Sama Resources Inc.

Consolidated Financial Statements
December 31, 2018 and 2017
(in Canadian dollars)

SAMA RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of Sama Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sama Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and

  the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Yves Bonin.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 29, 2019

[1] FCPA auditor, FCA, public accountancy permit No. A110416

Sama Resources Inc.

Consolidated Statements of Financial Position

As at December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		5,779,248	4,185,560
Trade and other amounts receivable		23,520	63,964
Sales taxes receivable		64,966	79,097
Due from a related company		62,344	16,418
Prepaid expenses and deposits		77,239	36,577
Deferred transaction costs		-	80,142
		6,007,317	4,461,758
Non-current assets			
Deposit on exploration and evaluation assets		25,000	39,578
Property, plant and equipment	7	944,449	286,713
Investment in associate	8	29,880,633	30,687,029
Exploration and evaluation assets	9	24,842,193	21,111,239
		55,692,275	52,124,559
		61,699,592	56,586,317
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		898,033	491,794
Non-current liabilities			
Deferred tax liability	12	5,031,216	4,773,863
		5,929,249	5,265,657
Shareholders' equity			
Share capital	10	41,680,104	34,264,927
Contributed surplus	11	4,428,508	3,750,352
Retained earnings		9,661,731	13,305,381
Total equity		55,770,343	51,320,660
Total liabilities and equity		61,699,592	56,586,317

Nature of operations and going concern	1
Subsequent events	20

On behalf of the Board of Directors,

Signed: "Benoit La Salle" Director

Signed: "Marc-Antoine Audet" Director

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

Sama Resources Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Revenue		445,686	18,865
Direct costs		(280,330)	(15,395)
Gross profit		165,356	3,470
Operating expenses			
Consulting		713,977	663,041
Salaries and benefits		112,033	264,893
Professional fees		438,932	305,546
Travel and representation		229,135	217,374
General and other expenses		266,662	179,396
Investor relations		50,000	96,800
Transfer agent and filing fees		47,055	59,174
Shareholder information		27,338	25,310
Depreciation		22,941	7,530
Exploration and evaluation assets impairment		-	11,629
Stock-based compensation		816,835	1,708,901
		2,724,908	3,539,594
Operating loss		(2,559,552)	(3,536,124)
Other income (expenses)			
Share of loss of associate	8	(923,060)	(135,805)
Gain on dilution of associate	8	116,664	-
Foreign exchange loss		(38,084)	(49,913)
Interest income		77,817	7,593
Loss on disposal of property and equipment	7	(23,466)	(33,189)
Gain resulting from loss of control of a subsidiary	2	-	28,454,689
		(790,129)	28,243,375
Income (loss) before income tax		(3,349,681)	24,707,251
Income taxes			
Deferred tax expense	12	(293,969)	(4,834,845)
Net income (loss) and comprehensive income (loss)		(3,643,650)	19,872,406
Net income (loss) and comprehensive income (loss) attributable to			
Sama shareholders		(3,643,650)	20,979,221
Non-controlling interests	2	-	(1,106,815)
		(3,643,650)	19,872,406
Net income (loss) per common share	19		
Basic earnings (loss) per common share		(0.02)	0.16
Diluted earnings (loss) per common share		(0.02)	0.15

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

Sama Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Notes	Share capital numbers	Share capital $	Contributed surplus $	Retained earnings (deficit) $	Total attributable to the owners of the parent company $	Non-controlling interest $	Total $
Balance – December 31, 2016		118,955,287	27,862,489	3,082,518	(9,848,691)	21,096,316	1,170,237	22,266,553
Issuance of units under private placements	10	18,000,488	2,700,075	-	-	2,700,075	-	2,700,075
Exercise of warrants	10	18,826,528	3,882,371	(119,565)	-	3,762,806	-	3,762,806
Share issuance costs, net of a deferred tax asset of $60,982	10	-	(180,008)	119,684	-	(60,324)	-	(60,324)
Issuance of common shares and units by a subsidiary		-	-	-	-	-	4,412,488	4,412,488
Effects of changes in ownership of a subsidiary		-	-	-	1,613,158	1,613,158	(1,613,158)	-
Stock-based compensation	11	-	-	667,715	561,693	1,229,408	654,321	1,883,729
Loss of control over a subsidiary	2	-	-	-	-	-	(3,517,073)	(3,517,073)
Net income (loss) and comprehensive income (loss)		-	-	-	20,979,221	20,979,221	(1,106,815)	19,872,406
Balance – December 31, 2017		155,782,303	34,264,927	3,750,352	13,305,381	51,320,660	-	51,320,660
Issuance of units under private placements	10	25,000,000	5,250,000	-	-	5,250,000	-	5,250,000
Exercise of warrants	10	6,889,107	1,626,241	(7,746)	-	1,618,495	-	1,618,495
Exercise of stock options	10, 11	1,755,000	640,492	(259,392)	-	381,100	-	381,100
Share issuance costs, net of a deferred tax asset of $36,616	10	-	(101,556)	-	-	(101,556)	-	(101,556)
Stock-based compensation	11	-	-	945,294	-	945,294	-	945,294
Net loss and comprehensive loss		-	-	-	(3,643,650)	(3,643,650)	-	(3,643,650)
Balance – December 31, 2018		189,426,410	41,680,104	4,428,508	9,661,731	55,770,343	-	55,770,343

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

Sama Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Cash flows from			
Operating activities			
Net income (loss) for the year		(3,643,650)	19,872,406
Items not affecting cash			
Deferred tax expense	12	293,969	4,834,845
Depreciation	7	22,941	7,530
Exploration and evaluation assets impairment	9	-	11,629
Stock-based compensation	11	816,835	1,708,901
Loss on disposal of property, plant and equipment	7	23,466	33,189
Share of loss of associate	8	923,060	135,805
Gain on dilution of associate	8	(116,664)	-
Gain resulting from loss of control of a subsidiary	2	-	(28,454,689)
		(1,680,043)	(1,850,384)
Change in non-cash working capital items			
Trade and other amounts receivable		40,444	(49,050)
Sales taxes receivable		14,131	(67,315)
Due from a related company		(45,926)	(16,418)
Prepaid expenses and deposits		(40,662)	(22,495)
Accounts payables and accrued liabilities		(3,420)	55,221
		(35,433)	(100,057)
		(1,715,476)	(1,950,441)
Investing activities			
Cash disposed through the loss of control of a subsidiary	2	-	(3,676,352)
Deposit on property, plant and equipment		-	(64,788)
Deposit on exploration and evaluation assets		(25,000)	(39,578)
Acquisition of property, plant and equipment	7	(878,516)	(243,179)
Exploration and evaluation expenditures	9	(2,898,743)	(3,173,582)
		(3,802,259)	(7,197,479)
Financing activities			
Issuance of units under private placements	10	5,250,000	2,700,075
Exercise of warrants	10	1,618,495	3,762,806
Exercise of stock options	10,11	381,100	-
Share issuance costs paid	10	(138,172)	(121,306)
Issuance of common shares and units by a subsidiary		-	4,412,488
		7,111,423	10,754,063
Increase in cash during the year		1,593,688	1,606,143
Cash and cash equivalents – Beginning of year		4,185,560	2,579,417
Cash and cash equivalents – End of year		5,779,248	4,185,560

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

1 Nature of operations and going concern

Sama Resources Inc. ("Sama" or the "Company") is a Canadian-based mineral exploration and development business with activities in West Africa. The Company was incorporated on July 11, 2006 under the *Business Corporations Act* of British Columbia. On May 13, 2013, the Company continued its jurisdiction of incorporation from British Columbia into the federal jurisdiction of Canada under the *Canada Business Corporations Act*. The Company's head office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8. The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SME.V". Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete exploration and development programs and, ultimately, upon future profitable production.

These consolidated financial statements were authorized for publication by the Board of Directors on April 29, 2019.

The Company's exploration and evaluation assets are located in the Republic of Ivory Coast ("Ivory Coast") West Africa, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

Going concern uncertainty

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. As at December 31, 2018, the Company has accumulated retained earnings of $9,661,731 (December 31, 2017 – $13,305,381) and a working capital of $5,109,284 (December 31, 2017 – $3,969,964), including cash and cash equivalents of $5,779,248 (December 31, 2017 – $4,185,560). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company's ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company's discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Management has assessed its liquidity needs and estimates that these funds will not be sufficient to meet the Company's obligations, budgeted expenditures and commitments through December 31, 2019. Based on the extent of the Company's current stage and anticipated plan, the Company will need to raise additional financing within the next 9-12 month, and those facts cast significant doubt on the Company's ability to continue as a going concern. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding will be available to the Company or that they will be available on terms acceptable to the Company.

(in Canadian dollars)

If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2 Non-controlling interests and loss of control of a subsidiary

On December 31, 2016, as part of a reverse takeover into which a subsidiary of the Company took part, the Company retained 49.16% ownership interest in SRG Graphite Inc. ("SRG") and determined that the Company had control over SRG. The Company assessed its investment in SRG and judged that it had maintained control over SRG as defined by IFRS 10 and continued to consolidate SRG from January 1, 2017 to November 23, 2017. Following the nomination of three additional board members and pursuant to additional equity issuances which reduced the Company's interest in SRG to 40.24% on November 23, 2017, management determined that control over SRG has been lost and thus SRG no longer required to be consolidated. The Company accounts for the retained investment in SRG as an investment in an associate using the equity method. A gain resulting from loss of control of a subsidiary of $28,454,689 and an equity investment in SRG of $30,822,834 were recognized.

The carrying value of SRG's net assets deconsolidated and the gain resulting from loss of control of a subsidiary are as follows:

	November 23, 2017 $
Cash and cash equivalents	3,676,352
Sales taxes receivable	33,890
Prepaid expenses and deposits	19,104
Deposit on property and equipment	64,788
Property and equipment	62,926
Exploration and evaluation assets	2,311,290
Accounts payables and accrued liabilities	(283,132)
	5,885,218
Non-controlling interest	(3,517,073)
	2,368,145
Fair value of the investment in SRG	30,822,834
Gain resulting from loss of control of a subsidiary	28,454,689

(in Canadian dollars)

3 Changes in accounting policies

Accounting standards and interpretations issued and in effect

IFRS 2, *Share-based Payment*

Amendments to IFRS 2, clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The adoption of these amendments had no impact on the Company's consolidated financial statements.

IFRS 9, *Financial instruments*

Effective January 1, 2018, the Company retrospectively adopted IFRS 9 with restatement of prior periods, but there was no impact on the opening balance sheet as of January 1, 2017 and on the information for the year ended December 31, 2017 other than the terminology and methodology changes described below.

The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. On initial recognition, financial assets are now classified either at amortized costs, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). For financial liabilities, most of the requirements from IAS 39 were carried forward in IFRS 9 and did not impact the Company's financial liabilities. Additionally, IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The Company's financial instruments policies under IFRS 9 are as described in Note 4 and the Company's credit risk is described in Note 15.

The following tables summarizes the changes to the Company's financial assets and liabilities classifications and measurements:

	IAS 39		IFRS 9	
	Classification	**Measurement**	**Classification**	**Measurement**
Financial assets				
Cash	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Trade and other amounts receivable	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Due from a related company	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Financial liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost

The adoption of IFRS 9 had no impact on the measurement of the Company's financial assets and liabilities.

IFRS 15, *Revenue from contracts with customers*

Effective January 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach, which requires the cumulative effect of adopting IFRS 15 to be recognized as at January 1, 2018. In its retrospective adoption of IFRS 15, the Company applied a practical expedient that allow the Company to avoid re-considering the accounting for any contracts that were completed prior to January 1, 2018 and were previously accounted for under IAS 18, *Revenues*. Upon adoption of this standard, the Company did not have a cumulative adjustment, with the previous revenue recognition policy being applied consistently under the new standard. The Company's revenue recognition policy under IFRS 15 is as described under Note 4.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

Effective January 1, 2018, the Company adopted IFRIC 22 which clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The adoption of IFRIC 22 had no impact on the consolidated financial statements.

4 Basis of presentation and significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all the periods presented in these consolidated financial statements, except for the new accounting standards adopted in 2018 (Note 3).

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases. Any retained interest is measured to its fair value with the change in carrying amount recognized in income or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or joint venture.

(in Canadian dollars)

As at December 31, 2018 and 2017, the subsidiaries of the Company are as follows:

	Jurisdiction of incorporation	Ownership 2018 %	Ownership 2017 %
Sama Nickel Corporation (“Sama Nickel”)	Canada	100	100
Sama Nickel Côte d’Ivoire SARL (“Sama CI”)	Ivory Coast	100	100
Société Minière du Tonkpi (“SMT”)	Ivory Coast	100	-

Non-controlling interests

Non-controlling interests (“NCI”) represent equity interests owned by outside parties. NCI maybe initially measured either at fair value or at the NCI’s proportionate share of the recognized amounts of the acquires identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity. Total net loss and comprehensive loss of subsidiaries is attributed to the shareholders of the Company and to the NCI even if this results in the NCI having a deficit balance. Changes in the parent company’s ownership interest that do not result in a loss of control are accounted for as equity transactions.

Investment in associate

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decision affecting the entity.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Company’s share of net assets of the associate, less any impairment losses. Losses in an associate in excess of the Company’s interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate. Unrealized profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company’s interest there in.

At the end of each reporting period, management considers whether there is any evidence of impairment in associates. When there is evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss) in the period the reversal occurs.

Functional and presentation currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The determination of the functional currency may involve certain judgments as to defining the primary economic environment, and the parent entity will reconsider the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment in which these entities operate.

The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that can be withdrawn at any time without penalty and which are subject to an insignificant risk of change in value.

Exploration and evaluation ("E&E") assets

The Company is in the exploration stage with respect to its investment in E&E assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. E&E expenditures include expenses directly attributable to the related activities.

The aggregate costs related to abandoned mineral properties are recognized as an impairment charge in the statement of income (loss) and comprehensive income (loss) at the time of any abandonment, when the permits expired and are not renewed or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

Property, plant and equipment ("PP&E")

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of a PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

PP&E are recorded at cost and depreciated as follows:

	Straight-line method
Other equipment	
Computer equipment	3 years
Furniture	5 years
Building and lease improvements	5 to 7 years
Exploration equipment	5 to 8 years

PP&E are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of income (loss) and comprehensive income (loss). Depreciation expense is capitalized to E&E assets when related to a specific E&E project.

Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of income (loss) and comprehensive income (loss) for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income (loss) and comprehensive income (loss).

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, which occurs when it is either discharged, canceled or expired.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

<u>Financial Assets</u>

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss (“FVTPL”) or through other comprehensive income (loss) (“FVTOCI”), which are measured initially at fair value. On initial recognition, the Company classifies its financial assets in the following measurement categories:

Amortized costs

Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost ("AC"). The Company’s cash and cash equivalents, trade and other amounts receivable and due from a related company are measured at amortized cost as they meet the required criteria. Gains and losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss) when the receivables are derecognized or impaired.

Fair value

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI. A financial asset shall be measured at FVTOCI if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses will either be recorded in net income (loss) or other comprehensive income (loss).

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and through other comprehensive income (loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of investment grade is considered to indicate that a financial instrument that may be considered as having low credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial instruments are measured at amortized cost using the effective interest rate method. The Company's accounts payable and accrued liabilities are measured at amortized cost.

Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any related income tax effects.

Equity financing

The equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and warrants. Depending on the terms and conditions of the equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached warrants.

Share-based payments

The fair value, at the grant date, of equity-settled share-based awards is recognized as an expense over the period for which the benefits of employee and others providing similar services are expected to be received using the graded vesting method. The corresponding accrued entitlement is recorded in contributed surplus. The fair value of awards is calculated using the Black-Scholes valuation model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price

The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service and vesting conditions are met. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Current and deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). Current tax expense, if any, is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS"/"LPS") is calculated by dividing the net income (loss) for the period attributable to the shareholders of Sama by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding for dilutive potential common shares. The Company's potentially dilutive common shares are comprised of stock options and warrants. The number of common shares included is computed using the treasury stock method unless they are anti-dilutive. Under this method, the proceeds from the exercise of such instruments are assumed to be used to purchase common shares at the average market price for the period and the difference between the number of common shares issued upon exercise and the number of common shares assumed to be purchased is included in the calculation.

Revenue recognition

On January 1, 2018, the Company adopted IFRS 15, Revenue from contracts with customer. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five-step model. The Company recognizes revenue when: 1) contract with the customer is identified; 2) performance obligation in the contract are identified; 3) transaction price is determined; 4) the transaction price is allocated to the performance obligations; and 5) performance obligations are satisfied.

The Company's revenue is generated from drilling contracts and services contracts with customers. Revenue are recognized on the terms of customer contracts that generally provide for revenue recognition on the basis of actual metres/footage drilled or on actual work performed at contracted rates. Revenue from ancillary services is recorded when the services are rendered. Contract prepayments and amounts pre-billed for mobilization and de-mobilization equipment and personnel moves are deferred to contract liabilities until performance is accomplished. As metres are drilled on the customer's contract or as the services is rendered, the Company satisfies its performance obligation to the customer and recognizes revenue. The Company has elected to use the practical expedient as the Company's invoices its customer on a monthly basis based on the drilled metres or based on services rendered which directly corresponds with the value received by customer.

If collection is subsequently determined to be in doubt, an impairment loss under IFRS 9 is recognized against accounts receivable with a corresponding expense included within general and administrative expense in the statement of income (loss) and comprehensive income (loss); revenue is not adjusted.

For the year ended December 31, 2017, revenue under IAS 18 is recorded when there has been a transfer of risks and benefits to the customer. Revenue is measured at the fair value of the consideration received or receivable and is recognized when recovery of the consideration is probable. Revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, when collection is reasonably assured and when specific criteria have been met for each of the Company's activities as described below. If collection is subsequently determined to be in doubt, an allowance is recognized against accounts receivable with a corresponding expense included within general and administrative expense in the statement of income (loss) and comprehensive income (loss); revenue is not adjusted.

Revenue recognized under IFRS 15 were not different from those as they would have been under IAS 18, primarily due to the timing of revenue be recognized over time remain the same as described in Note 3.

Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income or loss on a straight-line basis over the period of the lease. Related costs, such as those relating to the maintenance and insurance, are expensed as incurred.

5 Future accounting policies

Accounting standards and interpretations issued but not yet adopted

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019. The extend of the impact of IFRS 16 has not yet been determined.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption. It is expected that the adoption of IFRIC 23 will not have a material impact on the consolidated financial statements.

6 Critical accounting estimates and judgments

Significant judgments and estimation uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant estimates and judgments used in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

Determination of the functional currencies of the subsidiaries

A number of judgments were made in the determination of the subsidiaries' functional currency. If a different conclusion had been reached for any one of those assumptions, it could have resulted in the identification of functional currency different from the one actually identified by the Company.

Impairment of investment in associate

The Company follows the guidance of IAS 28, *Investments in Associates and Joint Ventures* to assess whether there are impairment indicators which may lead to the recognition of an impairment loss with respect to its net investment in an associate. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers a formal impairment test. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's exploration projects and changes in financing cash flows.

Impairment of non-financial assets

The recoverable amounts with respect to non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Asset groups are reviewed for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted nickel prices.

Determination of the ownership of mining property title

Management must determine if it still holds the legal title of its mining properties in Ivory Coast, West Africa on a continuous basis. In certain cases, to conclude on the validity of the legal title, significant judgement is required in determining if the Company met all of its commitments and obligations. For certain mining properties for which the last renewal period occurred before the year-end, management exercised its judgement and consider the communications with the government, to conclude on the ownership and validity of the titles. Note 8 of these consolidated financial statements provide background information around those judgements.

Recognition of deferred taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

Management continually evaluates the likelihood that it is probable that its deferred tax assets will be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

(in Canadian dollars)

7 Property, plant and equipment

	Exploration equipment $	Buildings and lease improvements $	Other equipment $	Total $
Cost				
Balance – December 31, 2016	850,642	44,079	75,801	970,522
Acquisitions	227,300	-	15,879	243,179
Disposals	(79,845)	(2,042)	(54,379)	(136,266)
Deconsolidation (Note 2)	(64,381)	-	(4,767)	(69,148)
Balance – December 31, 2017	933,716	42,037	32,534	1,008,287
Acquisitions	766,259	44,762	67,495	878,516
Disposals	(99,469)	-	(5,860)	(105,329)
Balance – December 31, 2018	1,600,506	86,799	94,169	1,781,474
Accumulated amortization				
Balance – December 31, 2016	568,884	23,842	63,984	656,710
Depreciation	160,445	6,188	7,530	174,163
Disposals	(55,298)	-	(47,779)	(103,077)
Deconsolidation (Note 2)	(5,676)	-	(546)	(6,222)
Balance – December 31, 2017	668,355	30,030	23,189	721,574
Depreciation	183,693	5,501	8,120	197,314
Disposals	(80,211)	-	(1,652)	(81,863)
Balance – December 31, 2018	771,837	35,531	29,657	837,025
Carrying amount				
Balance – December 31, 2017	265,361	12,007	9,345	286,713
Balance – December 31, 2018	828,669	51,268	64,512	944,449

During the year ended December 31, 2018, a depreciation expense of $22,941 (2017 – $7,530) was recorded in the consolidated statement of income (loss) and comprehensive income (loss) and $174,373 (2017 – $166,633) was recorded under E&E assets.

(in Canadian dollars)

8 Investment in associate

On November 23, 2017, as a result of the loss of control of SRG (Note 2), an equity investment of $30,822,834 was recorded based on the fair value of the shares held on that date. At that date and as at December 31, 2017, the Company's ownership in SRG was 40.24%. Management has determined that its investment in the common shares of SRG gives it significant influence over SRG. As a result, the Company applied the equity method of accounting for its investment in SRG.

During the year ended December 31, 2018, SRG issued a total of 8,142,433 shares following the completion of a public offering, a private placement and the exercise of warrants and stock options for total net proceeds of $10,409,166. The Company's ownership in SRG went from 40.24% to 35.52%. Therefore, the Company recorded a gain on dilution of $116,664, on the deemed disposal of a portion of its ownership interest.

The continuity of the Company's investment in SRG common shares is as follows:

	2018 $	2017 $
Balance – beginning of year	30,687,029	30,822,834
Share of loss and comprehensive loss	(923,060)	(135,805)
Gain on dilution	116,664	-
Balance – end of year	29,880,633	30,687,029

The fair value of the Company's investment in SRG as at December 31, 2018 was $18,740,283 (2017 – $45,617,794).

The following summarized financial information of SRG as at December 31, 2018 and 2017 and for the year ended December 31, 2018 and 2017, including fair value adjustments made at the time of recognition of the interest. In addition, considering that the E&E expenditures accounting policy of SRG is different from the Company, the financial information of SRG have been harmonized to the Company's accounting policies:

	2018 $	2017 $
Balance sheet		
Current assets	5,191,152	3,332,148
Non-current assets	35,138,977	31,323,064
Current liabilities	1,802,239	573,450
Equity	13,410,613	5,627,073
Net loss and comprehensive loss		
Revenue	-	-
Net loss and comprehensive loss	3,831,545	2,382,586

(in Canadian dollars)

9 Exploration and evaluation assets

Samapleu property

On January 15, 2009 ("Effective Date"), Sama Nickel entered into a Syndicate Agreement ("SA") with La Société pour le Développement Minier de la Côte d'Ivoire ("SODEMI"), a parastatal organization, whereby Sama Nickel has indicated a particular interest in the exploration of an area covered by Permit No. 123 ("PR123"), held by SODEMI, located in Ivory Coast. PR123 encompasses approximately 446 square kilometres.

Upon execution of the SA, Sama Nickel became responsible to finance exploration work programs on behalf of the SA during the exploration phase of the project through completion of a Bankable Feasibility Study ("BFS"). SODEMI will not contribute to work conducted under the SA.

On October 25, 2015, Sama Nickel and SODEMI extended certain terms of PR123 resulting in an exploration license extension to June 25, 2017. On June 9, 2017, before the license extension expired, Sama Nickel and SODEMI filed a request for a Mining Permit (Permis d'Exploitation (PE)) for an area of 160 square kilometres within the Samapleu exploration license as well as a request for an Exploration Permit (Permis de Recherche (PR)) for the remaining area of the Samapleu PR123, located west of the PE.

In March 2018, following discussions with the government, SODEMI withdrew its application for a Mining Permit and applied for two (2) new exploration permits covering a total area of 318 square kilometers (Samapleu-East and Samapleu-West) to replace the PR123. According to a new regulation in Ivory Coast, classified forests must be removed from any new application. Therefore, the total surface areas covered by the two (2) new applications is smaller than the initial area covered by the PR123. When granted, the two (2) new exploration permits will have a twelve-year life time. No exploration and evaluation work was performed on the classified forest area. Therefore, no partial impairment was required. While the authorities are studying the requests, Sama Nickel is allowed to perform exploration and evaluation work. As of today, there is no indication that the exploration permits will not be granted. However, a whole or partial impairment of the value of the Samapleu Property will be required should Sama Nickel fail to obtain the exploration permits.

Upon completion of the BFS, the Advisory Committee ("AC"), which consists of two Sama Nickel representatives and two SODEMI representatives, will conclude on the feasibility of the project. If the AC decides to proceed with the project, an Exploitation Entity ("EE") will be established whereby future funding will be split between Sama Nickel and SODEMI at 66.7% and 33.3%, respectively. The EE will reimburse SODEMI for all costs associated with previous exploration work conducted until January 15, 2009 up to a maximum of F CFA 834,999,457 (approximately $1,986,250 as at December 31, 2018) and will reimburse Sama Nickel for costs associated with exploration work conducted between the Effective Date and the approval of the BFS subject to the approval of the AC which represents a total amount of $20,346,346 as at December 31, 2018.

The ownership of the EE shall be allocated as follows:

Sama Nickel	60%
SODEMI	30%
Ivory Coast Government	10%
	100%

If the AC decides not to proceed with the project, SODEMI may, at its sole discretion, terminate the SA and SODEMI would become the owner of all results of the exploration work and all studies associated with infrastructures, for no financial consideration.

The Samapleu Property is subject to a 1% net smelter return royalty.

Zérégouiné property

Sama CI owns the exploration permit No. 300 ("PR300") which covers 290 square kilometers of property in Ivory Coast which expired on December 18, 2018. In accordance with PR300, Sama CI was required to complete an exploration program evaluated at F CFA 614,000,000 ($1,460,549 as at December 31, 2018) before the term of the exploration permit. This exploration program was completed on time and on September 19, 2018, Sama CI filed the required documentation with the Department of Mines in Côte d'Ivoire, for the renewal of PR300 which should expire on December 18, 2021. As of today, there is no indication that the exploration permit will not be granted. However, a whole or partial impairment of the value of the Zérégouiné Property will be required should Sama CI fail to obtain the exploration permit.

The Zérégouiné Property is 100% owned by Sama CI and is adjacent to the Samapleu Property.

Grata property

Sama CI owns the exploration permit No. 604 ("PR604") which covers 80 square kilometers of property in Ivory Coast and expires on December 8, 2019. In accordance with PR604, Sama CI agreed to complete an exploration program evaluated at F CFA 663,000,000 (approximately $1,577,107 as at December 31, 2018) before the term of the exploration permit.

The Grata Property is 100% owned by Sama CI and is located adjacent to the north-eastern boundary of the Samapleu Property.

(in Canadian dollars)

The following table shows the E&E expenditures by property.

	2016 $	Activity $	2017 $	Activity $	2018 $
Samapleu property					
Property acquisition costs and option payments	4,432,484	-	4,432,484	-	4,432,484
Drilling	4,710,587	323,603	5,034,190	275,396	5,309,586
Camp operations, field supplies and other expenses	4,631,609	346,928	4,978,537	109,199	5,087,736
Geology and prospecting	2,369,698	125,148	2,494,846	89,654	2,584,500
Geophysics	1,060,858	2,718	1,063,576	-	1,063,576
Scoping study	-	556,109	556,109	60,615	616,724
Geochemistry	511,944	8,419	520,363	8,242	528,605
Metallurgical tests	144,156	26,402	170,558	66,168	236,726
Airborne survey	-	193,663	193,663	12,032	205,695
Environmental study	-	85,397	85,397	43,704	129,101
Assaying	111,925	-	111,925	-	111,925
Stock-based compensation	-	39,688	39,688	-	39,688
	17,973,261	1,708,075	19,681,336	665,010	20,346,346
Lola Graphite property					
Camp operations, field supplies and other expenses	480,177	305,880	786,057	-	-
Drilling	24,674	380,291	404,965	-	-
Geology and prospecting	113,026	199,466	312,492	-	-
Metallurgical tests	13,174	184,943	198,117	-	-
Environmental study	-	184,976	184,976	-	-
Geochemistry	12,140	135,128	147,268	-	-
Engineering study	-	76,439	76,439	-	-
Geophysics	10,164	55,673	65,837	-	-
Stock-based compensation	-	135,140	135,140	-	-
Deconsolidation (Note 2)	-	(2,311,291)	(2,311,291)	-	-
	653,355	(653,355)	-	-	-
Worofla property					
Geophysics	5,912	-	5,912	-	-
Geology and prospecting	1,364	-	1,364	-	-
Camp operations, field supplies and other expenses	3,591	762	4,353	-	-
Impairment	-	(11,629)	(11,629)	-	-
	10,867	(10,867)	-	-	-
Zérégouiné property					
Camp operations, field supplies and other expenses	425,737	66,174	491,911	1,328,386	1,820,297
Drilling	274,063	2,740	276,803	471,255	748,058
Geology and prospecting	328,029	21,401	349,430	236,212	585,642
Geophysics	121,792	-	121,792	280,209	402,001
Airborne survey	-	-	-	383,407	383,407
Topography	-	-	-	45,081	45,081
Geochemistry	8,674	-	8,674	-	8,674
Metallurgical tests	3,576	-	3,576	-	3,576
Environmental study	-	1,430	1,430	-	1,430
Stock-based compensation	-	-	-	122,155	122,155
	1,161,871	91,745	1,253,616	2,866,705	4,120,321

(in Canadian dollars)

	2016 $	Activity $	2017 $	Activity $	2018 $
Grata property					
Geology and prospecting	8,050	12,650	20,700	51,572	72,272
Geophysics	16,700	-	16,700	3,371	20,071
Topography	-	-	-	15,028	15,028
Drilling	36,927	2,650	39,577	-	39,577
Airborne survey	-	5,087	5,087	50,820	55,907
Environmental study	-	1,590	1,590	-	1,590
Camp operations, field supplies and other expenses	33,286	59,347	92,633	72,144	164,777
Stock-based compensation	-	-	-	6,304	6,304
	94,963	81,324	176,287	199,239	375,526
Total E&E assets	19,894,317	1,216,922	21,111,239	3,730,954	24,842,193

10 Share capital

Authorized

Unlimited number of voting common shares without par value.

Transactions on share capital

2017

On April 19, 2017, the Company completed the first tranche of a non-brokered private placement by issuing 13,807,161 units at a price of $0.15 per unit for total gross proceeds of $2,071,075. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.20 per share for a period of 60 months from the date of issuance. Based on the residual method, no fair value was allocated to the warrants. In the event that the closing price of the Company's common shares is $0.30 or greater per common share during a 20 consecutive-trading-day period at any time after the closing date, the warrants will expire, at the sole discretion of the Company, 30 days after the date on which the Company provides notice of such fact to the holders thereof. The Company paid a cash commission of $92,766 and issued 698,440 finders' warrants. Each finders' warrant will entitle the holder to purchase one common share at a price of $0.20 per share for a period of 60 months from the date of issuance. The fair value of the 698,440 finders' warrants was estimated at $107,357 using the Black & Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 111.20%, risk free rate of return 0.91%, and expected maturity of five years. The Company also incurred $16,540 in legal and filing fees, which are included as issuance costs.

On April 25, 2017, the Company completed the second tranche of a non-brokered private placement by issuing 4,193,327 units at a price of $0.15 per unit for total gross proceeds of $629,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.20 per share for a period of 60 months from the date of issuance. Based on the residual method, no fair value was allocated to the warrants. In the event that the closing price of the Company's common shares is $0.30 or greater per common share during a 20 consecutive-trading-day period at any time after the closing date, the warrants will expire, at the sole discretion of the Company, 30 days after the date on which the Company provides notice of such fact to the holders thereof. The Company paid a cash commission of $12,000 and issued 80,000 finders' warrants exercisable at a price of $0.20 per share for a period of 60 months from the date of issuance. The fair value of the 80,000 finders' warrants was estimated at $12,327 using the Black & Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 111.60%, risk free rate of return 0.97%, and expected maturity of five years.

During the third quarter of 2017, a total of 50,000 warrants were exercised at a price of $0.15 per warrant and 18,776,528 warrants at a price of $0.20 per warrant for total proceeds of $3,762,806.

2018

During the first quarter of 2018, a total of 4,583,334 warrants were exercised at prices from $0.15 to $0.28 per warrant and 155,000 stock options were exercised at prices from $0.22 to $0.23 per stock option for total proceeds of $1,138,434.

During the second quarter of 2018, a total of 1,305,773 warrants were exercised at prices from $0.15 to $0.28 per warrant and 1,600,000 stock options were exercised at prices from $0.19 to $0.22 per stock option for total proceeds of $711,161.

On April 13, 2018, the Company closed its private placement with HPX TechCo Inc. ("HPX"), by issuing 25,000,000 units at a price of $0.21 per unit for total proceeds of $5,250,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.28 per share for a period of 24 months from the date of issuance. Based on the residual method, no fair value was allocated to the warrants. The Company incurred $138,172 in legal and filing fees, which are included as share issue costs.

During the fourth quarter of 2018, a total of 1,000,000 warrants were exercised at a price of $0.15 per warrant for total proceeds of $150,000.

(in Canadian dollars)

Warrants

The following table shows the changes in warrants:

	2018		2017	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Outstanding – Beginning of year	26,251,240	0.22	26,302,440	0.22
Granted	25,000,000	0.28	18,778,928	0.20
Exercised	(6,889,107)	0.23	(18,826,528)	0.20
Expired	(4,439,727)	0.28	(3,600)	0.23
Outstanding and exercisable – End of year	39,922,406	0.25	26,251,240	0.22

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

	2018		2017	
Expiration date	Exercise price $	Number of warrants outstanding	Exercise price $	Number of warrants outstanding
June 19, 2018	-	-	0.28	5,811,092
August 8, 2018	-	-	0.28	180,909
April 13, 2020	0.28	25,000,000	-	-
August 26, 2020	0.25	4,795,240	0.25	5,295,240
September 14, 2020	0.25	901,666	0.25	4,234,999
May 19, 2021	0.15	2,731,000	0.15	2,731,000
July 29, 2021	0.15	2,494,500	0.15	3,998,000
December 9, 2021	0.15	4,000,000	0.15	4,000,000
		39,922,406		26,251,240

11 Stock options

The Company has a rolling stock option plan (the “Plan”), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option (“Option”) shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX-V and, in any event, the exercise price per Option will not be less than $0.05, being the minimum exercise price allowable under TSX-V policy.

(in Canadian dollars)

The following table shows the changes in stock options:

	2018		2017	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Outstanding – Beginning of year	12,760,000	0.21	8,975,000	0.25
Granted	4,055,000	0.33	4,360,000	0.15
Exercised	(1,755,000)	0.22	-	-
Expired	(100,000)	0.27	(575,000)	0.36
Outstanding – End of year	14,960,000	0.24	12,760,000	0.21
Exercisable – End of year	12,667,500	0.23	10,402,500	0.22

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

		2018		2017	
Expiry date	Exercise price $	Number outstanding	Number exercisable	Number outstanding	Number exercisable
January 22, 2018	0.22	-	-	55,000	55,000
June 3, 2018	0.22	-	-	1,400,000	1,400,000
October 24, 2018	0.27	-	-	100,000	100,000
January 21, 2019	0.23	1,045,000	1,045,000	1,145,000	1,145,000
June 6, 2019	0.18	1,000,000	1,000,000	1,000,000	500,000
October 15, 2019	0.275	300,000	300,000	300,000	300,000
June 29, 2021	0.15	400,000	400,000	400,000	400,000
August 31, 2021	0.12	50,000	50,000	50,000	37,500
June 6, 2022 (a)	0.32	1,400,000	1,400,000	1,400,000	1,400,000
June 21, 2022	0.155	200,000	200,000	200,000	100,000
October 14, 2022 (a)	0.33	1,000,000	1,000,000	1,000,000	1,000,000
April 21, 2025	0.19	2,150,000	2,150,000	2,350,000	2,350,000
May 27, 2025	0.18	200,000	200,000	200,000	200,000
January 17, 2027	0.085	1,900,000	1,900,000	1,900,000	950,000
March 31, 2027	0.15	500,000	500,000	500,000	250,000
April 27, 2027	0.195	100,000	100,000	100,000	50,000
November 28, 2027	0.29	660,000	495,000	660,000	165,000
June 12, 2028	0.33	3,655,000	1,827,500	-	-
July 29, 2028	0.30	340,000	85,000	-	-
October 31, 2028	0.30	60,000	15,000	-	-
		14,960,000	12,667,500	12,760,000	10,402,500

(a) On April 28, 2017, the Board of Directors approved the extension of the expiry date of 1,400,000 stock options issued on June 6, 2012 and expiring on June 6, 2017 and 1,000,000 stock options issued on October 14, 2012 and expiring on October 14, 2017. The original expiry date has been extended for an additional 60 months until June 6, 2022 and October 14, 2022. Using the Black & Scholes valuation model an additional value of $343,930 was calculated and recorded has an increase in contributed surplus as well as an increase of the stock-based compensation.

(in Canadian dollars)

The fair value of stock options granted was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	2018	2017
Weighted average price at the grant date	$0.33	$0.15
Weighted average exercise price	$0.33	$0.15
Expected dividend	-	-
Expected average volatility	102.37%	102.82%
Risk-free average interest rate	2.31%	1.43%
Expected average life	10 years	7.94 years
Weighted fair value per share option	$0.30	$0.12

An expense for stock-based compensation of $945,294 was recognized by Sama during the year ended December 31, 2018 (December 31, 2017 – $667,715). An amount of $816,835 (2017 – $628,027) was recognized in the consolidated statement of income (loss) and comprehensive income (loss) and $128,459 (2017 – $39,688) was capitalized to the exploration and evaluation assets.

An expense for stock-based compensation of $1,216,014 was recognized by SRG for the period that SRG was part of the consolidation perimeter of Sama for the year ended December 31, 2017. An amount of $1,080,874 was recognized in the consolidated statement of income (loss) and comprehensive income (loss) and $135,140 was capitalized to the exploration and evaluation assets.

12 Income taxes

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2018 $	2017 $
Deferred tax expense (income)		
Origination and reversal of temporary differences	272,066	6,224,803
Deferred tax expense arising from the write-down of a deferred tax asset	21,903	(1,389,958)
Total deferred tax expense	293,969	4,834,845

(in Canadian dollars)

Relationship between expected tax expense (income) and accounting profit or loss

The relationship between the expected tax expense (income) based on the combined income tax rate in Canada and the reported tax expense (income) in the statement of income (loss) and comprehensive income (loss) can be reconciled as follows:

	2018 $	2017 $
Income (loss) before income taxes	(3,349,681)	24,707,251
Expected tax (expense) recovery calculated using the combined federal and provincial income tax rate in Canada of 26.70 % (2017 – 26.80%)	(894,365)	6,621,543
Non-taxable portion of gains	-	(3,412,587)
Loss of tax attributes	640,725	3,233,803
Gain resulting from loss of control of a subsidiary	-	(683,904)
Stock-based compensation	218,095	457,985
Non-deductible items	50,570	11,689
Adjustments from prior years	249,697	-
Other	7,344	(3,726)
Change in unrecognized temporary differences	21,903	(1,389,958)
Deferred income tax expense	293,969	4,834,845

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities.

	Balance on January 1, 2018 $	Profit (loss) $	Equity $	Balance on December 31, 2018 $
Deferred income tax liabilities				
Property, plant and equipment	(61,318)	56,041	-	(5,277)
Investment in associate	(3,412,587)	106,847	-	(3,305,740)
Exploration and evaluation assets	(4,583,242)	(895,697)	-	(5,478,939)
	(8,057,147)	(732,809)	-	(8,789,956)
Deferred income tax assets				
Non-capital loss carry forwards	3,214,095	446,487	-	3,660,582
Share issuance costs	60,982	(33,892)	36,616	63,706
Reserves	-	16,107	-	16,107
Property, plant and equipment	8,207	10,138	-	18,345
	3,283,284	438,840	36,616	3,758,740
Deferred income tax asset (liability)	(4,773,863)	(293,969)	36,616	(5,031,216)

(in Canadian dollars)

	Balance on January 1, 2017 $	Profit (loss) $	Equity $	Balance on December 31, 2017 $
Deferred income tax liabilities				
Property, plant and equipment	-	(61,318)	-	(61,318)
Investment in associate	-	(3,412,587)	-	(3,412,587)
Exploration and evaluation assets	(3,219,115)	(1,364,127)	-	(4,583,242)
	(3,219,115)	(4,838,032)	-	(8,057,147)
Deferred income tax assets				
Non-capital loss carry forwards	3,219,115	(5,020)	-	3,214,095
Share issuance costs	-	-	60,982	60,982
Property, plant and equipment	-	8,207	-	8,207
	3,219,115	3,187	60,982	3,283,284
Deferred income tax asset (liability)	-	(4,834,845)	60,982	(4,773,863)

Unrecognized deferred tax assets

As at December 31, 2018 and 2017, the Company has the following temporary differences for which no deferred tax has been recognized:

	2018 $	2017 $
Non-capital loss carry forwards	220,647	136,517

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2018, deferred tax assets totalling $58,253 (2017 – $36,177) have not been recognized.

(in Canadian dollars)

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

	Canada $	Ivory Coast $	Total $
2019	-	965,861	965,861
2022	-	570,027	570,027
2023	-	3,879,470	3,879,470
2025	14,786	-	14,786
2026	50,297	-	50,297
2027	72,805	-	72,805
2028	74,906	-	74,906
2029	464,777	-	464,777
2030	694,242	-	694,242
2031	761,713	-	761,713
2032	828,187	-	828,187
2033	1,016,786	-	1,016,786
2034	813,639	-	813,639
2035	192,412	-	192,412
2036	609,825	-	609,825
2037	966,118	-	966,118
2038	1,601,096	-	1,601,096
Losses that may be carried forward indefinitely	-	720,119	720,119
	8,161,589	6,135,477	14,297,066
Non-capital losses recognized against the deferred tax liability	(7,955,521)	(6,120,898)	(14,076,419)
	206,068	14,579	220,647

13 Additional cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

	2018 $	2017 $
Depreciation included in E&E assets	174,373	166,633
Stock-based compensation included in E&E assets	128,459	174,828
Change in E&E assets included in accounts payable and accrued liabilities	529,379	24,798
Deferred transaction costs included in accounts payable and accrued liabilities	-	80,142
Finders warrants included in share issuance costs	-	119,684

14 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its exploration and evaluation activities. Therefore, the Company monitors the level of risk associated with its E&E assets relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets and capital markets. In order to facilitate the management of capital and the exploration and evaluation of its E&E assets, the Company prepares annual expenditure budgets which are monitored and updated as considered necessary.

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its E&E assets for cash and/or expenditure commitments from optionees and enter into joint venture arrangements or dispose of its E&E assets.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2018.

The changes in the capital are disclosed in the consolidated statement of changes in shareholders' equity.

15 Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company views credit risk on trade and other amounts receivable as minimal. The Company is also exposed to credit concentration risk by holding cash and cash equivalents. This risk is minimized by holding cash and cash equivalents balances with large Canadian financial institutions and a minimal amount in its subsidiary in West Africa.

Liquidity risk

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its E&E programs. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2018, the Company had cash and cash equivalents of $5,779,248 (2017 – $4,185,560) to settle account payable and accrued liabilities of $898,033 (2017 – $491,794).

As at December 31, 2018, management does not consider current funds to be sufficient for the Company to continue operating considering the budgeted expenditures (Note 1). Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new equity instruments, further expenditure reductions, or other measures. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

Fair value

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and other information about financial instruments.

The Company's financial instruments as at December 31, 2018 and 2017 consist of cash and cash equivalents, trade and other amounts receivable, due from a related company and accounts payables and accrued liabilities. The Company's financial assets and liabilities approximate their fair values due to their relatively short periods to maturity.

Market risk

Foreign exchange risk

As at December 31, 2018, accounts payable and accrued liabilities for an amount of $410,200 (2017 – $146,319) were payable in CFA Franc ("F CFA") and $135,063 in US dollar (2017 – nil). Assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the foreign currency would result in an increase or a decrease of approximately $54,526 (2017 –$14,632) in the Company's statement of income (loss) and comprehensive income (loss).

Commodity price risk

Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and other currencies, as outlined above. As the Company has not yet developed commercial mineral interests, its exposure to commodity price risk at this time is limited. However, the Company is indirectly exposed to commodity price risk as it impacts the Company's access to capital and funding.

16 Related parties

Related parties include the Company's key management personnel and related companies. Unless otherwise stated, balances are usually settled in cash.

Key management personnel are the Company's members of the Board of Directors and officers. The remuneration of key management personnel includes the following:

Transactions with key management personnel

During the year ended December 31, 2018, the Company incurred fees of $107,675 with the CFO (2017 – $121,400). These fees are recorded under professional fees in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2018, $16,425 (2017 – $10,392) is due to the CFO. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Company incurred fees of nil (2017 – $16,500) with an officer. These fees are recorded under professional fees in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2018 and 2017, no amount was due to the officer.

During the year ended December 31, 2018, the Company paid a salary of $35,400 (2017 – $29,500) to an officer. These fees are recorded under salaries and benefits in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2018, $5,400 (2017 – nil) was due to the officer.

During the year ended December 31, 2018, the Company incurred fees of $298,992 (2017 – $214,672) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of $114,996 (2017 – $78,915) has been recorded under consulting fees in the consolidated statement of income (loss) and comprehensive income (loss) and $183,996 (2017 – $135,672) has been capitalized to the Company's exploration and evaluation assets. As at December 31, 2018, $69,770 (2017 – $45,000) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, Sama recognized a stock-based compensation of $553,118 in connection with stock options granted to officers and directors solely (2017 – $101,771 in connection with stock options granted to officers and directors solely and $201,729 in connection with the expiry date extension of stock options previously granted to officers and directors). This stock-based compensation was recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Until November 23, 2017, date of SRG's deconsolidation (Note 2), a stock-based compensation of $567,519 was recognized in connection with stock options granted solely to officers and directors of SRG This stock-based compensation was recognized in the consolidated statement of income (loss) and comprehensive income (loss).

As part of Sama's private financing completed in April 2017, officers and directors of Sama purchased a total of 1,859,997 units at a price of $0.15 per unit for total proceeds of $279,000.

Transactions with related parties

During the year ended December 31, 2017, the Company incurred fees of $105,000 with a corporation where the Company's Executive Chairman is also the President and Chief Executive Officer of that corporation. This amount was recognized under consulting fees in the consolidated statement of income (loss) and comprehensive income (loss). These fees were for legal and technical services which were rendered by employees of the corporation. As at December 31, 2018 and 2017, no amount was due to that corporation.

During the year ended December 31, 2018, the Company incurred fees of $139,581 (2017 – $65,831) with a corporation controlled by the Company's Executive Chairman. An amount of $130,000 (2017 – $56,250) was recorded under consulting fees and $9,581 (2017 – $9,581) under general and other expenses in the consolidated statement of income (loss) and comprehensive income (loss). As at December 31, 2018, $36,324 (2017 – $64,673) is due to that corporation. This amount is included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Company incurred fees of $98,825 (2017 – nil) with a company controlled by the Vice-president Legal and Corporate Affairs. These fees are recorded under professional fees in the consolidated statement of loss and comprehensive loss. As at December 31, 2018, $15,075 (2017 – nil) is due to the company controlled by the Vice-president Legal and Corporate Affairs.

During the year ended December 31, 2018, the Company charged an amount of $445,686 to SRG as part of drilling and services agreements. As at December 31, 2018, $62,344 is due from SRG and presented as a due from a related party in the consolidated statement of financial position.

Termination and Change of Control Provisions

The Company has entered into consulting agreements with key management personnel for total annual payments of $527,500. The consulting agreements contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2019, the total amounts payable to key personnel in respect of severance would amount $1,163,750. If a change of control would occur during the year December 31, 2019, the total amount payable in respect of severance, if elected by the officers would amount $1,163,750.

17 Commitments

a) Sama signed a technology license agreement with CVMR Corporation (CVMR). Under the terms of the agreement, CVMR grants Sama use of its technology to refine the mineralized material from the Samapleu property in Ivory Coast, West Africa, to produce nickel and iron powders. In consideration of the technology license, Sama has agreed to pay CVMR $5,000,000 either in cash or, subject to approval from the TSX-V, through the issuance of an equivalent value of common shares of Sama within 90 days of the granting of the mining license. Share price will be based on the average closing price of those shares on the exchange for each day during the three months of trading prior to issuance. In addition, CVMR will receive a royalty equal to 15% of the sale price of metal powders produced by the plants in excess of the London Metal Exchange ("LME") price of the elements contained in such powders.

b) On October 23, 2017, the Company entered into a binding term sheet in view of forming a strategic partnership with HPX, in order to develop its nickel-copper and cobalt project in Ivory Coast, West Africa.

As part of the term sheet, HPX would make a strategic investment of $5,250,000 by acquiring a total 25,000,000 units at a price of $0.21 per unit, with each unit consisting of one common share and one share purchase warrant. Each warrant will entitle HPX to purchase an additional common share at a price of $0.28 per common share for 24 months following the closing date. If exercised, these warrants would represent an additional investment of $7,000,000 for a total investment, by HPX, of $12,250,000. HPX would also have the ability to earn, through a joint venture with the Company, up to a 60% interest in the Company's Ivory Coast projects, including the Samapleu project, by financing exploration and evaluation expenses and completing a feasibility study through total investments of $30,000,000. The private placement of $5,250,000 and the exercise of warrants of $7,000,000 would be considered part of this total investment of $30,000,000.

Highlights of the term sheet include the following:

- HPX will have a pre-emptive/anti-dilution right to maintain its ownership percentage in the Company in future equity financings as long as the holdings of common shares of the Company by HPX and its affiliates remains above 10%;
- HPX will have the right, but not the obligation, to nominate and have appointed: (i) two directors to the board of the Company as long as its shareholding in the Company remains above 10%; and (ii) four directors if its shareholding is greater than 50%;
- HPX would earn into the Ivory Coast project through Sama Nickel as the joint venture vehicle;
- Pursuant to the terms of the earn-in and joint venture agreement, HPX shall have the ability to earn a 30% interest in the Ivory Coast project by incurring expenditures of $15,000,000. By incurring additional expenditures of $15,000,000 (or, as may be the case, $10,000,000 in certain circumstances discussed as follows) over a maximum of 6 years, including the financing of a bankable feasibility study and the acquisition of an exploitation permit on part of the Ivory Coast project, HPX will be entitled to earn an additional interest in the Ivory Coast project, such that its aggregate interest therein shall be 60%;
- If certain conditions related to the SODEMI/SNC joint venture are not met by an outside date (the earn-in adjustment date), then HPX shall have a period of one month after the earn-in adjustment date to notify the Company in writing as to whether or not it wishes to proceed with the 60% earn-in on the totality of the Ivory Coast project for:

    i. A reduced additional expenditure of $10,000,000 (instead of $15,000,000) in order to earn its additional 30% interest in all of the Ivory Coast project;

    ii. Or an additional expenditure of $5,000,000 (instead of $10,000,000) in order to earn its additional 30% interest in the Ivory Coast project excluding the Samapleu project after the Company has transferred the Samapleu project from SNC to the Company or an affiliate.

(in Canadian dollars)

This transaction was completed on April 13, 2018 and the Company completed the private placement described above by issuing 25,000,000 units at a price of $0.21 per unit for total proceeds of $5,250,000 (Note 10).

c) The Company has an operating lease commitment, for office premises in Vancouver, British Columbia, Canada, which will call for a monthly rent of $1,250. The agreement can be terminated upon a six-month notice.

d) The Company has operating lease commitments for offices premises in Abidjan, Ivory Coast, West Africa, expiring until March 31, 2020 which will call for total annual rent payments of F CFA 22,500,000 (approximately $53,521 at December 31, 2018), as F CFA 18,000,000 in 2019 (approximately $42,817 in 2019) and F CFA 4,500,000 in 2020 (approximately $10,704 in 2020).

Minimum annual payments relating to the above commitments in each of the next two fiscal years are as follows:

	$
2019	50,317
2020	10,704
	61,021

18 Operating segment

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties.

The Company's geographical breakdown of revenues is as follows:

			2018
			$
	Canada	**Ivory Coast**	**Total**
Revenues from drilling contracts	-	285,051	285,051
Revenues from services contracts	-	160,635	160,635
	-	445,686	445,686

			2017
			$
	Canada	**Ivory Coast**	**Total**
Revenues from services contracts	-	18,865	18,865

The Company's geographical breakdown of non-current assets is as follows:

(in Canadian dollars)

	Canada	Ivory Coast	2018 $ Total
Deposit on exploration and evaluation assets	-	25,000	25,000
Property, plant and equipment	1,133	943,316	944,449
Exploration and evaluation assets	-	24,842,193	24,842,193
Investment in associate	29,880,633	-	29,880,633
	29,881,766	25,810,509	55,692,275

	Canada	Ivory Coast	2017 $ Total
Deposit on exploration and evaluation assets	-	39,578	39,578
Property, plant and equipment	1,699	285,014	286,713
Exploration and evaluation assets	-	21,111,239	21,111,239
Investment in associate	30,687,029	-	30,687,029
	30,688,728	21,435,831	52,124,559

19 Earnings (loss) per share

	2018 $	2017 $
Numerator		
Numerator for basic and diluted earnings (loss) per share	(3,643,650)	20,979,221
Denominator		
Weighted average number of common shares outstanding	180,329,591	132,441,909
Effect of potential dilutive securities		
Options	-	1,450,190
Warrants	-	2,258,737
Total potential dilutive securities	-	3,708,927
Adjusted denominator for diluted earnings (loss) per share	180,329,591	136,150,836
Basic earnings (loss) per common share	(0.02)	0.16
Diluted earnings (loss) per common share	(0.02)	0.15

For the year ended December 31, 2018, the diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and stock options.

20 Subsequent events

During the first quarter ended March 31, 2019, a total of 1,075,000 warrants were exercised at a price of $0.15 per share and 740,000 stock options at a price of $0.23 for total proceeds of $331,450.

On February 20, 2019, the Company granted a total of 3,225,000 stock options to its officers, employees and consultant at a price of $0.27 per common share expiring on February 19, 2029.

On April 16, 2019, a total of 100,000 warrants were exercised at a price of $0.25 per share for total proceeds of $25,000.