

**CANADA CARBON INC.**

**FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018  
(EXPRESSED IN CANADIAN DOLLARS)**

(UNAUDITED-PREPARED BY MANAGEMENT)

These financial statements have not been reviewed by the Company's auditor.

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Canada Carbon Inc. for the three month period ended March 31, 2019 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors. Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**CANADA CARBON INC.**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**AS AT**

	March 31, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 7)	361,501	604,524
Receivables (Note 8)	20,742	29,693
Prepaid expenses (Note 9)	8,499	17,058
<b>Total current assets</b>	<b>390,742</b>	<b>651,275</b>
<b>Exploration and evaluation assets</b> (Note 10)	<b>6,611,044</b>	<b>6,602,672</b>
<b>Drilling and reclamation deposits</b> (Note 11)	<b>5,000</b>	<b>5,000</b>
<b>Total assets</b>	<b>7,006,786</b>	<b>7,258,947</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 13)	864,717	884,869
Flow through liability	5,837	5,837
Restoration, rehabilitation and environmental obligations (Note 12)	15,089	15,089
<b>Total current liabilities</b>	<b>885,643</b>	<b>905,795</b>
Restoration, rehabilitation and environmental obligations (Note 12)	30,000	30,000
<b>Total liabilities</b>	<b>915,643</b>	<b>935,795</b>
<b>Shareholders' equity</b>		
Capital stock (Note 14)	32,175,376	32,175,376
Reserves	1,062,121	1,066,391
Deficit	(27,146,354)	(26,918,615)
<b>Total shareholders' equity</b>	<b>6,091,143</b>	<b>6,323,152</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,006,786</b>	<b>7,258,947</b>

**Nature and continuance of operations** (Note 1)

**Commitments and contingencies** (Note 17)

**On behalf of the Board:**

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**See accompanying notes to the financial statements.**

**CANADA CARBON INC.**  
**UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31**

	2019	2018
<b>EXPENSES</b>		
Management fees (Note 13)	\$ 71,500	\$ 71,500
Consulting fees	2,278	4,703
Professional fees (Note 13)	126,063	141,577
Office, rent and miscellaneous	12,077	5,959
Shareholder communications and promotion	11,003	22,769
Share based compensation (Note 14)	(4,270)	2,054
Transfer agent and filing fees	7,825	7,600
Travel and accommodation	2,023	-
<b>Loss before other items</b>	<b>228,499</b>	<b>256,162</b>
<b>OTHER ITEMS</b>		
Foreign exchange (gain) loss	211	(254)
Investment income	(971)	(2,392)
Flow through premium	-	(13,345)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 227,739</b>	<b>\$ 240,171</b>
<b>Basic and diluted net loss per common share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>109,589,074</b>	<b>103,349,074</b>

**See accompanying notes to the financial statements.**

**CANADA CARBON INC.**  
**STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**FOR THE THREE MONTHS ENDED MARCH 31**

	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) for the period	(227,739)	(240,171)
Items not affecting cash:		
Share-based compensation	(4,270)	2,054
Flow-through premium	-	(13,345)
Unrealized foreign exchange (gain) loss	152	(288)
	<u>(231,857)</u>	<u>(251,750)</u>
Change in non-cash working capital items:		
Decrease in receivables	8,951	2,279
Decrease (increase) decrease in prepaid expenses	8,559	(13,543)
Increase in accounts payable and accrued liabilities	7,107	113,319
Net cash flows from operating activities	<u>(207,240)</u>	<u>(149,695)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	-	-
Share issue costs	(3,716)	-
Net cash flows from financing activities	<u>(3,716)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(31,915)	(114,494)
Quebec tax credits received	-	7,212
Net cash flows from investing activities	<u>(31,915)</u>	<u>(107,282)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(152)</u>	<u>288</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(243,023)</b>	<b>(256,689)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>604,524</b>	<b>875,272</b>
<b>Cash and cash equivalents, end of period (Note 7)</b>	<b>361,501</b>	<b>618,583</b>

**Supplemental disclosure with respect to cash flows (Note 15)**

**See accompanying notes to the financial statements.**

**CANADA CARBON INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Number of Shares	Capital Stock \$	<i>Reserves</i>		Deficit \$	Total \$
			Equity settled share- based payments reserve \$	Warrant reserve \$		
Balance December 31, 2017	103,349,074	31,677,484	847,505	197,165	(25,944,127)	6,778,027
Share-based compensation	-	-	2,054	-	-	2,054
Net loss and comprehensive loss for the three month period	-	-	-	-	(240,171)	(240,171)
Balance March 31, 2018	103,349,074	31,677,484	849,559	197,165	(26,184,298)	6,539,910
Issued pursuant to private placement	5,600,000	439,389	-	148,611	-	588,000
Issued pursuant to surface access agreement	40,000	5,600	-	-	-	5,600
Issued pursuant to option exercises	600,000	60,000	-	-	-	60,000
Fair value of options exercised	-	27,584	(27,584)	-	-	-
Expiry of options	-	-	(160,379)	-	160,379	-
Share-based compensation	-	-	70,619	-	-	70,619
Issue costs-cash	-	(34,681)	-	(11,600)	-	(46,281)
Net loss and comprehensive loss for the nine month period	-	-	-	-	(894,696)	(894,696)
Balance December 31, 2018	109,589,074	32,175,376	732,215	334,176	(26,918,615)	6,323,152
Share-based compensation	-	-	(4,270)	-	-	(4,270)
Net loss and comprehensive loss for the three month period	-	-	-	-	(227,739)	(227,739)
Balance March 31, 2019	109,589,074	32,175,376	727,945	334,176	(27,146,354)	6,091,143

**See accompanying notes to the financial statements.**

CANADA CARBON INC.  
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Canada Carbon Inc. (hereafter the "Company") was incorporated in British Columbia on August 13, 1985 and is listed on the TSX Venture Exchange ("TSX-V").

The Company's principal business is the acquisition, exploration and evaluation of mineral properties. In fiscal 2012 the Company positioned itself as a carbon science company focused on graphite. The Company is in the exploration and evaluation stage on its projects and as such, to date, has not generated significant revenues from its operations.

The Company's head office is located at 1166 Alberni Street, Suite 605, Vancouver, BC, V6E 3Z3.

The condensed interim financial statements were approved by the Board of Directors on May 13, 2019.

The Company is in the process of exploring its exploration and evaluation assets. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, the achievement of profitable production, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainty.

These condensed interim financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2019, the Company had a working capital deficit of \$494,901 and an accumulated deficit of \$27,146,354 compared to working capital of \$254,520 and an accumulated deficit of \$26,918,615 as at December 31, 2018. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes.

CANADA CARBON INC.  
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**3. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

In the preparation of these condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates.

**4. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018 and were prepared using the same accounting policies, method of computation and presentation as were applied in the annual financial statements for the year ended December 31, 2018, except for the changes noted below.

**Adoption of new and amended IFRS pronouncements**

We have adopted the new and amended IFRS pronouncement listed below as at January 1, 2019, in accordance with the transitional provisions outlined in the respective standard.

IFRS 16 – Leases (“IFRS 16”), was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. The adoption of IFRS 16 did not affect our financial results or disclosures as our analysis determined that no changes were required to our existing accounting treatment as the Company does not have any leases.

**Future accounting changes**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**5. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company's capital structure to primarily consist of the components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

**5. CAPITAL MANAGEMENT (Continued)**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

**6. FINANCIAL RISK FACTORS**

There have been no significant changes in the risks, objectives, policies and procedures during the three ended March 31, 2019. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk**

The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax and tax credits due from the Federal and Provincial Governments. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Additional funding will be required to get the Miller project through the current legal proceedings and the feasibility stage; however, management believes it will be able to obtain the necessary funding.

**Market risk**

(a) **Interest rate risk**

The Company has cash balances and no interest-bearing debt, therefore, interest rate risk is minimal.

(b) **Foreign currency risk**

The majority of the Company's administrative expenditures are transacted in Canadian dollars. The Company funds certain expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management does not hedge its foreign exchange risk. The Company holds negligible cash balances in US dollars.

(c) **Price risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(d) **Title risk**

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

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next three-month period.

CANADA CARBON INC.  
 NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 (EXPRESSED IN CANADIAN DOLLARS)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of the Company are comprised of the following items:

	<i>March 31,</i> <i>2019</i>	<i>December 31,</i> <i>2018</i>
Cash balances	\$ 67,365	\$ 311,356
Short term money market instruments	294,136	293,168
Total	\$ 361,501	\$ 604,524

The Company's short term money market instruments accrued interest at a rate of 1.35% (2018 –1.35%) per annum and were redeemable at any time without penalty.

**8. RECEIVABLES**

The receivables balance is comprised of the following items:

	<i>March 31,</i> <i>2019</i>	<i>December 31,</i> <i>2018</i>
Sales tax due from federal and provincial governments	\$ 20,742	\$ 29,693
Total	\$ 20,742	\$ 29,693

**9. PREPAID EXPENSES**

The prepaid expense balance is comprised of the following items:

	<i>March 31,</i> <i>2019</i>	<i>December 31,</i> <i>2018</i>
Insurance	\$ 3,459	\$ 7,834
Investor information/promotion	1,796	5,695
Consulting and advisory fee	2,677	2,962
Other	567	567
Total	\$ 8,499	\$ 17,058

CANADA CARBON INC.  
 NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 (EXPRESSED IN CANADIAN DOLLARS)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**10. EXPLORATION AND EVALUATION ASSETS**

At March 31, 2019, expenditures incurred on exploration and evaluation assets were as follows:

	Asbury Graphite Property, Quebec	Miller Property, Quebec	March 31, 2019
Acquisition costs:			
Balance, beginning of year	\$ 654,379	\$ 383,014	\$ 1,037,393
Additions during the period	-	-	-
Balance, end of period	654,379	383,014	1,037,393
Deferred exploration costs:			
Balance, beginning of year	554,509	5,010,770	5,565,279
Assays	-	-	-
Field supplies and equipment	-	-	-
Surveys and other studies	-	-	-
Community consultations	-	-	-
Geologists, consultants and other labour	-	3,514	3,514
Excavation, drilling and transportation	-	1,155	1,155
Travel, meals and accommodation	-	266	266
Admin and other expenses	-	3,437	3,437
Additions (recoveries) during the period	-	8,372	8,372
Balance, end of period	554,509	5,019,142	5,573,651
<b>Total</b>	<b>\$1,208,888</b>	<b>\$ 5,402,156</b>	<b>\$ 6,611,044</b>

**11. DRILLING AND RECLAMATION DEPOSITS**

The following table details the outstanding drilling and reclamation deposits:

<i>Property</i>	<i>March 31, 2019</i>	<i>December 31, 2018</i>
Rare Earth (Note 12)	\$ 5,000	\$ 5,000
<b>Total</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>

**12. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS**

The restoration work to reclaim the Arcadia property was completed in the third quarter of 2017 and payment was made. The provision of \$5,089 has been retained to cover the cost of final inspection which is expected to occur in 2019.

The Company has recorded an obligation of \$10,000 for the Rare Earth property. The restoration costs are expected to be incurred in 2019. See Note 11.

The Company has also recorded an obligation of \$30,000 for the Miller graphite property to reclaim disturbance caused by the work programs. The restoration costs are expected to be incurred in 2039.

CANADA CARBON INC.  
 NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 (EXPRESSED IN CANADIAN DOLLARS)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**12. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS (Continued)**

The following is an analysis of the restoration, rehabilitation and environmental obligations:

Balance, December 31, 2018	\$ 45,089
Deductions	-
Additions	-
Balance, March 31, 2019	<u>\$ 45,089</u>

**13. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

*Trading transactions*

The Company entered into the following transactions with related parties

	Nature of transactions	Notes	<i>Three months ended March 31</i>	
			2019	2018
R. Bruce Duncan	Management	a	\$ 62,500	\$ 62,500
Directors	Management	b	\$ 9,000	\$ 9,000
Olga Nikitovic	Professional fees	c	\$ 30,000	\$ 30,000
Aird & Berlis	Professional fees	d	\$ -	\$ 475

a) The fees for R. B. Duncan, CEO, are included in management fees. As at March 31, 2019, \$494,583 (2018 - \$236,250) was included in accounts payable.

b) Fees for independent directors are included in management fees. As at March 31, 2019, \$60,000 (2018 - \$27,000) was included in accounts payable.

c) Fees for Olga Nikitovic, CFO relate to financial management and accounting services which are charged to professional fees. As at March 31, 2019, \$238,000 (2018 - \$114,000) was included in accounts payable.

d) Tom Fenton, Corporate Secretary for the Company is a partner with Aird & Berlis, LLP. Legal fees of \$Nil (2018 - \$475) are included in professional fees. As at March 31, 2019, \$Nil (2018 - \$475) was included in accounts payable.

All related party amounts included in accounts payable are unsecured, non-interest bearing and payable on demand.

*Compensation of key management personnel*

	Notes	<i>Three months ended March 31</i>	
		2019	2018
Salaries	a	\$ 101,500	\$ 101,500
Share-based payments	b	-	-
		<u>\$ 101,500</u>	<u>\$ 101,500</u>

a) The Company does not pay any health or post-employment benefits. The salaries represent the fees for the CEO, CFO and directors which are included in the trading transactions above.

b) Share-based payments include the fair value of options issued for services granted to key management and directors.

CANADA CARBON INC.  
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS**

**Capital Stock**

The Company has authorized an unlimited number of common shares without par value. As at March 31, 2019, the Company had 109,589,074 common shares outstanding (December 31, 2018 – 109,589,074).

There were no capital transactions within the three month ended March 31, 2019.

**Share Purchase Warrants**

At March 31, 2019, the following warrants were outstanding.

Expiry Date	Exercise Price \$	Number of Warrants	Remaining contractual life (years)	Currently exercisable	Remaining contractual life (years)
April 12, 2020	0.30	2,500,000	1.03	2,500,000	1.03
April 26, 2020	0.30	3,430,000	1.07	3,430,000	1.07
May 11, 2021	0.11	2,800,000	2.11	2,800,000	2.11
December 11, 2021	0.18	2,800,000	2.70	-	-
		11,530,000	1.71	8,730,000	1.39

The following is a summary of the warrant transactions for the three months ended March 31, 2019 and the year ended December 31, 2018.

	<i>Three months ended March 31, 2019</i>		<i>Year ended December 31, 2018</i>	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of year	11,530,000	0.22	5,930,000	0.30
Warrants issued	-	-	5,600,000	0.145
Warrants exercised	-	-	-	-
Warrants expired	-	-	-	-
Balance, end of year	11,530,000	0.22	11,530,000	0.22

CANADA CARBON INC.  
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Share Purchase Warrants (Continued)**

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued during the three months ended March 31, 2019 and the year ended December 31, 2018.

	Three months ended March 31, 2019	Year ended December 31, 2018
Share price	-	\$ 0.20
Risk-free interest rate	-	0.80%
Expected dividend yield	-	0.00%
Expected stock volatility	-	45%
Expected warrant life in years	-	3.0 years

**Stock Options**

The Company is authorized to grant to directors, employees and consultants up to 20% of the issued and outstanding capital stock of the Company. Under the plan, the exercise price of each option equals the market price, less any applicable discounts of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

As at March 31, 2019, the following incentive stock options were outstanding:

Expiry Date	Exercise Price \$	Options Outstanding		Options Exercisable	
		Number of Options Outstanding	Weighted average remaining contractual life (years)	Number of Options Vested	Weighted average remaining contractual life (years)
July 15, 2019	0.20	1,200,000	0.29	1,200,000	0.29
October 30, 2019	0.22	500,000	0.58	500,000	0.58
October 30, 2020	0.245	1,000,000	1.58	1,000,000	1.58
August 4, 2022	0.19	2,100,000	3.34	2,100,000	3.34
June 8, 2023	0.10	900,000	4.19	900,000	4.19
November 12, 2023 <sup>(i)</sup>	0.15	100,000	4.62	-	-
		5,800,000	2.32	5,700,000	2.28

(i) 100,000 options vest in three equal instalments over 18 months.

CANADA CARBON INC.  
 NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 (EXPRESSED IN CANADIAN DOLLARS)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)**

**Stock Options (Continued)**

The following is a summary of stock option transactions for the three months ended March 31, 2019 and the year ended December 31, 2018.

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	6,300,000	0.19	6,925,000	0.19
Options granted	-	-	1,500,000	0.12
Options exercised	-	-	(600,000)	0.10
Options expired (forfeited)	(500,000)	0.15	(1,525,000)	0.17
Balance end of year	5,800,000	0.19	6,300,000	0.19

**Share-Based Compensation**

There were no options granted in the three months ended March 31, 2019 and March 31, 2018. Share-based compensation for three months ended March 31, 2019 of \$(4,270) (2018 - \$2,054) has been charged to share-based compensation expense with a corresponding amount being recorded in the equity settled share-based payments reserve.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted during the three months ended March 31, 2019 and the year ended March 31, 2018.

	Three months ended March 31, 2018	Year ended December 31, 2018
Share Price	-	\$ 0.12
Risk-free interest rate	-	2.23%
Expected dividend yield	-	0.00%
Expected stock volatility	-	80.36%
Expected option life in years	-	5.0 years

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash investing and financing transactions for the three months ended March 31, 2019 consisted of:

- a) A decrease in accrued exploration and evaluation assets of \$23,543.

Significant non-cash investing and financing transactions for the three months ended March 31, 2018 consisted of:

- a) A decrease in accrued exploration and evaluation assets of \$12,989.
- b) A decrease in receivables included in exploration and evaluation assets of \$7,212.

CANADA CARBON INC.  
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

**16. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed in the condensed interim financial statements also represent segment amounts.

**17. COMMITMENTS AND CONTINGENCIES**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. See Note 12.

In December 2014, the Company entered into two-year employment contracts that are automatically renewable for one year periods with its CEO and CFO for \$20,833 and \$10,000 per month respectively. The Company is committed to pay \$370,000 per annum with respect to these contracts. These contracts contain clauses requiring additional payments of up to \$370,000 to be made upon the occurrence of certain events such as change of control. As a triggering event has not taken place, the contingent payments have not been reflected in the financial statements.