

GRAPHITE ONE INC.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2020

(Expressed in United States dollars)

(Unaudited)



NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditor has not performed a review of these consolidated interim financial statements.

GRAPHITE ONE INC.**Condensed Consolidated Interim Statements of Financial Position***(unaudited)**(Expressed in United States dollars)*

As at		June 30, 2020	December 31, 2019
			Note 4
ASSETS	Note		
Current assets			
Cash		\$ 282,133	\$ 168,608
Prepayments and deposits		138,502	250,828
Amounts receivable		6,140	4,155
Total current assets		426,775	423,591
Non-current assets			
Equipment		138,659	150,549
Exploration and evaluation property	5	17,196,921	15,881,167
Total non-current assets		17,335,580	16,031,716
Total assets		\$ 17,762,355	\$ 16,455,307
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable		\$ 779,960	\$ 301,161
Total current liabilities		779,960	301,161
Long term liabilities			
Loans payable	6	5,213,271	3,296,980
Total liabilities		5,993,231	3,598,141
Equity			
Share capital		26,369,451	26,369,451
Share option reserve		6,156,242	6,156,242
Cumulative translation adjustment		4,065,455	3,720,103
Deficit		(24,822,024)	(23,388,630)
Total equity		11,769,124	12,857,166
Total equity and liabilities		\$ 17,762,355	\$ 16,455,307

Going concern

2

Approved by the Board of Directors:

"Anthony Huston"

Director

"Douglas Smith"

Director

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

GRAPHITE ONE INC.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss***(unaudited)**(Expressed in United States dollars)*

	For the six month period ended June 30 2020		For the six month period ended June 30 2019		For the three month period ended June 30 2020		For the three month period ended June 30 2019	
Expenses								
Management fees and salaries	\$	657,157	\$	275,107	\$	495,545	\$	134,100
Marketing, advisory and investor relations		81,813		136,351		41,235		76,072
Office and administration		40,024		130,477		12,156		65,530
Professional fees		24,632		44,181		20,263		17,469
Share-based payments	7	191,854		274,950		191,854		274,950
		995,480		861,066		761,053		568,121
Other income (expenses)								
Foreign exchange loss		(183,807)		(35,152)		171,498		(29,555)
Interest income		-		14		-		14
Interest expense		(254,107)		(10,031)		(136,934)		(47)
		(437,914)		(45,169)		34,564		(29,588)
Net loss for the period	\$	1,433,394	\$	906,235	\$	726,489	\$	597,709
Other comprehensive loss								
Foreign currency translation		3,720,103		(513,911)		4,078,774		(276,614)
Net loss and comprehensive loss for the year	\$	5,153,497	\$	392,324	\$	4,805,263	\$	321,095
Basic and diluted loss per common share	\$	0.04	\$	0.02	\$	0.12	\$	0.01
Weighted average number of common shares outstanding		40,609,143		39,234,602		40,609,143		35,963,760

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

GRAPHITE ONE INC.**Condensed Consolidated Interim Statements of Cash Flows***(unaudited)**(Expressed in United States dollars)*

For the six month period ended June 30,	2020	2019
		\$ -
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	\$ (1,433,727)	\$ (906,943)
Items not involving cash:		
Foreign exchange on loan payable	352,322	-
Interest on loan payable	260,940	-
Changes in non-cash working capital items		
Amounts receivable	(2,176)	(3,062)
Prepayments and deposits	(4,067)	47,793
Trade and other accounts payable	328,529	14,656
	(498,179)	(512,778)
FINANCING ACTIVITIES		
Issuance of shares	-	1,499,753
Loan payable	1,655,351	-
	1,655,351	1,479,560
INVESTING ACTIVITIES		
Exploration and evaluation property	(1,036,738)	(489,518)
Purchase of equipment	(484)	(2,993)
Changes in non-cash working capital items		
Prepayments and deposits	-	(142,535)
	(1,037,222)	(635,046)
Foreign exchange on cash	(6,425)	20,769
(Decrease) increase in cash	119,950	331,736
Cash at beginning of period	168,608	340,887
Cash at end of period	\$ 282,133	\$ 693,392
Supplemental cash flow information:		
Non-cash transactions eliminated from the consolidated statements of cash flows:		
Depreciation capitalized to exploration and evaluation property	(12,198)	(8,563)
Change in Accounts payable related to investing activities	152,696	101,303
	\$ 140,498	\$ 92,740

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

GRAPHITE ONE INC.**Condensed Consolidated Interim Statements of Changes in Equity***(unaudited)**(Expressed in United States dollars)*

	Common Shares			Cumulative Translation Adjustment	Deficit	Total Equity
	Number	Amount	Share Option Reserve			
		\$	\$			
January 1, 2019	32,612,243	24,394,887	5,750,334	-	(21,849,900)	8,295,321
Shares issued on private placement	6,666,900	1,495,156	-	-	-	1,495,156
Shares issued on settlement of debt	1,330,000	500,120	-	-	-	500,120
Cost of share issuance	-	(20,130)	-	-	-	(20,130)
Share-based payments	-	-	329,940	-	-	329,940
Change in cumulative translation adjustment	-	-	-	478,775	-	478,775
Net loss for the period	-	-	-	-	(906,235)	(906,235)
June 30, 2019	40,609,143	26,370,033	6,080,274	478,775	(22,756,135)	10,172,947
January 1, 2020	40,609,143	26,369,451	6,156,242	621,492	(23,388,630)	9,758,555
Change in cumulative translation adjustment	-	-	-	3,443,963	-	3,443,963
Net loss for the period	-	-	-	-	(1,433,394)	(1,433,394)
June 30, 2020	40,609,143	26,369,451	6,156,242	4,065,455	(24,822,024)	11,769,124

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

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2020

(unaudited)

(Expressed in United States dollars)

1. NATURE OF OPERATIONS

Graphite One Inc. (“Graphite One” or the “Company”) was incorporated in Alberta and commenced operations on March 16, 2006 under the name Cedar Mountain Exploration Inc. (“Cedar Mountain”). Cedar Mountain changed its name to Graphite One Resources Inc. and adopted the symbol GPH on the TSX-V effective March 27, 2012. On February 27, 2019 the Company changed its name to Graphite One Inc. On June 11, 2012 the Company began trading in the over the counter market in the United States on the OTCQX under the symbol GPHOF and due to changes in the listing requirements of the OTCQX, the Company began trading on the OTCQB on April 1, 2017. The Company was continued into British Columbia on September 12, 2014. Graphite One is the parent company of the consolidated group.

Graphite One is engaged in the business of acquiring, exploring and evaluating graphitic material properties. Through its 100% owned subsidiary, Graphite One (Alaska) Inc., the Company is focused on the Graphite Creek property near Nome, Alaska, (the “Graphite Creek Project”).

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (SARS-CoV-2) causing COVID-19 as a pandemic, which continues to spread throughout North America. The spread of COVID-19 has caused significant volatility in North American and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19. The Company has and continues to take all prescribed steps to minimize the impact of the outbreak of the COVID-19 pandemic on the health of its employees, contractors and consultants. Working remotely, conducting virtual instead of in-person meetings, restricting travel and other measures for physical distancing are in place. Due to the uncertainty as to the duration of the pandemic and the impact on operations, the Company has experienced a delay in the expected completion of its Graphite Creek Pre-Feasibility Study (“PFS”) and will not be conducting any extensive field operations this year, which may delay progress on the Graphite Creek Project.

2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 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 is not limited to, twelve months from the end of the reporting period.

As at June 30, 2020, the Company had a cash balance of \$282,133 (December 31, 2019 - \$168,608) and working capital deficit (current assets minus current liabilities) of \$353,185 (December 31, 2019 - \$122,430). Current liabilities as at June 30, 2020 totaled \$779,960 (December 31, 2019 - \$301,161) and accumulated deficit totaled \$24,822,024 (December 31, 2019 - \$23,388,630). The Company has incurred losses since inception and does not generate any cash inflows from operations. In the six-month period ended June 30, 2020, cash used in operating activities totaled \$498,179.

The Company’s ability to continue to meet its obligations and carry out its planned exploration and development activities is uncertain and dependent upon the continued financial support of its

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

shareholders and on securing additional financing. The COVID-19 pandemic has created additional uncertainty in respect of the Company's ability to raise financing. Accordingly, there can be no assurance that the Company's financing initiatives will be successful and, as a result, this gives rise to material uncertainty that may cast significant doubt about the appropriateness of the going concern assumption. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material. Also refer to Note 1 for uncertainties in relation to COVID-19.

3. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to interim financial reports, including International Accounting Standard 34 ("Interim Financial Reporting"). These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

The unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on August 25, 2020.

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis. The statements are presented in United States dollars unless otherwise noted.

3.1 Significant judgments, estimates and assumptions

The preparation of the Company's unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Judgments:

Exploration and evaluation property: The Company is required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2020

(unaudited)

(Expressed in United States dollars)

any of these indicators are present, management would need to assess whether the exploration and evaluation property should be impaired.

Estimates and assumptions:

Share-based payments: Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

4. SIGNIFICANT ACCOUNTING POLICIES

Refer to the Company's annual audited consolidated financial statements for the years ended December 31, 2019 and 2018 for a summary of significant accounting policies.

4.1 Foreign currency translation – Functional and Presentation currency

Effective January 1, 2020, the functional currency of the Company's subsidiary, Graphite One (Alaska) Inc. ("US Subsidiary"), has changed from Canadian dollars to United States dollars as financing for exploration operations are now substantially raised in USD. Exploration expenditures in the US subsidiary are also primarily incurred in USD. The change in functional currency has been accounted for prospectively from the date of change.

The Company has also changed its presentation currency from the Canadian dollar ("CAD") to the United States dollar (" \$" or "USD") to better reflect the Company's business activities and to facilitate comparability to similar mining companies in the sector.

The Company retrospectively applied the change in presentation currency and restated the comparative financial information as if USD had always been the Company's presentation currency in accordance with the guidance in IAS 21 and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

The financial statements of the entity with a functional currency of CAD have been translated in accordance with IAS 21, as follows:

- Assets and liabilities presented and previously reported in CAD have been translated into US dollars using period end exchange rates;
- For equity, Management has opted to translate the balance as at January 1, 2018 (Opening balance sheet) at the period end exchange rate. All equity transactions post January 1, 2019 are translated using prevailing historical exchange rates;
- Other components of equity have been translated using historical foreign exchange rates in effect on the date that transactions occurred;
- Consolidated statements of loss and other comprehensive loss have been translated using the applicable average foreign exchange rates prevailing during the periods presented; and
- Any resulting exchange differences have been recorded within the foreign currency translation reserve accounts.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

5. EXPLORATION AND EVALUATION PROPERTY

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation property:

	Graphite Creek
Balance, December 31, 2018	\$ 11,423,274
Land management	71,228
Analysis	170,912
Geological consulting	627,471
Fieldwork	1,302,548
Drilling	297,188
Engineering	148,766
Technical assessments	370,191
Community consultation	141,304
Environmental studies	753,074
Translation adjustment	575,211
Balance, December 31, 2019	\$ 15,881,167
Land management	40,925
Analysis	185,402
Geological consulting	223,678
Fieldwork	180,678
Drilling	77
Engineering	45,377
Technical assessments	315,658
Community consultation	54,906
Environmental studies	269,053
Balance, June 30, 2020	\$ 17,196,921

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

5. EXPLORATION AND EVALUATION PROPERTY (cont'd)...**Graphite Creek Property Summary**

The Graphite Creek Property consists of a number of Alaska state mining claims (the "GC Purchased Property") and Alaska state mining claims around the GC Option Property (the "GC Staked Property").

In May 2015, the Company executed a long-term lease agreement with Kougarok LLC, commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease for two successive twenty year periods and ultimately for as long as production continues from the property. An advance royalty in the amount of \$30,000 was paid upon execution of the agreement, with annual payments of \$30,000 due each year until January 2019, and then increasing by \$10,000 each year until production commences. All required payments under the agreement have been made. The production royalties are to be calculated as follows: 5% from lands in 4 claims that were originally located in 1943, 2.5% from lands within 20 other claims, 5% from lands within state claims staked by the Company within the area of interest and 2.5% from state claims acquired by the Company within the area of interest. All advance royalties paid may be recouped from production royalties. The Company has the option to reduce the production royalties by up to 2% by paying \$2 million for each 1% reduction of the Graphite Creek Royalty.

On January 24, 2012, the Company purchased from a private individual (the "Seller") the GC Purchased Property for CA\$20,000 and a 2% production royalty on future production from the GC Purchased Property. The Company had the right to purchase the production royalty for CA\$1 million until January 24, 2015 (the "Royalty Purchase Option"). The Company and the Seller entered into an extension agreement effective January 24, 2015 (the "2015 Extension Agreement") whereby the Royalty Purchase Option could have been exercised at any time on or before the earlier of (i) January 24, 2017, or (ii) the date that is six (6) months after the release by the Company of a feasibility study on the Graphite Creek Property. In connection with the 2015 Extension Agreement, the Company issued to the Seller 769,231 common shares of the Company at an issue price of CA\$0.13 per share. In January 2017, the Company and the Seller agreed to further extend the terms of the Royalty Purchase Option and entered into an extension agreement effective January 24, 2017 (the "2017 Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before January 24, 2021. In connection with the 2017 Extension Agreement, the Company issued to the Seller 1,666,667 common shares of the Company at an issue price of CA\$0.09 per share and 1,153,846 common share purchase warrants of the Company.

During June 2015, the Company purchased from another private individual the balance of the GC Purchased Property (28 Alaska state mining claims covering the same lands as the 28 Alaska state mining claims acquired in January 2012) for \$50,000, the issuance of 3 million common shares of the Company at a fair value of CA\$270,000 and a royalty interest equal to 1% of the Net Smelter Returns received by the Company on production from the claims. The Company has the right to purchase the royalty for \$500,000 at any time within 36 months following the start of mine production.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

6. LOAN PAYABLE

On December 26, 2018 the Company entered into a loan agreement with Taiga Mining, Inc. (“Taiga”) to borrow \$500,000. The loan was unsecured with a term of five years. Interest was calculated on a simple interest basis at a rate of 8% per annum. On March 28, 2019, the loan payable was settled through the issuance of 1,330,000 shares of the Company at a price of CA\$0.50 per share and interest of CA\$13,274 was paid on settlement.

On September 6, 2019 the Company entered into a new loan agreement with Taiga to borrow up to \$4.8 million of which \$4.8 million has been drawn down as at March 31, 2020. The loan is unsecured with a term of two years, with principal and interest owing repayable by September 6, 2021. The interest rate on the loan is 12% per annum, compounded annually. The Company has the option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga.

On June 8, 2020 the Company entered into a new loan agreement with Taiga to borrow up to \$156,000 of which \$26,000 has been drawn down as at June 30, 2020. The loan is unsecured with a term of two years, with principal and interest owing repayable by June 8, 2022. The interest rate on the loan is 12% per annum, compounded annually. The Company has the option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga. Subsequent to June 30, 2020 an additional \$52,000 was drawn down on the loan.

In May 2020 the Company applied for and received approval for a CAD40,000 Canada Emergency Business Account (CEBA) and in late May and early June drew the full amount. The CEBA provides an interest-free loan of up to CAD40,000. Provided the loan is repaid on or before December 31, 2022, then 25% of the loan will be forgiven. No interest applies until January 1, 2023. After December 31, 2020, any outstanding loan balance will be converted into a non-revolving 5-year term loan, maturing on December 31, 2025, at which time the balance is to be repaid in full.

7. SHARE CAPITAL**7.1 Authorized**

Unlimited number of common shares with no par value.

7.2 Shares Issued

There were no share transactions during the six month period ended June 30, 2020.

The following share transactions occurred during the year ended December 31, 2019:

On March 28, 2019, the loan payable that was outstanding at December 31, 2018 (see Note 6: Loan payable) was settled through the issuance of 1,330,000 shares of the Company at a price of CA\$0.50 per share.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)***7. SHARE CAPITAL (cont`d...)**

On April 17, 2019 and May 14, 2019, the Company completed the first and second tranches of a private placement for total gross proceeds of CA\$2,000,070. ("2019-1 Private Placement"). Pursuant to the 2019-1 Private Placement, the Company issued a total of 6,666,900 units (the "2019-1 Units") at a price of CA\$0.30 per 2019-1 Unit. Each 2019-1 Unit consists of one common share and one transferable common share purchase warrant (a "2019-1 Warrant"). Each 2019-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of CA\$0.30 per share during the 12 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2019-1 Warrants. The Company paid finder's fees in the amount of CA\$1,601 and issued 5,336 non-transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2019-1 Warrants described above.

7.3 Share based compensation

Pursuant to a stock option plan (the "Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, and the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee or on the fifth anniversary of the date the option was granted. Options granted under the plan may not exceed five years and vest at terms to be determined by the board of directors at the time of the grant, but shall not be less than the price determined by policy or policies of the stock exchange(s) on which the Company's common shares are then listed, or CA\$0.05 per share. Occasionally, the Company issues stock options to agents which do not fall under the plan.

The following table summarizes activity related to stock options:

	Options	Weighted Average Exercise Price*
Balance, December 31, 2018	2,415,000	\$ 0.95
Granted	3,425,000	\$ 0.30
Expired	(2,080,000)	\$ 0.91
Forfeited	(225,000)	\$ 1.03
Balance, December 31, 2019	3,535,000	\$ 0.34
Granted	575,000	\$ 0.35
Expired	(50,000)	\$ 0.30
Balance, June 30, 2020	4,060,000	\$ 0.34

* in Canadian dollars

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)***7. SHARE CAPITAL (cont`d...)**

Options outstanding:

As at June 30, 2020				As at December 31, 2019			
Number of options outstanding #	Number of vested options #	Weighted average exercise price CA\$ [#]	Weighted average remaining contractual life years	Number of options outstanding #	Number of vested options #	Weighted average exercise price CA\$ [#]	Weighted average remaining contractual life years
*	-	-	-	50,000	50,000	0.30	0.3
	150,000	1.00	0.7	150,000	150,000	1.00	1.2
*	525,000	0.30	0.7	525,000	525,000	0.30	1.2
	30,000	1.00	1.4	30,000	30,000	1.00	1.9
*	275,000	0.30	1.4	275,000	275,000	0.30	1.9
	50,000	0.60	2.5	50,000	50,000	0.60	3.0
*	555,000	0.30	2.5	555,000	555,000	0.30	3.0
*	100,000	0.30	2.9	100,000	100,000	0.30	3.4
	1,800,000	0.30	3.9	1,800,000	1,800,000	0.30	4.4
	575,000	0.35	5.0	-	-	-	-
	4,060,000	0.34	3.1	3,535,000	3,535,000	0.34	3.2

* Options repriced in May 2019.

[#] Option prices are in Canadian dollars.

On May 15, 2019, 1,800,000 options were granted to directors, officers and consultants of the Company. Each option has an exercise price of CA\$0.30, expiring 5 years from the date of grant and vested immediately. On June 19, 2019, 1,625,000 options that had been granted to certain directors, officers and consultants of the Company were repriced to CA\$0.30.

On June 26, 2020, 575,000 options were granted to directors, officers and consultants of the Company. Each option has an exercise price of CA\$0.35, expiring 5 years from the date of grant and vested immediately.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)***7. SHARE CAPITAL (cont`d...)**

The fair value of the share options granted in the year ended December 31, 2019 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Six months ended June 30, 2020	Year ended December 31, 2019
Exercise price (CA\$)	\$0.35	\$0.30
Market price (CA\$)	\$0.450	\$0.320
Risk free interest rate	0.36%	1.56%
Expected option life	5 years	5 years
Expected stock price volatility	161%	103%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option (CA\$)	\$0.47	\$0.25

7.4 Warrants

The following table summarizes activity related to warrants:

	Warrants	Weighted Average Exercise Price*
Balance, December 31, 2018	9,400,753	\$ 1.17
Issued	6,666,900	\$ 0.30
Expired/cancelled	(782,323)	1.20
Balance, December 31, 2019	15,285,330	\$ 0.79
Expired/cancelled	(6,666,900)	0.30
Balance, June 30, 2020	8,618,430	\$ 1.17

* in Canadian dollars

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)***7. SHARE CAPITAL (cont`d...)**

Warrants outstanding:

As at June 30, 2020			As at December 31, 2019		
Number of warrants outstanding #	Weighted average exercise price* CA\$	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price* CA\$	Weighted average remaining contractual life years
115,385	1.30	0.6	115,385	1.30	1.1
969,714	1.20	2.1	969,714	1.20	2.6
1,414,371	1.00	2.4	1,414,371	1.00	2.9
3,061,501	1.20	2.9	3,061,501	1.20	3.4
3,057,459	1.20	3.1	3,057,459	1.20	3.6
-	-	-	6,231,867	0.30	0.3
-	-	-	435,033	0.30	0.4
8,618,430	1.17	2.8	15,285,330	0.79	2.0

* in Canadian dollars

No warrants were issued in the six-month period ended June 30, 2020 and 6,666,900 warrants were issued in the six-month period ended June 30, 2019.

7.5 Broker Warrants

The following table summarizes activity related to Broker Warrants:

	Warrants	Weighted Average Exercise Price*
Balance, December 31, 2018	30,191	\$ 1.20
Issued	5,336	\$ 0.30
Expired/cancelled	(7,471)	\$ 1.20
Balance, December 31, 2019	28,056	\$ 1.03
Expired/cancelled	(5,336)	\$ -
Balance, June 30, 2020	22,720	\$ 1.27

* in Canadian dollars

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)***7. SHARE CAPITAL (cont`d...)**

Broker warrants outstanding:

As at June 30, 2020			As at December 31, 2019		
Number of warrants outstanding #	Weighted average exercise price* CA\$	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price* CA\$	Weighted average remaining contractual life years
18,720	1.20	2.9	18,720	1.20	3.4
4,000	1.20	3.1	4,000	1.20	3.6
-	-	-	5,336	0.30	0.4
22,720	1.20	2.9	28,056	1.03	2.8

* in Canadian dollars

No broker warrants were issued in the six-month period ended June 30, 2020 and 5,336 broker warrants were issued in the six-month period ended June 30, 2019.

8. RELATED PARTY TRANSACTIONS AND BALANCES**Relationships**

Huston and Huston Holdings Corp. ("Huston")

Nature of the relationship

Huston and Huston Holdings Corp. is a private company controlled by Anthony Huston, an officer and director of the Company, which provides management services to the Company.

Rockford Resources, LLC ("Rockford")

Rockford is a private company controlled by Pat Smith, a director of the Company, which provides director services to the Company.

0897877 BC Ltd. ("0897877 BC")

0897877 BC is a private company controlled by Brian Budd, a director of the Company, which provides director services to the Company.

Beattie Battery Technology Innovations ("Beattie")

Beattie is a private company controlled by Dr. Shane Beattie, Chief Technology Officer of the Company, which provides technical services to the Company.

Taiga Mining Company, Inc. ("Taiga")

Taiga is a private company and a Control Person of the Company in accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

8.1 Related party transactions

The above transactions relate to consulting fees incurred by the Company and the loan from Taiga (see Note 6). Management services expenses are included in Management fees and salaries in the consolidated statements of financial position.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

As at June 30, 2020, the Company accrued interest totalling \$357,920 related to the loans from Taiga (see Note 6).

	Management Consulting and Directors' Fees	
For the six months ended June 30	2020	2019
Huston & Huston Holdings Corp.	\$ 253,876	\$ 93,732
Rockford Resources, LLC	8,792	8,998
0897877 BC Ltd.	8,792	8,998
Beattie Battery Technologies Innovations	29,821	-
For the three months ended June 30	2020	2019
Huston & Huston Holdings Corp.	\$ 207,404	\$ 46,722
Rockford Resources, LLC	4,331	4,485
0897877 BC Ltd.	4,331	4,485
Beattie Battery Technologies Innovations	9,745	-

In addition to the loan payable to Taiga, amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At June 30, 2020, the Company owed \$205,655 (2019 - \$15,000) to related parties.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2020***(unaudited)**(Expressed in United States dollars)*

8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)**8.2 Key management compensation**

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Executive Chairman, President & Chief Executive Officer, Directors, Chief Financial Officer, and Chief Operating Officer.

Geological services are capitalized to Exploration and evaluation properties in the consolidated statements of financial position.

For the six months ended June 30,	2020		2019	
Consulting and directors' fees	\$	271,461	\$	111,729
Salaries and benefits		474,584		259,728
Benefits		45,328		52,701
Stock-based compensation		-		256,620
	\$	791,373	\$	680,778

For the three months ended June 30,	2020		2019	
Consulting and directors' fees	\$	216,067	\$	55,693
Salaries and benefits		347,088		131,392
Benefits		16,102		24,510
Stock-based compensation		-		256,620
	\$	579,257	\$	468,215

9. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. Also refer to Note 2.

The Company does not pay dividends and has no bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2020

(unaudited)

(Expressed in United States dollars)

10. RISK MANAGEMENT

10.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash.

The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada.

b. Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2020, the Company had a working capital deficit (current assets minus current liabilities) of \$345,369, and long-term monetary liabilities of \$5,213,271. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. Also refer to Note 2.

c. Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company had \$282,133 in cash at June 30, 2020 on which it earns variable rates of interest and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

d. Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains the majority of its cash reserves in United States dollars. A portion of the Company's funds are held in Canadian dollars and are therefore subject to fluctuations in foreign exchange rates.

At June 30, 2020, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures, a 10% appreciation or depreciation of the United States dollar against the Canadian dollar would result in an increase or decrease of \$33,700 in the Company's net loss.

10.2 Fair Values

The carrying values of cash, refundable deposits and other receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.