



SRG GRAPHITE INC.  
(Formerly Sama Graphite Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017**

**AS OF JULY 21, 2017**

**TSX-V: SRG**

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## SCOPE OF MD&A AND NOTICE TO INVESTORS

This management discussion and analysis of financial position and results of operations ("MD&A"), is prepared as of July 21, 2017, and complements the unaudited interim condensed consolidated financial statements of SRG Graphite Inc., which include Sama Resources Guinee SARL ("Sama Guinee"), its wholly owned subsidiary, for the second quarter ended on June 30, 2017, which are compared to the second quarter ended June 30, 2016.

The interim condensed consolidated financial statements and related notes have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not contain all the information required to be disclosed in annual financial statements. Certain information and notes usually provided in the annual financial statements have been omitted or condensed when not deemed essential to the understanding of the interim financial information of the Company. Therefore, this MD&A should be read in conjunction with the information contained in the annual audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2016. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated.

The Company's independent auditors have not conducted a review of the interim condensed consolidated financial report in accordance with the standards established by the Canadian Institute of Chartered Accountants regarding the review of the interim financial report.

Management of the Company is responsible for the preparation and presentation of the interim condensed and annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The unaudited interim condensed consolidated financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on July 21, 2017. These documents and more information about the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results are summarized below under the heading "Risks and Uncertainties".

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

## COMPANY OVERVIEW

On June 30, 2017, Sama Graphite Inc. changed its name to SRG Graphite Inc. (the "Company" or "SRG").

SRG Graphite Inc. is a Canadian-based mineral exploration and development business with activities in Africa. The Company was incorporated on April 16, 1996 under the Canada Business Corporations Act. Prior to the completion of the Reverse Takeover transaction on December 31, 2016, the Company was operating under the name of Section Rouge Media Inc. ("SRM") and its common shares were listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SRO.V". Following the completion of the Reverse Takeover transaction, SRM changed its name for Sama Graphite Inc. and the Company's common shares are presently listed on the TSX-V under the trading symbol "SRG.V". The Company's principal office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8.

## HIGHLIGHTS

- On June 21, 2017, the Company announced that Mr. Yves Grou joined the Company's board of directors.
- On June 30, 2017, the Company announced that it has changed its company name to SRG Graphite Inc. ("SRG"). The Company has filed the necessary Articles of Amendment and has received approval from TSXV regulatory authorities to change its name. SRG shareholders approved a special resolution in this regard at the Company's Annual and Special Meeting of Shareholders held on June 14, 2017.

## OVERALL PERFORMANCE

During the six-month period ended June 30, 2017, Sama Guinee started a 4,800 meters drilling program at the Lola Graphite property while initiating an Environmental Baseline Study and continuing detailed metallurgical investigations with Activation Laboratory from Canada and PG and Dofner, both laboratories from Germany. Sama Guinee priority is to complete a Preliminary Economic Assessment (PEA) in Q4 of 2017. A total of 3,603 meters of drilling were completed by July 15, 2017 at the property.

## MINERAL PROPERTY PORTFOLIO

The exploration programs and technical disclosure for the Company are designed by Marc-Antoine Audet, P.Geo, PhD, President and Chief Executive Officer of SRG who is a 'qualified person' ("QP"), as defined by National Instrument 43-101, Standards for Disclosure for Mineral Projects ("NI 43-101").

### **Lola Graphite Property (Permit de Recherche, PR 4543)**

On September 2, 2013, Sama Guinee obtained four licenses to explore a combined 380 square kilometers of property in eastern Guinea. The licenses were renewed on August 29, 2016 for two years and as per legislation, the surface area was reduced by 51% from 380 square kilometers to 187 square kilometers. This reduction of surface area did not require an impairment of capitalized E&E assets since Sama Guinee did not give up area where exploration and evaluation expenditures has previously been done. Sama Guinee has agreed to complete an exploration program of GNF 9,361,376,000 (approximately \$1,357,835 as at June 30, 2017) by August 29, 2018. As of June 30, 2017, Sama Guinee has incurred a total of \$1,284,278 in exploration and evaluation expenditures on the property.

The Lola Graphite Project is 100% owned by Sama Guinee and is located near the town of Lola in eastern Guinea, 1,000 km from Conakry, the capital of the Republic of Guinea. The occurrence is within 50 km from the border with Guinea and located 3.5km west of the town of Lola (Figure 1). An Exploration license gives the applicant the right to explore for minerals a certain time period as prescribed by the Mining law and regulation.

The property, located within the department of Lola, was initially formed by 4 exploration licenses, (Permit de Recherche) globally named Permit de Recherche 4543, shaping a rectangular form of 27.9 km by 13.7 km in size for a cumulative total of 380km<sup>2</sup>. The property is centered on UTM WGS 84 zone 29N latitude 7° 48' 00" (UTM 863,000 N) and longitude 8° 32' 00" (UTM 551,000E). The area includes the communities of Lola and several smaller villages.

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Management's discussion and analysis for the second quarter ended June 30, 2017

In Guinea, the land is federal and as such application to the government, through the Mine and Energy Department, is required to obtain an Exploration license. Pursuant to Sama Guinee's request in 2012, the Republic of Guinea awarded Sama Guinee, through the Arrêté No A2013/4543/MMG/SGG dated September 2, 2013, the Lola Graphite Exploration licenses for a first period of three years' renewable for two additional periods of 2 years each.

There are no environmental liabilities associated with the licenses and there are no surface right agreements in place or being negotiated.

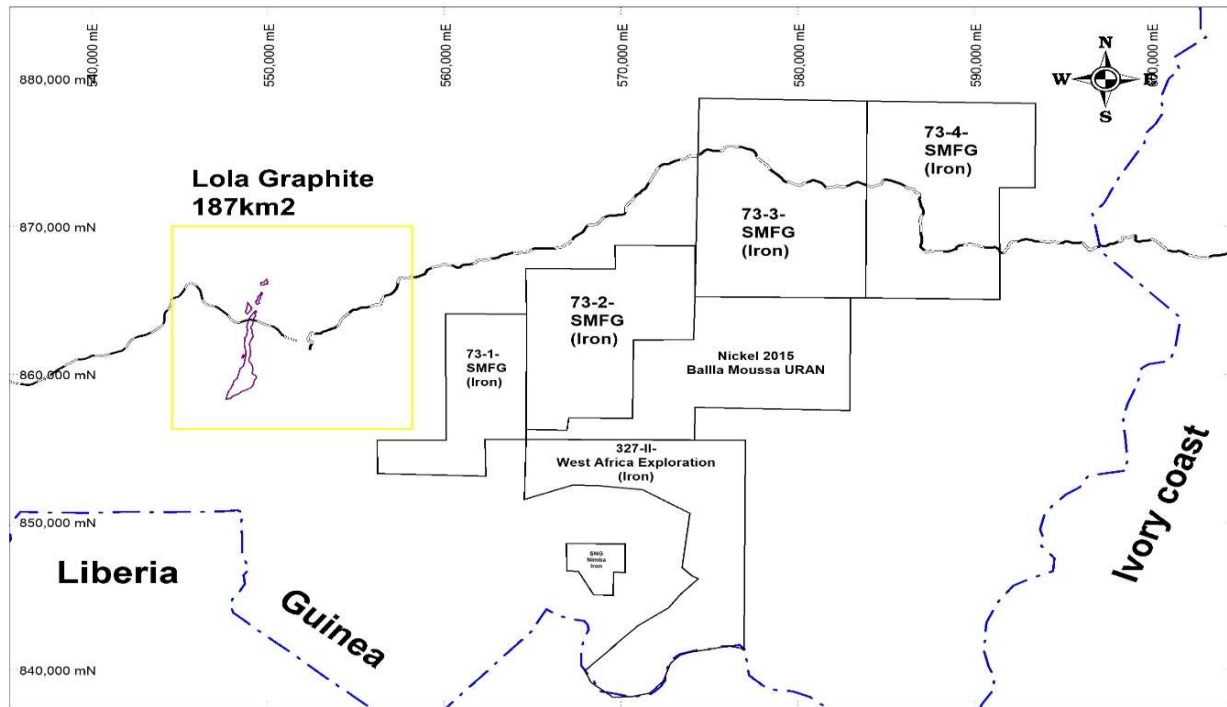


Figure 1: Exploration permits in Guinea

### Exploration Update

The Lola Graphite deposit is 8.7 kilometers long with an average width of 370, and up to 1,000 meters wide (Figure 2). The first 20 meters or so of the deposit is well weathered (lateralized), allows freeing graphite flakes from the silicate gangue and allowing for an easy grinding with optimal recovery of all large and jumbo flakes. The graphite mineralization continues at depth within the non-weathered sheared gneiss.

The graphite mineralization is well exposed at surface on its entire strike length with sample grades ranging from trace to up to 20% of graphitic carbon ("Cg") and often seen in higher concentration agglomerates.

A 5,000m drilling program is ongoing. The drilling program started on March 07 with 3,603m completed by July 15, 2017. The Table 1 is showing drilling results as of July 15, 2017. The current drilling is aiming at testing the weathered portion of the deposit from surface to approximately 20 m deep with a few meters drilled within the fresh rock. The thickness of the weathering profile is variable and extend down to 50m in many locations. It is expected that the 2017 drilling program will cover approximately 16% of the entire surface area of the deposit (Figure 2 – see p.8).

Three metallurgical tests were performed at Activation Laboratory (Actlab), Ontario, Canada in 2014, 2015 and 2016. In 2014, the first test was performed on two of Lola's most prominent mineralized facies, the oxide material and the underlying non-oxide material (below 20 meters) while tests performed in 2015 and 2016 focused exclusively on the oxide material.

The oxide material returned global recoveries of 94-96% of graphite flakes producing a graphite concentrate with 89% of large, jumbo and super-jumbo size flakes (Table 2, Figure 4). Super-jumbo flake size accounts for 29% of the concentrate with purities of 96% and 97% Cg following a weak acid wash.

Laboratory work and analysis conducted by ProGraphite (PG) on the Lola Graphite concentrate returned excellent results indicating that graphite from the Lola deposit is suitable for a very wide range of graphite applications, including the important traditional markets like refractories, crucibles, friction products, carbon brushes and sealing. Additionally, the combination of very favorable ash composition, high crystallinity, high oxidation resistance and excellent purification behavior makes the graphite very valuable for demanding new tech applications, including energy applications and particularly with regard to spherical graphite for Lithium Ion Batteries.

**ProGraphite Main Observations:**

- The high proportion of large flakes of the concentrate is remarkable. Only very few flake graphite deposits have such a high flake yield. This is a major advantage for the Lola deposit, as the large flakes trade at significantly higher prices.
- The concentrate was screened to get particle size distribution information with very favorable results: very coarse material, 2/3 of the graphite is large flake (+80 mesh), and 1/3 is "jumbo" flake material (+50 mesh).
- Compared to -100 mesh graphite of the same carbon grade, the market price for +50 mesh material is more than double, which makes the Lola deposit much more valuable.
- Main elemental impurities are Si, Al and Fe, which is typical for flake graphite. Impurities known to cause trouble in various applications, such like S or heavy metals are naturally on very low levels in the Lola graphite concentrate.
- Key advantages of Lola graphite are the favorable ash composition and the comparably low efforts required to attain high carbon grades.
- The graphite is of very high crystallinity, which means that the graphite crystals are almost perfect, making this graphite suitable for highly demanding applications like Lithium Ion batteries or synthetic diamonds.
- Purification tests verified that the graphite could easily be upgraded with standard processes to levels above 99.5%; with most elements, already under the limits for battery application. The purification performed was "mild" compared to the "harsh" purification usually applied for Lithium-ion battery grade, thereby attesting again to the likelihood that the material will be very suitable for such an application.
- The volatiles are low, oxidation resistance is very high and the specific surface area is in the normal range.
- The graphite from the Lola deposit has a high bulk density (>700 g/l), typical Chinese graphite has bulk densities of 450-550 g/l for +80 mesh.

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Table 1: The following table illustrates the details of the mineralized intervals for 27 holes drilled at the Lola Graphite Deposit. Intervals were defined using 1.0% Cg cut-off grades ("cog"); Including: 3% Cg cog.

HOLE-ID	FROM	LENGTH <sup>1</sup>	CG	HOLE-ID	FROM	LENGTH <sup>1</sup>	CG
LL45-085401	3.00	24.10	5.35	LL45-137423	-	2.60	1.55
<i>Including</i>	12.20	12.80	8.32	LL45-159425	-	-	-
LL45-102406	-	11.50	5.29	LL45-176433	2.20	19.00	5.35
<i>Including</i>	1.50	4.65	9.07	<i>Including</i>		14.60	6.24
LL45-121413	-	25.00	6.66	LL45-196439	3.00	20.00	5.08
<i>Including</i>	6.00	18.00	8.93	<i>Including</i>		16.10	5.95
LL45-089460	-	23.50	4.34	LL45-009429	-	30.00	8.14
LL45-106466	-	36.00	3.23	<i>Including</i>		19.00	11.40
<i>Including</i>	25.50	10.50	10.00	LL45-028438	-	26.50	5.09
LL45-125471	-	10.50	9.28	<i>Including</i>		10.50	8.00
<i>Including</i>	-	7.50	11.29	LL45-052446	0.00	34.50	3.16
LL45-115317	-	16.50	4.55	<i>Including</i>		4.50	10.70
LL45-133324	2.00	16.10	6.10	LL45-070451	0.00	39.00	3.34
<i>Including</i>	9.00	9.10	9.12	<i>Including</i>		9.00	6.20
LL45-191342	-	22.10	4.50	LL45-011373	3.00	31.00	5.76
<i>Including</i>	19.50	0.50	22.00	<i>Including</i>		14.67	9.80
LL45-208350	-	10.50	4.00	LL45-094198	0.00	33.00	4.30
<i>Including</i>	4.50	1.50	14.20	<i>Including</i>		9.50	9.00
LL45-096311	-	26.00	3.92	LL45-112206	0.00	34.50	5.36
LL45-199501	3.00	4.50	2.21	<i>Including</i>		21.75	7.60
LL45-095516	-	10.50	4.01	LL45-131212	0.00	22.70	4.56
<i>Including</i>	3.00	3.00	8.27	<i>Including</i>		9.00	6.60
LL45-114522	-	32.00	7.98	LL45-148219	0.00	15.00	5.33
<i>Including</i>	9.70	20.30	12.31	<i>Including</i>		9.00	7.50
LL45-170542	-	31.30	5.25	LL44-768470	23.00	13.00	14.22
<i>Including</i>	15.10	16.20	9.47	<i>Including</i>		4.50	36.97
LL45-187550	9.00	19.70	5.68	LL44-782476	3.00	18.00	2.17
<i>Including</i>		6.20	9.31	<i>Including</i>		1.35	10.50
LL45-193605	-	15.85	3.81	LL45-033503	0.00	23.60	2.65
<i>Including</i>		4.50	7.21	LL45-075510	0.00	24.50	5.38
LL45-211611	3.00	12.00	2.33	<i>Including</i>		6.50	12.09
LL45-117580	1.50	12.40	6.77	LL45-004489	9.00	17.50	4.88
<i>Including</i>		8.90	8.42	LL45-002536	7.50	24.00	6.82
LL45-097572	-	6.00	3.64	LL45-174598	1.50	19.50	4.34
<i>Including</i>		3.50	4.65	LL45-181651	1.50	16.60	5.09
LL45-077565	-	28.60	6.22	LL45-162645	16.50	13.00	6.25
<i>Including</i>		21.60	7.73	LL45-105625	12.00	7.50	4.68
LL45-059559	-	27.20	4.10	LL45-067612	15.00	13.90	4.91
LL45-079303	-	33.00	4.02	LL45-049605	1.50	22.50	2.56
<i>Including</i>		4.50	14.73	LL45-011592	3.00	19.00	7.02
LL45-060296	-	34.00	3.67	<i>Including</i>		7.00	14.46
<i>Including</i>		10.50	8.40	LL45-030598	3.00	27.00	2.53
LL45-037287	1.50	10.50	4.72	LL45-170756	0.00	14.50	5.66
<i>Including</i>		3.00	11.93	LL47-796005	0.00	27.00	3.65
LL45-001269	16.50	15.00	3.23	LL48-015012	0.00	24.30	7.27
LL45-026378	-	27.70	4.41	LL48-033019	0.00	23.00	3.76
<i>Including</i>		14.10	6.70	<i>Including</i>		9.00	4.74
LL45-043385	-	31.00	4.56	<i>Including</i>		2.50	7.64
<i>Including</i>		23.00	5.55	LL48-052026	4.00	20.00	4.97
LL45-066393	-	30.75	4.03	LL48-071033	0.00	16.50	3.41
<i>Including</i>		4.50	12.70				

Table 2: Actlab Metallurgical tests results. Subdivision of the jumbo flakes into jumbo and super-jumbo sizes.

<b>Head Grade: 15.6%</b>				
<b>Grinding</b>			<b>Typical Flotation</b>	<b>Acid Wash</b>
<b>Flake Size</b>	<b>mm</b>	<b>%</b>	<b>% Cg</b>	<b>% Cg</b>
+28 Mesh (Super Jumbo)	>0.61	8.0	96.6	99.7
+35 Mesh (Super Jumbo)	>0.50	21.0	95.9	
+48 Mesh (Jumbo)	>0.31	28.0	93.4	
+80 Mesh (Large)	>0.18	32.0	89.3	99.1
-80 Mesh	<0.18	11.0	83.2	Not tested

In 2013, the Company supported M. Sékou Oumar Sow, a Guinean geological student at the University of Franche Conté, France, with his under graduate study. The study aimed at the mineralogical and petrological characterizations of the mineralization as well as of the host rock. The study was under the supervision of Professor Christian Picard. According to M. Sow, the graphitic mineralization is hosted within a quartzo-feldspath-biotite-sillimanite rich paragneiss with zircon, monazite and rutile as accessory minerals. Graphite mineralization is present as natural flakes of 0.25 to 1 mm in size. Graphite flakes appears to be cogenetic with biotite and sillimanite. Pyrite and minor chacopyrite are also present in the fresh rock but are absent in the weathered material.

The Environmental Baseline Study ("EBS") was launched March 10, 2017. The Ivorian group "SIMPA" has been contracted to complete the EBS and the subsequent Impact Study.

During the six-month period ended June 30, 2017, the Company capitalized \$630,923 at the Lola Graphite Property.

Estimated expenditures

The current estimate for expenditures on the Lola Graphite Property (both corporate and capitalized expenditures) for the next year is approximately \$2,200,000. The expenditure estimate is contingent upon obtaining additional financing. The proceeds will be use for the following work:

- To complete the current 5,000m drilling program.
- To continue metallurgical test works to refine the flotation flowsheet
- To complete the Environmental Baseline Study.
- To collect a 1,000kg representative bulk sample for further analysis and to provide concentrate samples to potential clients

The current drilling program consists of a minimum of 175 boreholes for approximately 5,000m on a 50m x 20m and 100m x 20m grid spacing to characterize the oxide zone from 0 to 20m deep. The aim of the drilling program will be to establish mineral resources (Indicated and/or Measured category) over a surface area representing 16% of the global surface expression of the graphite rich paragneiss.

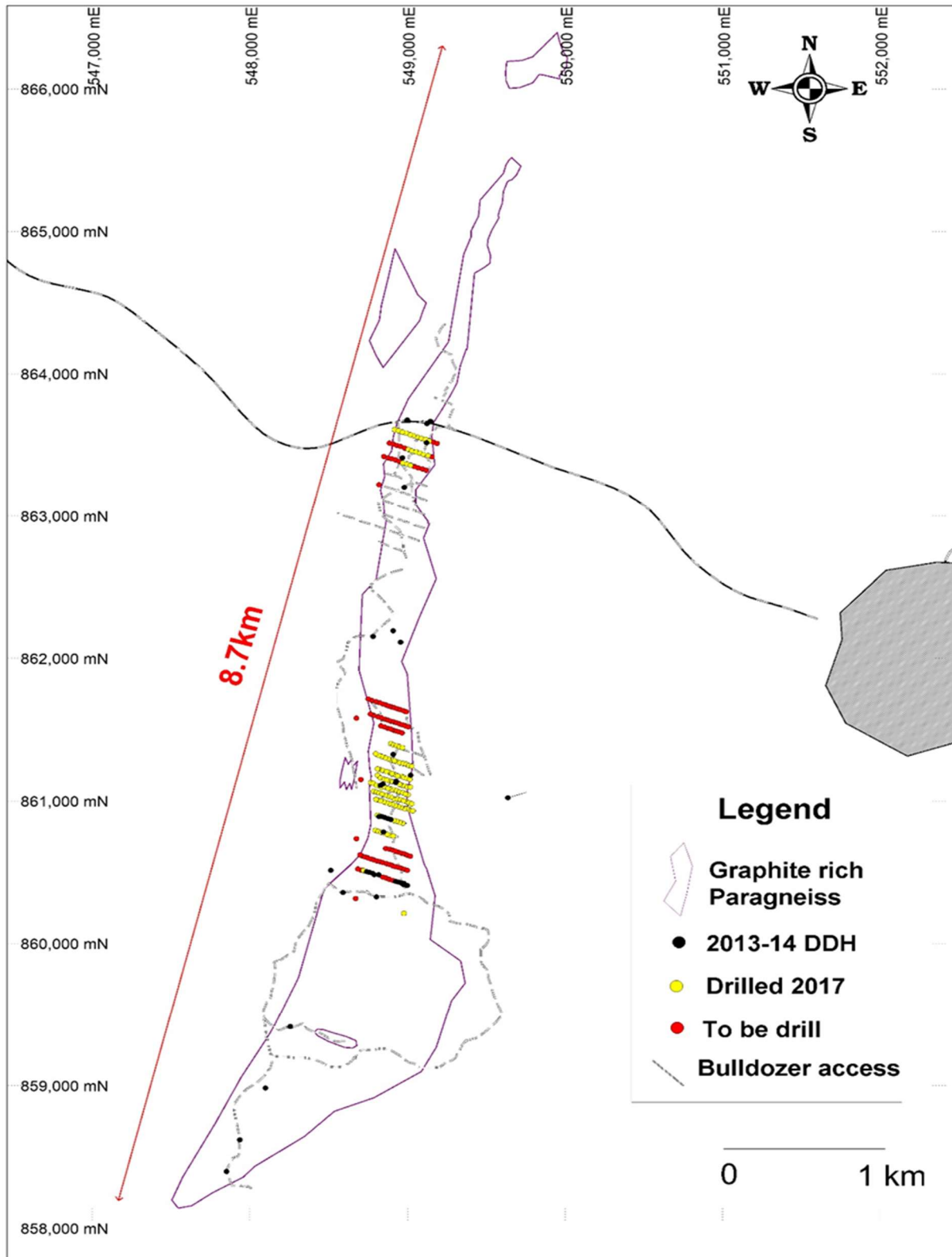


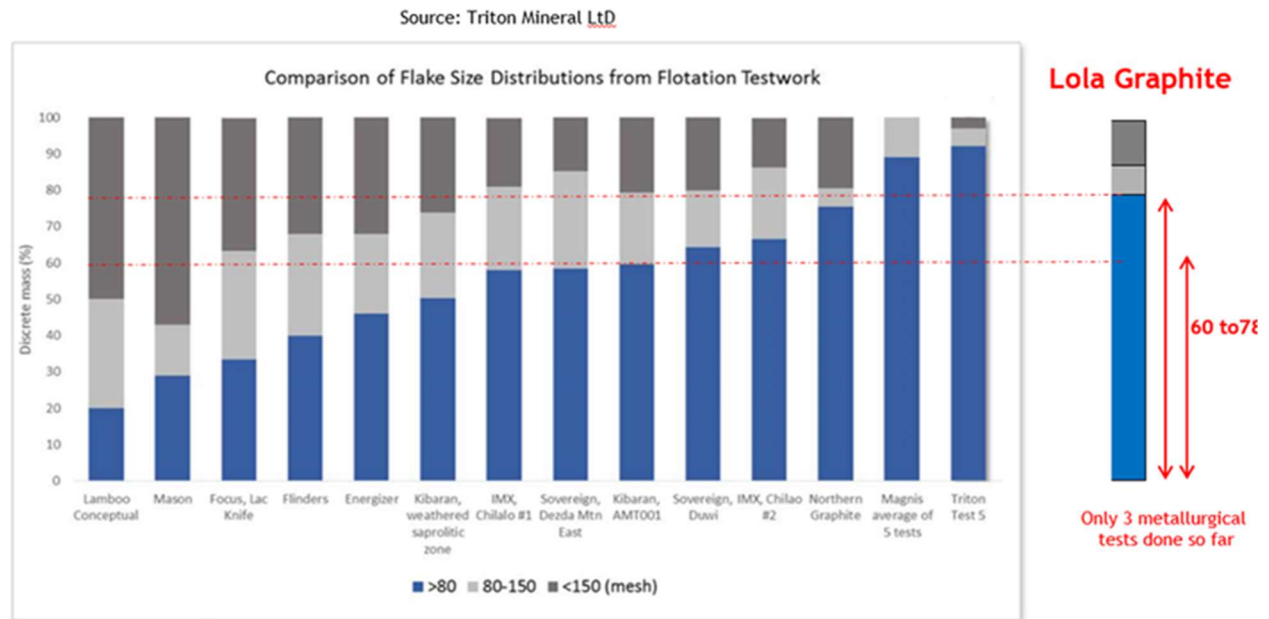
Figure 2: Lola Graphite deposit showing the 2017 drilling program



Figure 3: Lola Graphite deposit showing the Coretech drilling rig.



Figure 3: Diamond drilling rig in operation at the Lola Graphite (April 2017) and activities at the core logging area.



Source: Industrial Alliance Securities.

Figure 4: Comparison of Flake Size Distributions from Various Selected Published Sources

## NATURAL GRAPHITE FLAKE PROJECTED MARKET SIZE

### Highlights:

- Growth Expectation in Electric Vehicles (EV) in China can change all predictions;
- Spherical Graphite is currently the biggest growing industry demand;
- Not all graphite is the same;
- India is a large growing market for graphite flakes: in infrastructure development but also for EV and Stationary applications;
- The day India will “wake-up”, the need for natural graphite flakes will go ballistic in all possible markets.

The world graphite market is dominated by a few long-established mature players and uses requiring large volumes, but with several specialist applications requiring lower volumes.

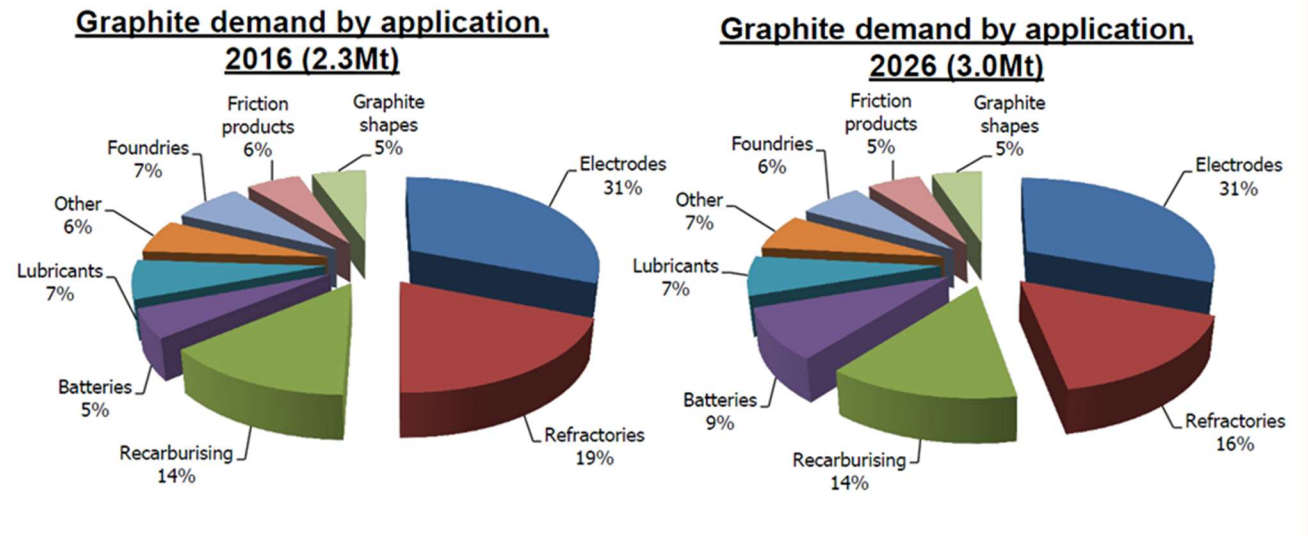
More recently, a new game changer come along in the energy industry – Li-ion batteries – which could potentially require a great deal of graphite in the future.

In 2015, the global graphite market (synthetic and natural) was approximately 2.7Mt per year and was worth approximately US\$14B.

According to Persistence Market Research, the graphite market has bifurcated on the basis of form (natural graphite and synthetic graphite). Synthetic graphite is further sub-segmented on the basis of form (graphite electrode, carbon fiber, graphite blocks, graphite powder, and others). The graphite market is also segmented on the basis of end-uses (electrode, refractory, lubricant, foundry, battery, and others). All the segments provide market size and forecast by volume and by value. The synthetic graphite segment held the largest share of USD 12.49 billion in the graphite market in 2013 and is expected to reach USD 16.06 billion by 2020 at a CAGR of 3.7% from 2014 to 2020.

In terms of volume, the global graphite market grew from 2.19 million tons in 2010 to 2.68 million tons in 2013 at a CAGR of 7.1%.

Graphite Consumption by Industry 2016 (source: Roskill March 2017)



According to Roskill 2016, the Lithium-ion batteries will grow to account for 9% of total graphite demand by 2026 as traditional markets remain slow.

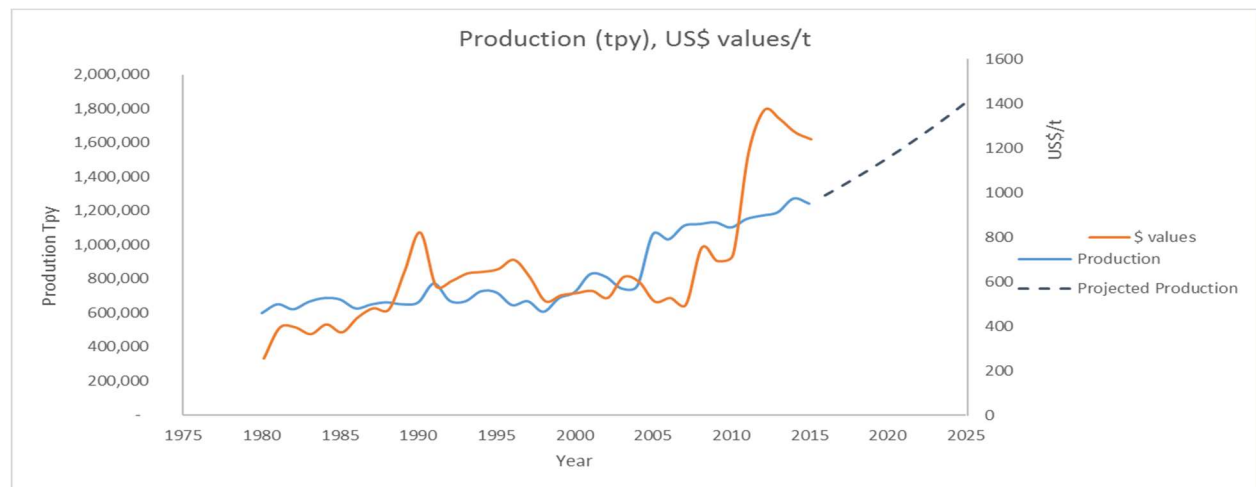
The global demand for graphite has been increasing steadily since the start of the new millennium and from 2000 to 2010 international consumption has doubled. Graphite is considered a key, strategic material in the emerging green technology economy, which includes advances in energy storage, electric vehicles, photovoltaics and electronics from smartphones to laptops. In 2012-13, China produced 73% of the world global natural flake graphite production, mainly used for internal market. China contribution to the world natural flake graphite production has been reduced to 67% in 2015 with several additional mines closure in 2016 due to raising local production costs and failure to meet environmental new regulations.

Currently, the USA, Canada, Japan, Korea, Taiwan and Europe are seeking alternative sources to China. This situation provides the opportunity to develop new mines presenting attractive alternatives to existing supply.

**Analysts Reports**

A recent report from P&S Market Research estimates that from 2015 to 2020, the graphite market will grow at a compound annual growth rate of 4%. The global graphite market was valued at US\$15.06B in 2015.

**Current Market**



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The market for natural graphite is expected to grow between 3% and 9% between 2015 and 2020.

If you consider that there is more graphite in a lithium ion battery than lithium, the cost of graphite to a battery could be as, if not more, significant than lithium. It just has not been considered because the price of flake graphite feedstock is low and there is a synthetic substitute.

According to an independent research company (Benchmark Mineral Intelligence), Tesla's Gigafactory 1 is expected to require over **42,000 tons of graphite anode material every year** at a 35GWh capacity of new cell production. In early 2017, Tesla CEO, Elon Musk spoke of three new potential Gigafactories for post-2020 production, which would have a major impact on the raw materials, such as graphite, necessary to fuel these plants.

The market growth for graphite comes from lithium-ion batteries. Batteries represent the most significant demand driver for battery-grade (coated spherical or 'CSPG') graphite.

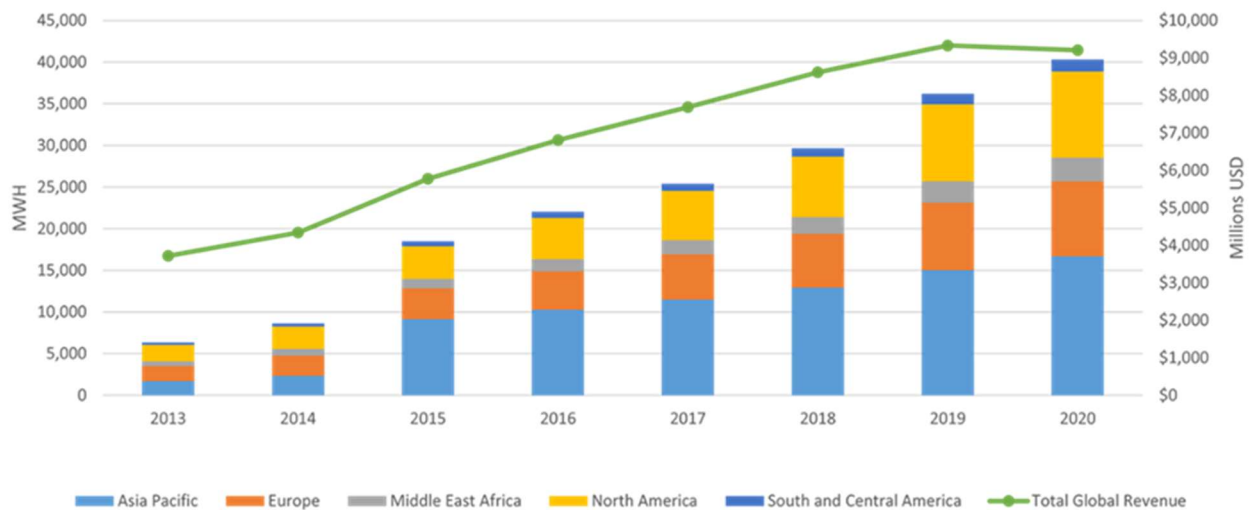
There are two types of CSPG graphite used in Li-ion batteries — synthetic and natural. Due to cost and performance efficiencies, many battery manufacturers are transitioning to natural graphite.

Within the lithium-ion battery market itself, there are three main market segments.

1. **Transportation Batteries:** to power electric vehicles; the electrification of automotive is evolving rapidly from niche to mainstream (significant forecasted growth)
2. **Stationary Storage Batteries:** energy storage for electrical grid, commercial and residential buildings; also, referred to grid-storage batteries (exponential forecasted growth)
3. **Consumer Electronics Batteries:** smartphones, laptops, tablets, wearable electronics, power tools, and other battery-powered devices (moderate forecasted growth)

#### Transportation Batteries

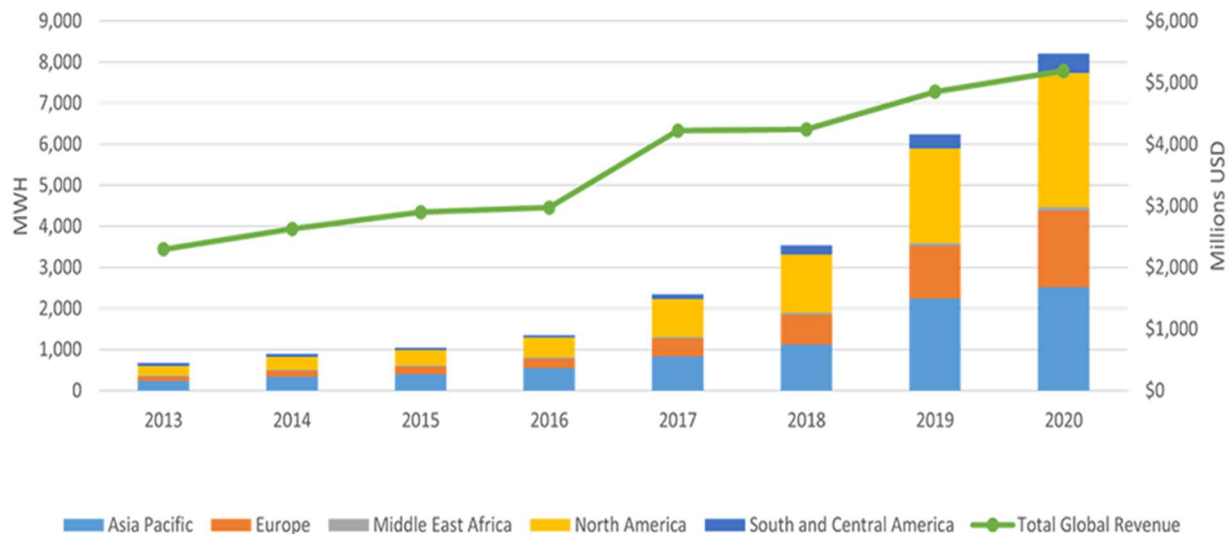
#### All Applications in Energy Capacity by Region and Global Revenue (2013-2020)



Overall, battery sales into the transportation sector will grow from 18.5 GWh in 2015 to 40.3 GWh in 2020. Revenue will grow from USD\$5.7 billion to USD\$9.2 billion, representing a CAGR of 9.8% (source: Cairn Energy Research Advisors, 2015)

**Stationary Batteries**

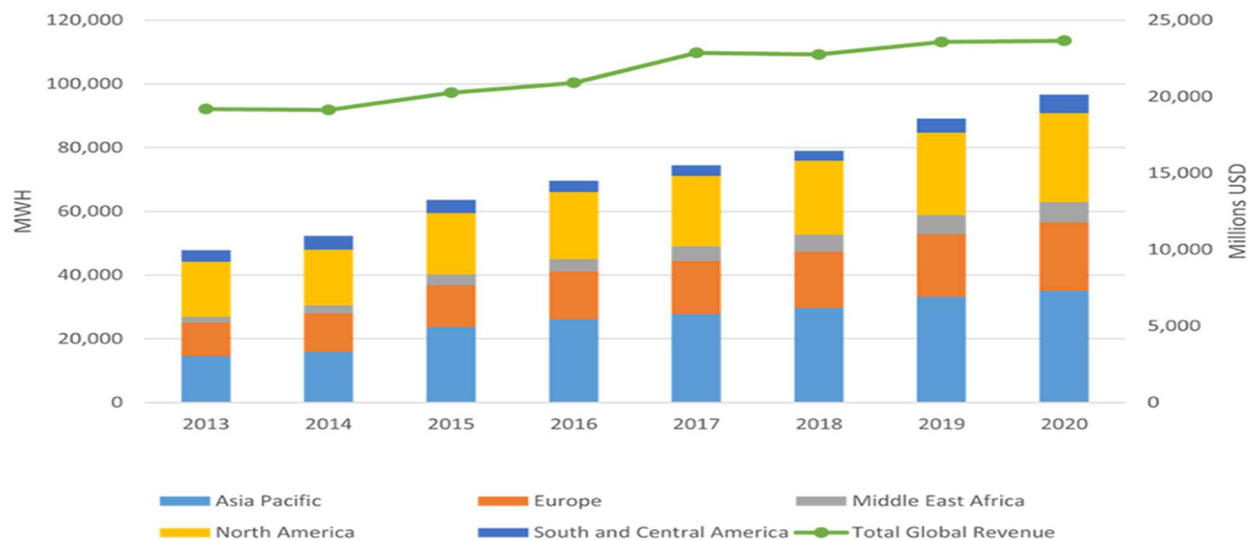
**All Applications in Energy Capacity by Region and Global Revenue (2013-2020)**



Stationary storage battery sales will grow from 671 MWh in 2013 to 8.2 GWh in 2020. The 2015 to 2020 forecasted CAGR is 51.1%. Revenue will grow from USD\$2.3 billion in 2013 to USD\$4.8 billion in 2020. The forecasted CAGR for revenue growth between 2015 and 2020 is 12.4% (source: Cairn Energy Research Advisors, 2015)

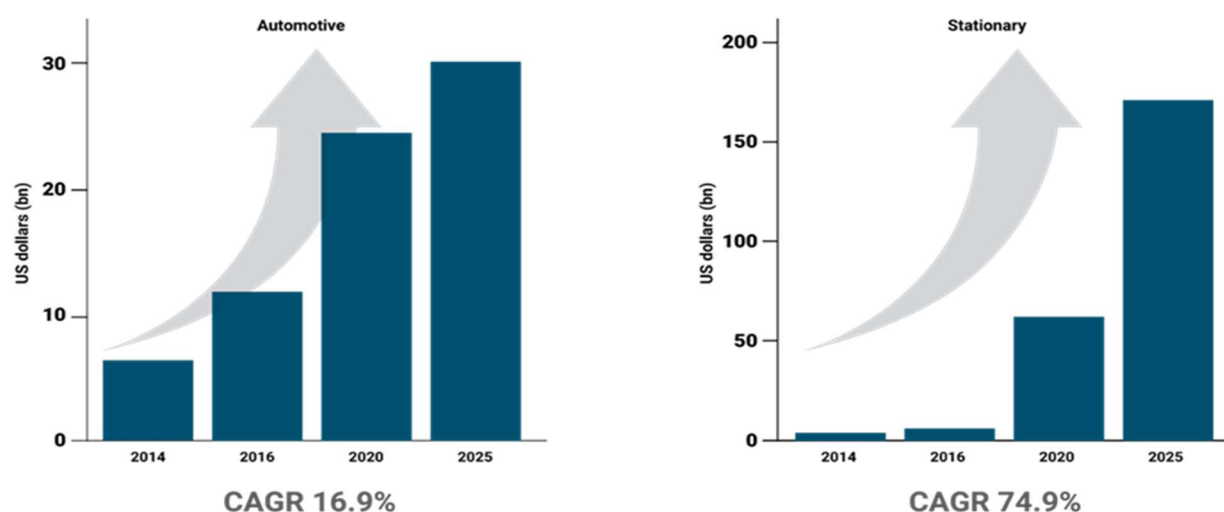
**All Battery Market Segments**

**Global Battery Forecast — Transportation, Stationary and Consumer Electronic Segments Combined (2013-2020)**



The global battery market will nearly double in size from 47.7 GWh in 2013 to 96.6 GWh in 2020, representing a 5-year CAGR of 8.7% for the next 5 years (source: Cairn Energy Research Advisors, 2015)

### Panasonic's Forecast for Lithium-ion Battery Growth



(source: Benchmark Mineral Intelligence/Panasonic Corporation, 2015)

\* source: Industrial Minerals (October 2015)

\*\* source: Benchmark Mineral Intelligence (September 2015)

## SELECTED FINANCIAL INFORMATION

### Going concern assumption and liquidity risk

Given that the Company has not yet determined whether its mineral properties contain mineral resources that are economically recoverable, the Company has not yet generated cash flows from its operations. As at June 30, 2017, the Company has a deficit of \$3,268,585 and a working capital of \$559,717 which will not be sufficient to support the Company's needs for cash during the coming year.

The accompanying financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. 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, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern.

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations, its exploration and evaluation programs and pay general and administration costs. Management doesn't consider current funds to be sufficient for the Company to continue operating. Any future funding shortfall may be met in a number of ways, including the issuance of new shares by the Company, cost reductions and other measures. While the Company has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future. If Management is unable to obtain the required funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary should the going concern assumption not be appropriate. These adjustments could be material.

**SRG GRAPHITE INC.** (Formerly Sama Graphite Inc.)

## Management's discussion and analysis for the second quarter ended June 30, 2017

**Financial Position Analysis**

The information presented at June 30, 2017 and December 31, 2016, represents the consolidated information of SRG following the Reverse Takeover transaction while those for the year ended December 31, 2015 are those of Sama Guinee only.

	June 30, 2017	December 31, 2016	December 31, 2015
	\$	\$	\$
Total assets	2,004,058	2,949,322	448,349
Total liabilities	83,527	647,518	1,787,086
Total equity (deficiency)	1,920,531	2,301,804	(1,338,737)
Working capital (deficiency)*	559,717	1,624,173	(1,784,074)

\*Working capital is a measure of current assets less current liabilities.

Assets

Total assets at June 30, 2017 were \$2,004,058 compared to \$2,949,322 at December 31, 2016, a decrease of \$945,264 mainly due to a decrease in cash of \$1,721,355 which served to fund the Company's ongoing activities. See cash flows analysis for more detail on the use of these funds. However, that decrease in cash was offset by an increase of prepaid expenses and deposits of \$80,776, property and equipment of \$52,260 and exploration and evaluation assets of \$630,923. The increase in prepaid expenses and deposits is related to a payment of \$48,000 done in advance on an investor relation agreement and to a deposit of \$26,950 on a drilling campaign. The increase in property and equipment is related to the acquisition of a truck.

Liabilities

Total liabilities at June 30, 2017 were \$83,527 compared to \$647,518 at December 31, 2016, a decrease of \$563,991. Accounts payables and accrued liabilities have decreased by \$237,255, due to the major shareholder by \$267,590 and the due to the related company by \$59,146. The Company was able to make these payments as a result of the private placement closed as part of the Reverse Takeover transaction.

Equity

At June 30, 2017, the Company had an equity of \$1,920,531 compared to \$2,301,804 December 31, 2016, a decrease of \$381,273 mainly due to the period net loss of \$1,183,933. However, this decrease was offset by the exercise of options and warrants which generated proceeds of \$47,200 and by the recognition of a stock-based compensation of \$755,460 related to the issuance of 3,783,000 stock options.

**Operating Results analysis**

Readers are invited to take into consideration that the results herein presented for the three-month and six-month period ended on June 30, 2017 represent the consolidated results of SRG Graphite Inc. and its subsidiary following the Reverse Takeover transaction, which results are being compared to past financial results of Sama Guinee only.

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	\$	\$	\$	\$
Revenues	-	-	-	-
Net loss	559,444	10,929	1,183,933	15,428
Net loss per share	0.01	0.00	0.02	0.00

## SRG GRAPHITE INC. (Formerly Sama Graphite Inc.)

### Management's discussion and analysis for the second quarter ended June 30, 2017

For the three-month period ended June 30, 2017, the Company recorded a net loss of \$559,444 compared to \$10,929 for the same period in 2016, an increase of \$548,515. This increase in net loss is mainly due to the recognition of a stock-based compensation (\$331,053), to an increase in consulting fees (\$24,183), in travel and representation (\$23,514), in office administration (\$54,012), in office supplies, utilities and rent (\$20,804), in investor relation fees (\$39,000) and in foreign exchange (\$22,601). The increase in foreign exchange is related to the fluctuations of the Guinean franc compared to the Canadian dollar. Most of these increases are directly attributable to the consolidation of results of SRG Graphite Inc. and its subsidiary following the completion of the Reverse Takeover transaction on December 31, 2016.

For the six-month period ended June 30, 2017, the Company recorded a net loss of \$1,183,933 compared to \$15,428 for the same period in 2016, an increase of \$1,168,505. This increase in net loss is mainly due to the recognition of a stock-based compensation (\$755,460), to an increase in consulting fees (\$67,408), in travel and representation (\$60,467), in office administration (\$76,897), in office supplies, utilities and rent (\$41,148), in investor relation fees (\$68,000) and in foreign exchange (\$45,289). The increase in foreign exchange is related to the fluctuations of the Guinean franc compared to the Canadian dollar. Most of these increases are directly attributable to the consolidation of results of SRG Graphite Inc. and its subsidiary following the completion of the Reverse Takeover transaction on December 31, 2016.

#### Cash Flows analysis

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	\$	\$	\$	\$
Cash required by operating activities	(110,448)	(10,510)	(750,311)	(14,626)
Cash required by investing activities	(381,961)	(36,477)	(691,508)	(54,760)
Cash generated (required) by financing activities	(6,372)	39,922	(279,536)	70,231

#### THREE-MONTH PERIOD ENDED JUNE 30, 2017 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2016

##### Operating Activities

For the three-month period ended June 30, 2017, operating activities required cash flows of \$110,448 compared to \$10,510 for the same period in 2016, an increase of \$99,938. This increase in the use of cash flows is mainly due to the net loss increase after adjustment for items not affecting cash which went from \$10,569 in 2016 to \$227,810 in 2017. However, this increase in the use of cash flows was offset by the non-cash working capital items which generated cash flows of \$117,362 in 2017 compared to \$59 for the same period in 2016.

##### Investing Activities

For the three-month period ended June 30, 2017, investing activities required cash flows of \$381,961 compared to \$36,477 for the same period in 2016, an increase of \$345,484 due to exploration and evaluation expenditures which required cash flows of \$325,698 in 2017 compared to \$36,477 in 2016 and to property and equipment acquisition of \$56,263 in 2017.

##### Financing Activities

For the three-month period ended June 30, 2017, financing activities required cash flows of \$6,372 compared to generated cash flows of \$39,922 for the same period in 2016, a decrease in generated cash flows of \$46,294. This decrease is mainly due to advances received in 2016 from the major shareholder and related company of \$29,348 and \$10,574 respectively.

# SRG GRAPHITE INC. (Formerly Sama Graphite Inc.)

## Management's discussion and analysis for the second quarter ended June 30, 2017

### SIX-MONTH PERIOD ENDED JUNE 30, 2017 COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

#### Operating Activities

For the six-month period ended June 30, 2017, operating activities required cash flows of \$750,311 compared to \$14,626 for the same period in 2016, an increase of \$735,685. This increase in the use of cash flows is mainly due to the net loss increase after adjustment for items not affecting cash which went from \$14,708 to \$427,405 in 2017. In addition, non-cash working capital items required cash flows of \$322,906 in 2017 compared to generated cash flows of \$82 for the same period in 2016. The required cash flows were mainly for prepaid expenses and deposits and accounts payable and accrued liabilities.

#### Investing Activities

For the six-month period ended June 30, 2017, investing activities required cash flows of \$691,508 compared to \$54,760 for the same period in 2016, an increase of \$636,748 due to exploration and evaluation expenditures which required cash flows of \$630,621 in 2017 compared to \$54,760 in 2016 and to property and equipment acquisition of \$60,887 in 2017.

#### Financing Activities

For the six-month period ended June 30, 2017, financing activities required cash flows of \$279,536 compared to generated cash flows of \$70,231 for the same period in 2016, an increase in the use of cash flows of \$349,767. In 2017, the required cash flows are due to the repayment of the due to the major shareholder and the repayment of a portion of the due to the related company. However, these outflows were offset by the exercise of options and warrants which generated cash flows of \$47,200. In 2016, the generated cash flows were due to advances received from the major shareholder and related company of \$60,061 and \$10,170 respectively.

#### **Quarterly Results Trends**

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended December 31, 2016.

Readers are invited to take into consideration that the results herein presented following the Reverse Takeover transaction on December 31, 2016 represent the consolidated results of the Company, which results are being compared to past financial results of Sama Guinee.

	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	March 31, 2016	Dec 31, 2015	Sept 30, 2015
		\$	\$	\$	\$	\$	\$	\$
<b>Operations:</b>								
Revenues	-	-	-	-	-	-	-	-
Net loss	(559,444)	(624,489)	(726,726)**	(2,342)	(10,929)	(4,499)	(8,535)	(988,975)*
Net loss per share	(0.01)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)

\*The main impact in net loss is due to the exploration and evaluation assets impairment \$959,222 recognized on the Lola Base Metal property.

\*\* The main impact in net loss is due to the listing expense of \$589,017 recognized as part of the Reverse Takeover transaction.

## TRANSACTIONS WITH RELATED PARTIES

### Transactions with key management personnel

During the six-month period ended June 30, 2017, the Company incurred accounting fees of \$23,000 (for the six-month period ended June 30, 2016 – nil) with the Chief Financial Officer. These fees are recorded under accounting fees.

During the six-month period ended June 30, 2017, the Company incurred consulting fees of \$46,251 (for the six-month period ended June 30, 2016 – \$nil) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of \$37,001 of these fees have been capitalized to the Company's exploration and evaluation assets.

During the six-month period ended June 30, 2017, the Company recognized a stock-based compensation of \$345,901 (for the six-month period ended June 30, 2016 – nil) in connection with stock options granted to officers and directors.

### Transactions with related parties:

During the six-month period ended June 30, 2017, the major shareholder charged a total amount of \$6,145 which was recorded under office supplies, utilities and rent (for the six-month period ended June 30, 2016 – nil).

As of June 30, 2017, the related company had advanced a total of \$56,060 (major shareholder and related company had advanced a total of \$382,796 as at December 31, 2016) to the Company to fund the Company's ongoing activities. These advances are non-interest bearing, unsecured and due on demand.

### Termination and Change of Control Provisions

Certain agreements between the executive team and the Company contain termination without cause and change of control provisions.

Certain employment agreements between the executive team and the Company contain termination without cause and change of control provisions. Assuming that all members of the executive team had been terminated without cause on June 30, 2017, total amounts payable to the executive team in respect of severance would have totaled \$257,000. If a change of control had occurred on June 30, 2017, total amounts payable to the executive team in respect of severance, if elected by each executive team member would have totaled \$257,000.

However, the severance payable to the President and Chief Executive Officer would be paid jointly between the Company and Sama Resources Inc., the major shareholder since the services performed under the agreement are to be allocated between both companies on the pro-rata basis on the time spent to each company.

## OUTSTANDING SHARE DATA

	Number of Shares Outstanding (Diluted)
<b>Outstanding as of July 21, 2017</b>	50,882,719
Shares reserved for issuance pursuant to warrants outstanding	72,000
Shares reserved for issuance pursuant to stock options outstanding	4,008,000
<b>Shares outstanding - fully diluted</b>	<u>54,962,719</u>

**SRG GRAPHITE INC.** (Formerly Sama Graphite Inc.)  
Management's discussion and analysis for the second quarter ended June 30, 2017

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As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number Outstanding	Exercise Price	Expiry Date
	\$	
3,583,000	0.365	February 20, 2027
200,000	0.365	February 28, 2019
200,000	0.500	March 31, 2027
25,000	0.360	June 14, 2027
<b>4,008,000</b>		

As at the date of this MD&A, the Company had outstanding warrants enabling holders to acquire common shares of the Company as follows:

Number	Exercise Price	Expiry Date
	\$	
72,000	0.15	November 3, 2017

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements

## CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Canada Business Corporations Act dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the federal laws of Canada, the directors and officers of the Company are required to act honestly, in good faith, and in the best interests of the Company.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is full disclosure of the Company's critical accounting policies and accounting estimates in Note 3 of the audited consolidated financial statements for the year ended December 31, 2016.

## ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in Note 4 of the audited consolidated financial statements.

## **RISKS AND UNCERTAINTIES**

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### **Early Stage – Need for Additional Funds**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### **Exploration and Evaluation**

Mineral exploration and evaluation is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims to which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### **Supplies, Health and Infrastructure**

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, healthy labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. In Guinea, power may need to be generated onsite.

### **Title Risks**

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, transfers, or native claims, and title may be affected by undetected defects.

### **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in most countries provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

#### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

#### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

The Company's activities are conducted in Guinea, Africa. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

#### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

#### **Operating Hazards and Risks**

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.