33,464	-	613,238
Deferred Exploration Costs				
Balance, August 31, 2014	2,815,146	-	43,990	2,859,136
Add:				
Core logging and surveying	13,702	2,979	-	16,681
Drilling	511,898	-	-	511,898
Environmental and reclamation	7,638	3,194	-	10,832
Equipment rental	61,005	30,627	-	91,632
Excavation	181,183	68,667	-	249,850
Field and road works	75,426	16,878	-	92,304
Field supplies	33,288	1,887	-	35,175
Geological consultants	511,689	22,748	-	534,437
Metallurgical and assays	230,672	147,926	-	378,598
Permitting, legal and insurance	45,710	14,099	-	59,809
Repair and maintenance	2,671	11,028	-	13,699
Security	-	3,098	-	3,098
Surface exploration rights	56,515	23,830	-	80,345
Transportation and travelling	52,898	8,560	-	61,458
	1,784,295	355,521	-	2,139,816
Less:				
Written-off	-	-	(43,990)	(43,990)
	-	-	(43,990)	(43,990)
Balance, August 31, 2015	4,599,441	355,521	-	4,954,962
Total Exploration and Evaluation Assets	\$ 5,179,215	\$ 388,985	\$ -	\$ 5,568,200

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5. Exploration and Evaluation Assets (continued)

During the year ended August 31, 2014, the Company incurred expenditures for exploration and evaluation assets as follows:

	Coosa County Property Alabama	Chilton County Properties Alabama	Hearst Graphite Project Ontario	Total
Acquisition Costs				
Balance, August 31, 2013	\$ 566,859	\$ -	\$ 438,000	\$ 1,004,859
Additions :				
Option payments - cash	-	18,770	-	18,770
Balance, August 31, 2014	566,859	18,770	438,000	1,023,629
Deferred Exploration Costs				
Balance, August 31, 2013	2,106,236	-	-	2,106,236
Additions :				
Core logging and surveying	176,164	-	43,990	220,154
Drilling	73,192	-	-	73,192
Environmental and reclamation	9,693	-	-	9,693
Equipment rental	4,774	-	-	4,774
Field and road works	12,688	-	-	12,688
Field supplies	9,150	-	-	9,150
Geological consultants	258,319	-	-	258,319
Metallurgical and assays	100,088	-	-	100,088
Permitting and legal	38,833	-	-	38,833
Repair and maintenance	2,506	-	-	2,506
Surface exploration rights	3,242	-	-	3,242
Transportation and travelling	20,261	-	-	20,261
	708,910	-	43,990	752,900
Balance, August 31, 2014	2,815,146	-	43,990	2,859,136
Total Exploration and Evaluation Assets	\$ 3,382,005	\$ 18,770	\$ 481,990	\$ 3,882,765

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6. Equipment

	Automobile
Cost:	
Balance, August 31, 2013, 2014, and 2015	\$ 11,025
Accumulated amortization:	
Balance, August 31, 2013	1,692
Additions	3,053
Balance, August 31, 2014	4,745
Additions	1,965
Balance, August 31, 2015	6,710
Net book value, August 31, 2015	4,315
Net book value, August 31, 2014	\$ 6,280

7. Loans Payable

On July 31, 2013, the Company executed a non-negotiable promissory note in the amount of US\$550,116 which was the balance of the accounts payable to the drilling contractor at the time. This promissory note was secured against the Coosa Graphite Property with interest payable at 7% per annum and is due in accordance with the following provisions:

- US\$10,000 on each of August 15 (paid), September 15 (paid) and October 15, 2013 (paid);
- US\$30,000 on each of November 15 (paid) and December 15, 2013 (paid) and January 15, 2014 (paid);
- US\$40,000 on each of February 15 (paid), March 15 (paid), April 15 (paid), May 15 (paid), June 15 (paid), July 15 (paid), August 15 (paid) and September 15, 2014 (paid); and
- The balance of the loan, including all principal and interest due thereon, on October 15, 2014 (paid).

	2015	2014
Payable not later than one year	\$ -	\$ 257,952
Payable later than one year and not later than five years	-	-
	\$ -	\$ 257,952
Payable in Cdn\$	\$ -	\$ 3,863
Payable in US\$	-	234,011
Foreign exchange	-	20,078
	\$ -	\$ 257,952
Exchange rate (Cdn\$/US\$)	n/a	1.0858

The balance of all the promissory notes payable at August 31, 2014 included \$5,977 in accrued interest.

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8. Share Capital

Authorized

Unlimited number of common shares without par value.

Issued and fully paid

At August 31, 2015, there were 114,023,613 issued and fully paid common shares (2014 - 82,942,577).

During the year ended August 31, 2015:

On June 30, 2015, the Company completed a private placement of 14,375,000 units at a price of \$0.20 per Unit for total proceeds of \$2,875,000. Each Unit comprised of one common share of the Company and one-half of one common share purchase warrant. Each one whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.35 per share until June 30, 2018. In the event that the closing price of the Company's common share is \$0.75 or greater per common share during any 20 consecutive trading day period at any time subsequent to four months and one day after June 30, 2015, the Warrants will expire at the sole discretion of the Company on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants. In connection with the private placement, the Company paid cash compensation of \$215,625 and issued 1,078,125 Agent's warrants. Each Agent's warrant entitles the holder to purchase one Compensation Unit at a price of \$0.20 per Compensation Unit on or before June 30, 2018. Each Compensation Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant ("Compensation Unit Warrant") entitles the holder to purchase one common share of the Company at a price of \$0.35 per share until June 30, 2018.

During the year, 14,017,000 warrants were exercised at the price of \$0.10 per share and 2,589,286 broker's warrants were exercised at the price of \$0.07 per broker's warrant unit ("BW Unit") (see broker's warrants issued during the year ended August 31, 2014 below) and 99,750 broker's warrant unit warrants ("BW Warrant") were also exercised at the price of \$0.10 per share for total proceeds of \$1,592,926.

During the year ended August 31, 2014:

In September 2013, the Company issued 150,000 common shares at a price of \$0.20 per share as a finder's fee for the Hearst Property.

In November 2013, the Company completed a private placement of 875,000 units at price of \$0.08 per unit for gross proceeds of \$70,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of \$0.12 per share for a period of two years from closing of the offering. The Company paid a finder's fee of 7% cash and 7% finder's warrants on the gross proceeds.

In January 2014, the Company completed a private placement of 30,714,285 units at price of \$0.07 per unit for gross proceeds of \$2,150,000. Each unit consisted of one common share and one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of \$0.10 per share for a period of three years from closing of the offering. The Company paid a finder's fee in cash for a total of \$193,500 and 2,764,286 broker's warrants. Holders of the broker's warrants are entitled to acquire one BW Unit at a price of \$0.07 per unit for period of two years from the closing date. Each BW Unit consists of one common share and one BW Warrant. Each BW Warrant will entitle the holder to purchase one additional common share at a price of \$0.10 per share for a period of three years from the closing date.

During the year ended August 31, 2014, a total of 16,164,164 warrants were exercised for total gross proceeds of

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8. Share Capital (continued)

\$1,597,141 and 55,000 options were exercised for total gross proceeds of \$7,975.

Stock options

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

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

The changes in stock options during the year ended August 31, 2015 are as follows:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	6,270,000	\$ 0.22	2,590,000	\$ 0.29
Granted	3,400,000	0.27	4,270,000	0.19
Exercised	-	-	(55,000)	0.145
Expired or forfeited	(490,000)	0.36	(535,000)	0.26
Options outstanding, end of year	9,180,000	\$ 0.23	6,270,000	\$ 0.22

Stock options outstanding and exercisable at August 31, 2015 are as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
August 21, 2016	265,000	0.25	265,000
October 23, 2016	50,000	0.45	50,000
February 26, 2017	550,000	0.25	550,000
August 21, 2017	375,000	0.25	375,000
August 21, 2017	350,000	0.35	350,000
September 3, 2018	875,000	0.35	875,000
January 20, 2019	220,000	0.105	220,000
February 3, 2019	2,695,000	0.145	2,695,000
July 18, 2019	400,000	0.18	129,167
June 12, 2020	2,900,000	0.27	2,900,000
June 17, 2020	500,000	0.27	100,000
	9,180,000		8,509,167
Weighted average remaining contractual life	3.60 years		3.02 years

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8. Share Capital (continued)

Stock options (continued)

During the year ended August 31, 2015, stock options were granted to officers, employees and consultants to acquire 3,400,000 shares at \$0.27 per share for a period of five years. The fair value recorded for the stock options granted during the year was \$610,420 (2014 – \$664,010).

During the year ended August 31, 2014, stock options were granted to officers, employees and consultants to acquire 900,000 shares at \$0.35 per share, 220,000 shares at \$0.105, 2,750,000 shares at \$0.145 and 400,000 shares at \$0.18 for a period of five years. The fair value recorded for the stock options granted during the year was \$664,010 (2013 – \$442,066).

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

	2015	2014
Risk-free interest rate	0.94% - 1.01%	1.12% - 2.10%
Expected dividend yield	-	-
Expected stock price volatility	162.15% - 162.31%	163.37% - 186.05%
Expected life of options (years)	5	5
Weighted average fair value of options granted	\$0.18	\$0.18
Weighted average exercise price of options granted	\$0.27	\$0.19

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

Warrants

The changes in warrants during the year ended August 31, 2015 are as follows:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	25,015,707	\$0.13	7,277,550	\$0.20
Granted	8,265,625	0.19	33,977,321	0.10
Issued from exercised BW Units	2,589,286	0.10	175,000	0.07
Exercised	(16,706,036)	0.10	(16,164,164)	0.10
Expired or forfeited	(3,247,550)	0.32	(250,000)	0.25
Warrants outstanding, end of year	15,917,032	\$0.16	25,015,707	\$0.13

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8. Share Capital (continued)

Warrants (continued)

The following table summarizes the warrants outstanding at August 31, 2015:

Expiry Date	Number of Warrants	Exercise Price
November 21, 2016	260,000	\$0.10
January 31, 2017 (BW Warrants)	2,664,536	\$0.10
January 31, 2017	4,726,871	\$0.10
June 30, 2018	7,187,500	\$0.35
June 30, 2018 (Compensation Units)	1,078,125	\$0.20
	15,917,032	\$0.22
Weighted average remaining contractual life	2.15 years	

The fair value for finder's and broker's warrants granted during the year ended August 31, 2015 was \$199,471 (2014 – \$338,637). The fair value of the warrants granted was estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions:

	2015	2014
Risk-free interest rate	0.47% - 1.05%	1.00% - 1.10%
Expected dividend yield	-	-
Expected stock price volatility	164.69% - 172.57%	189.28% - 193.31%
Expected life of warrants (years)	3.0 - 6.0	2.0 - 3.0
Weighted average fair value of warrants granted	\$0.12	\$0.13
Weighted average exercise price of warrants granted	\$0.25	\$0.13

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

9. Contributed Surplus

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

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10. Related Party Transactions

Related party balances

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

	2015	2014
Directors and officers of the Company	\$ 13,363	\$ 23,727

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

During the year ended August 31, 2015, the Company incurred the following charges with related parties:

	2015	2014
Accounting fees to a private company controlled by the CFO of the Company	\$ 15,950	\$ 8,120
Consulting fees to directors and officers of the Company	396,357	174,978
Share-based payments to officers and directors of the Company	598,545	572,264
	<u>\$ 1,010,852</u>	<u>\$ 755,362</u>

11. Financial Risk Management

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

Credit risk

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

Liquidity risk

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

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at August 31, 2015, all of the Company's financial liabilities are due within one year.

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11. Financial Risk Management (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's United States subsidiary is exposed to currency risk as it incurs expenditures that are denominated in United States dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk

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

Capital management

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

There were no changes in the Company's approach to capital management during the year ended August 31, 2015. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

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

	2015	2014
Cash and cash equivalents	\$ 2,085,925	\$ 1,286,897
Deposit	26,446	21,716
	<u>\$ 2,112,371</u>	<u>\$ 1,308,613</u>

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

	2015	2014
Accounts payable and accrued liabilities	\$ 424,435	\$ 125,004
Loans payable	-	257,952
	<u>\$ 424,435</u>	<u>\$ 382,956</u>

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11. Financial Risk Management (continued)

Fair value

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

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

Cash and cash equivalents and deposit are classified as level 1.

12. Income Taxes

A reconciliation of income taxes at the combined statutory rate of 36.50% (2014 – 30.15%) with the reported taxes is as follows for the years ended August 31:

	2015	2014
Net loss for the year	\$ (2,197,855)	\$ (1,771,238)
Expected income tax recovery	(802,168)	(534,100)
Net adjustment for deductible and non-deductible amounts	452,140	191,528
Unrecognized benefit of non-capital losses	350,028	342,572
Income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets after applying enacted corporate tax rates at August 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax assets		
Non-capital loss carry-forwards, Canada	\$ 1,076,900	\$ 917,200
Non-capital loss carry-forwards, United States	488,400	310,600
Exploration and evaluation assets, Canada	98,700	-
Exploration and evaluation assets, United States	127,700	106,000
Share issue costs, Canada	403,600	61,600
Total deferred tax assets	2,195,300	1,395,400
Valuation allowance	(2,195,300)	(1,395,400)
Deferred income tax assets, net	\$ -	\$ -

Deferred tax benefits that may arise as a result of these amounts have been offset by a valuation allowance reflecting the Company's estimate that these amounts, more likely than not, will not be realized.

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12. Income Taxes (continued)

The Company has available non-capital losses for Canadian and United States income tax purposes that may be carried forward to apply against future years' income tax purposes. The non-capital losses expire as follows:

Available to	Canada	United States	Total
2026	\$ 147,000	\$ -	\$ 147,000
2027	670,000	-	670,000
2028	191,000	-	191,000
2029	749,000	-	749,000
2030	239,000	-	239,000
2031	127,000	-	127,000
2032	385,000	16,000	401,000
2033	236,000	378,000	614,000
2034	695,000	365,000	1,060,000
2035	623,000	462,000	1,085,000
	\$ 4,062,000	\$ 1,221,000	\$ 5,283,000

13. Segmented information

Geographic segments

The following non-current assets are located in the following countries:

As at August 31, 2015				
	United States	Canada	Total	
Exploration and evaluation assets	\$ 5,568,200	\$ -	\$	5,568,200
Equipment	4,315	-		4,315
	\$ 5,572,515	\$ -	\$	5,572,515

As at August 31, 2014				
	United States	Canada	Total	
Exploration and evaluation assets	\$ 3,400,775	\$ 481,900	\$	3,882,675
Equipment	6,280	-		6,280
	\$ 3,407,055	\$ 481,900	\$	3,888,955

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14. Subsequent Events

- a) On September 15, 2015, the Company announced the construction of a pilot plant at SGS Mineral Services of Lakefield, Ontario with a 200-ton bulk sample of material from the Company's 100% owned flagship Coosa Graphite Project in Coosa County, East-Central Alabama, USA.
- b) On November 30, 2015, the Company announced the results of a positive Preliminary Economic Assessment (PEA") for its 100% owned flagship Coosa Graphite Project in Coosa County, East-Central Alabama, USA. The PEA technical report was prepared pursuant to Canadian Administrators' National Instrument 43-101 and demonstrates that the Coosa Graphite Project has strong economics and excellent potential (See the Company's Management Discussion and Analysis for more details).
- c) Subsequent to the year-end 1,714,000 warrants were exercised at a price of \$0.10 per share and 330,000 stock options exercisable between \$0.145 and \$0.27 per share expired unexercised.