GRAPHITE ONE INC.

Consolidated Financial Statements

December 31, 2020

GRAPHITEONE

Independent auditor's report

To the Shareholders of Graphite One Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Graphite One Inc. and its subsidiary (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 20, 2021

(Expressed in United States dollars)

As at	Note		December 31, 2020		December 31, 2019
					Note 4
ASSETS					
Current assets					
Cash		$	14,586	$	168,608
Prepayments and deposits			103,372		250,828
Amounts receivable			16,760		4,155
Total current assets			134,718		423,591
Non-current assets					
Equipment			125,610		150,549
Exploration and evaluation property	6		20,646,057		15,881,167
Total non-current assets			20,771,667		16,031,716
Total assets		$	20,906,385	$	16,455,307
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other accounts payable		$	1,489,285	$	301,161
Total current liabilities			1,489,285		301,161
Long term liabilities					
Loans payable	7		5,653,815		3,296,980
Total liabilities			7,143,100		3,598,141
Equity					
Share capital			27,934,781		26,369,451
Share option reserve			7,844,306		6,156,242
Cumulative translation adjustment			3,500,581		3,720,103
Deficit			(25,516,383)		(23,388,630)
Total equity			13,763,285		12,857,166
Total equity and liabilities		$	20,906,385	$	16,455,307
Going concern	2				
Subsequent events	12				

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.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

For the year ended December 31,			2020		2019
Expenses					
Management fees and salaries		$	1,181,008	$	558,351
Marketing, advisory and investor relations			183,799		226,198
Office and administration			98,760		222,630
Professional fees			62,619		91,653
Share-based payments	7		203,979		350,336
			1,730,165		1,449,168
Other (income) expenses					
Foreign exchange gain			(182,884)		(17,409)
Interest income			-		(14)
Interest expense			580,472		106,985
			397,588		89,562
Net loss for the year		$	2,127,753	$	1,538,730
Other comprehensive loss					
Foreign currency translation			219,522		(605,810)
Net loss and comprehensive loss for the year		$	2,347,275	$	932,920
Basic and diluted loss per common share		$	0.05	$	0.04
Weighted average number of common shares oustanding			41,182,913		38,305,542

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

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

For the year ended December 31,	2020	2019
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	$ (2,127,753) $	$ (1,541,275)
Items not involving cash:		
Share-based payments	207,589	407,619
Foreign exchange on loan settled in shares	-	(5,426)
Foreign exchange on loan payable	(132,323)	-
Depreciation	1,149	2,895
Interest on loan payable	569,445	-
Changes in non-cash working capital items		
Amounts receivable	(12,235)	234
Prepayments and deposits	25,674	57,025
Trade and other accounts payable	777,926	18,011
	(690,528)	(1,060,917)
FINANCING ACTIVITIES		
Issuance of shares	-	1,507,325
Share issuance costs	(8,011)	(20,295)
Loan payable	1,785,351	3,130,198
Loan interest paid	-	106,231
	1,777,340	4,723,459
INVESTING ACTIVITIES		
Exploration and evaluation property	(1,179,673)	(3,592,599)
Purchase of equipment	-	(124,370)
Changes in non-cash working capital items		
Prepayments and deposits	-	(131,005)
	(1,179,673)	(3,847,974)
Foreign exchange on cash	(61,161)	13,153
(Decrease) in cash	(92,861)	(185,432)
Cash at beginning of period	168,608	340,887
Cash at end of period	$ 14,586	$ 168,608
Supplemental cash flow information:		
Non-cash transactions eliminated from the consolidated statements of cash flows:		
Depreciation capitalized to exploration and evaluation property	24,652	(15,301)
Change in Accounts payable related to investing activities	390,741	212,311
Shares and warrants issued on purchase of net smelter royalty	3,053,816	-
	$ 3,469,209	$ 197,010

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

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

	Common Shares					
	Number	Amount $	Share Option Reserve $	Cumulative Translation Adjustment $	Deficit $	Total Equity $
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	500,119	-	-	-	500,119
Cost of share issuance	-	(20,711)	-	-	-	(20,711)
Share-based payments	-	-	405,908	-	-	405,908
Change in cumulative translation adjustment	-	-	-	3,720,103	-	3,720,103
Net loss for the year	-	-	-	-	(1,538,730)	(1,538,730)
December 31, 2019	40,609,143	26,369,451	6,156,242	3,720,103	(23,388,630)	12,857,166
January 1, 2020	40,609,143	26,369,451	6,156,242	3,720,103	(23,388,630)	12,857,166
Shares issued on purchase of net smelter royalty	2,500,000	1,573,340	-	-	-	1,573,340
Cost of share issuance	-	(8,010)	-	-	-	(8,010)
Share-based payments	-	-	207,589	-	-	207,589
Warrants issued on net smelter royalty purchase	-	-	1,480,475	-	-	1,480,475
Change in cumulative translation adjustment	-	-	-	(219,522)	-	(219,522)
Net loss for the year	-	-	-	-	(2,127,753)	(2,127,753)
December 31, 2020	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285

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

Graphite One is evaluating its graphite materials supply chain project with the objective of becoming an American producer of advanced graphite products that is integrated with a domestic graphite resource. Proposed is a vertically integrated enterprise to mine, process and manufacture high grade Coated Spherical Graphite ("CSG"), primarily for the lithium-ion electric vehicle battery and energy storage systems markets, with significant additional production of a range of value-added graphite products. Through its 100% owned subsidiary, Graphite One (Alaska) Inc., the Company is evaluating the graphite resources on its Graphite Creek property near Nome, Alaska (the "Property"). It is also evaluating the establishment of a graphite product manufacturing facility to produce advanced graphite products using graphite from the Property (collectively, the "Project"). A preliminary feasibility study ("PFS") is underway to evaluate the Project.

The ability of the Company to proceed with the evaluation and development of the Project depends on a number of factors, the key ones including obtaining the necessary financing to complete the evaluation and development, and ultimately upon future profitable production or proceeds from disposition of the Project.

2. GOING CONCERN

These 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 December 31, 2020, the Company had a cash balance of $14,586 (2019 $168,608) and working capital deficit (current assets less current liabilities) of $1,354,567 (working capital 2019 $122,430). Current liabilities as at December 31, 2020 totalled $1,489,285 (2019 $301,161) and accumulated deficit totalled $25,516,383 (2019 - $23,388,630). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2020, cash used in operating activities totalled $758,233 (2019 $1,060,917).

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 shareholders and on securing additional financing. Subsequent to December 31, 2020 the Company completed two financings, raising gross proceeds of $10 million (see Note 12). Based on projected administrative and project expenditures for 2021, the Company expects that it will require additional financing during the year to advance the completion of pre-feasibility study for the Project and to continue in operation at the current activity levels. There can be no assurance that any initiatives to secure additional financing will be able to raise sufficient funding which gives rise to material uncertainties which may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. 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.

3. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which spread throughout North America. The spread of COVID-19 has caused significant volatility in North America and international markets and there continues to be 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 may find it challenging to complete the PFS in the time expected or conduct Project feasibility study related field operations this year, which may delay progress on the Project.

4. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The consolidated financial statements have been authorized for issue by the Board of Directors of the Company on April 20, 2021.

4.1 Basis of measurement

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

4.2 Significant judgments, estimates and assumptions

The preparation of the Company’s 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 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. Judgements and estimates that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next year are outlined below:

4. BASIS OF PRESENTATION (cont'd)…

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 expired 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 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.

4.3 Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Graphite One (Alaska) Inc., incorporated in Alaska, USA. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

5. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The consolidated financial statements are presented in United States dollars which is also the functional currency of the Company and its subsidiary. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains and losses are included in profit and loss.

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Equipment

Equipment is recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. The cost of additions and improvements are capitalized. An item of equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

	Depreciation Rate
Computer equipment	3 years straight line
Analytical equipment	20%
Mobile equipment	5 years straight line
Sample preparation lab	50%

The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of individual items over their estimated useful lives, less any residual value. Depreciation on operating assets is included in the statements of net loss as a component of office and administrative expenses. Depreciation of assets utilized in mineral exploration activities is capitalized as a cost of mineral properties.

Exploration and Evaluation Properties

(i) Pre-license costs:
Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:
Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the property is abandoned, sold or considered impaired in value, on a property-by-property basis. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, the related expenditures are tested for impairment and are then reclassified to mineral property development costs.

5. SIGNIFICANT ACCOUNTING POLICIES

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment and remediation of any disturbances to the environment. In addition, environmental regulations are subject to change and the Company must comply accordingly.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

As at December 31, 2020 and December 31, 2019 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

Impairment

The carrying values of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Share-based Payments

Share-based payment arrangements in which the Company has received goods or services from consultants are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors, employees and certain consultants, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss, or to the exploration and evaluation property, with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. Share options granted that relate to the receipt of goods or services from certain consultants are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated stock-based compensation recorded to date is reversed in the period of forfeiture. The fair value of any vested share options that expire remain in share option reserve.

Share capital

When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and is valued with reference to the market price. The residual value is attributed to the warrants, if any, is recorded as a separate component of equity.

Earnings (Loss) per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets in the following measurement categories:

i) Those to be subsequently measured at amortized cost, or
ii) Those to be subsequently measured at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"))

The classification is driven by the business model for managing the financial asset and their contractual cash flow characteristics.

The Company classifies cash and cash equivalents, deposits, trade and other payables and loans as subsequently measured at amortized cost.

At initial recognition financial assets and financial liabilities are measured at fair value less transaction costs except for financial assets classified as FVPL, where transaction costs are expensed directly to profit or loss.

(Expressed in United States dollars unless otherwise indicated)

6. 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	101,930
Net smelter royalty purchase	3,009,834
Analysis	262,738
Geological consulting	360,401
Fieldwork	256,914
Engineering	45,377
Technical assessments	323,265
Community consultation	68,796
Environmental studies	335,635
Balance, December 31, 2020	$ 20,646,057

The Property consists of fifty-six Alaska state mining claims (the "GC Purchased Property") and one hundred and twenty Alaska state mining claims (the "GC Staked Property").

6. EXPLORATION AND EVALUATION PROPERTY (cont'd)…

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, if any, continues from the Property. An advance royalty in the amount of US$30,000 was paid upon execution of the agreement, with annual payments of US$30,000 due each year until January 2019, and then increasing by US$10,000 each year until production commences. All required payments under the agreement have been made to date. The production royalties are to be calculated as follows: 5% from lands in the 4 formerly federal claims originally located in 1943; 2.5% from lands within the other 20 federal 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 US$2 million for each 1% reduction of the production royalties.

On January 24, 2012, the Company purchased from a private individual (the "Seller") the GC Purchased Property for $20,000 and a 2% production royalty on future production, if any, from the GC Purchased Property. The Company had the right to purchase the production royalty for $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"). In connection with the 2015 Extension Agreement, the Company issued to the Seller pre-consolidated 769,231 common shares of the Company at an issue price of $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 pre-consolidated 1,666,667 common shares of the Company at a fair value of $0.09 per share and 1,153,846 common share purchase warrants of the Company.

In October 2020, the Company exercised the Royalty Purchase Option and acquired the 2% production royalty. In settlement of this purchase, the Company issued 2,500,000 Common Shares at a price of CA$0.82 per share (Fair value $) and 2,500,000 Warrants at a value of CA$0.77 per warrant (the "Warrants") (Fair value $). (see Note 8). The Warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.65 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrantholders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. On March 15, 2021, the Company exercised its right and accelerated the expiry date of the Warrants, if not exercised, to April 29, 2021.

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 US$50,000, the issuance of 3 million common shares of the Company at a fair value of $270,000 and a royalty interest equal to 1% of the Net Smelter Returns received by the Company on production, if any, from the claims. The Company has the right to purchase the royalty for US$500,000 at any time within 36 months following the start of mine production.

7. LOANS 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 $13,274 was paid in cash 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 December 31, 2020. The loan is unsecured and has 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. Since the Company has substantive right to defer the settlement, the loan is classified as non-current in the financial statements.

On June 8, 2020 the Company entered into a new loan agreement with Taiga to borrow up to $156,000 of which $156,000 has been drawn down as at December 31, 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.

In May 2020 the Company applied for and received approval for a CA$40,000 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 CA$40,000. 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.

8. SHARE CAPITAL

8.1 Authorized

Unlimited number of common shares with no par value.

8.2 Shares Issued

The following share transactions occurred during the year ended December 31, 2020:

On October 8, 2020, 2,500,000 shares were issued pursuant to the Royalty Purchase Option (see Note 6) at a fair value of CA$2,050,000.

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.

8. 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.

Subsequent to December 31, 2020, the Company issued 18,564,104 units in two private placements, whereby each unit consisted of one common share and one share purchase warrant, raising gross proceeds of CA$10 million. (See Note 12 – Subsequent Events).

8.3 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, 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 higher of 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.

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, December 31, 2020	4,060,000	$	0.34

* in Canadian dollars

(Expressed in United States dollars unless otherwise indicated)

8 SHARE CAPITAL (cont'd)…

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.

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.

With respect to the options granted in the year ended December 31, 2020 $203,979 (for the year ended December 31, 2019; $350,336) was recorded in share-based payments and $3,440 (2019 - $54,687) was capitalized to exploration and evaluation property.

The fair value of the share options granted in the years ended December 31, 2020 and December 31, 2019 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Year ended December 31, 2020	Year ended December 31, 2019
Exercise price (CA$)	$0.35	$0.30
Market price (CA$)	$0.500	$0.320
Risk free interest rate	0.36%	1.56%
Expected option life	5 years	5 years
Expected stock price volatility	161%	103%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option (CA$)	$0.47	$0.25

The expected life is based on current expectations. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends.

Subsequent to December 31, 2020, 965,000 options were exercised totalling CA$397,000, and 2,105,000 options were granted at an exercise price of CA$1.02, expiring in February 2026.

8. SHARE CAPITAL (cont'd)…

Stock options outstanding:

	As at December 31, 2020				As at December 31, 2019			
	Number of options outstanding #	Number of vested options #	Weighted average exercise price[#]	Weighted average remaining contractual life years	Number of options outstanding #	Number of vested options #	Weighted average exercise price[#]	Weighted average remaining contractual life years
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
*	-	-	-	-	50,000	50,000	0.30	0.3
	-	-	-	-	-	-	-	-
	150,000	150,000	1.00	0.2	150,000	150,000	1.00	1.2
*	525,000	525,000	0.30	0.2	525,000	525,000	0.30	1.2
	-	-	-	-	-	-	-	-
	30,000	30,000	1.00	0.9	30,000	30,000	1.00	1.9
*	275,000	275,000	0.30	0.9	275,000	275,000	0.30	1.9
	50,000	50,000	0.60	2.0	50,000	50,000	0.60	3.0
*	555,000	555,000	0.30	2.0	555,000	555,000	0.30	3.0
	-	-	-	-	-	-	-	-
*	100,000	100,000	0.30	2.4	100,000	100,000	0.30	3.4
	1,800,000	1,800,000	0.30	3.4	1,800,000	1,800,000	0.30	4.4
	575,000	575,000	0.35	4.5	-	-	-	-
	4,060,000	4,060,000	0.34	2.6	3,535,000	3,535,000	0.34	3.2

* Options repriced in May 2019.
[#] Option prices are in Canadian dollars.

8.4 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
Issued	2,500,000	$	0.61
Expired/cancelled	(6,666,900)		0.30
Balance, December 31, 2020	11,118,430	$	1.04

* in Canadian dollars

8. SHARE CAPITAL (cont'd)…

Warrants outstanding:

As at December 31, 2020			**As at December 31, 2019**		
Number of warrants outstanding #	Weighted average exercise price*	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price*	Weighted average remaining contractual life years
115,385	1.30	0.1	115,385	1.30	1.1
969,714	1.20	1.6	969,714	1.20	2.6
1,414,371	1.00	1.9	1,414,371	1.00	2.9
3,061,501	1.20	2.4	3,061,501	1.20	3.4
3,057,459	1.20	2.6	3,057,459	1.20	3.6
-	-	-	6,231,867	0.30	0.3
-	-	-	435,033	0.30	0.4
2,500,000	0.61	4.8	-	-	-
11,118,430	1.04	2.8	15,285,330	0.79	2.0

* in Canadian dollars

On October 8, 2020, 2,500,000 warrants were issued pursuant to the Royalty Purchase Option (see Note 6) at a value of CA$1,929,000, with an expiry term of five years. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.65 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrantholders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. Subsequent to December 31, 2021, the Company provided notice to the warrantholders that the Company was invoking the accelerated expiry clause of the warrant agreement such that the warrants would expire if not exercised by April 29, 2021.

The fair value of the warrants granted in the year ended December 31, 2020 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Year ended December 31, 2020
Exercise price (CA$)	$0.61
Market price (CA$)	$0.820
Risk free interest rate	0.37%
Expected option life	5 years
Expected stock price volatility	163%
Dividend payments during life of option	Nil
Expected forfeiture rate	Nil
Average fair value per option (CA$)	$0.77

Subsequent to December 31, 2020, 62,000 warrants were exercised totalling CA$74,400.

8. SHARE CAPITAL (cont'd)…

8.5 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)	$	0.30
Balance, December 31, 2020	22,720	$	1.20

* in Canadian dollars

The fair value of the broker warrants 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. No broker warrants were granted in 2020.

	Year ended December 31, 2019
Strike price	$0.30
Market price	$0.30
Risk free interest rate	1.64%
Expected warrant life	1 years
Expected stock price volatility	101%
Dividend payments during life of warrant	nil
Expected forfeiture rate	nil
Fair value per warrant	$0.14

The expected life is based on current expectations. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the warrants is indicative of future trends.

8. SHARE CAPITAL (cont'd)…

As at December 31, 2020			As at December 31, 2019		
Number of warrants outstanding #	Weighted average exercise price*	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price*	Weighted average remaining contractual life years
18,720	1.20	2.4	18,720	1.20	3.4
4,000	1.20	2.5	4,000	1.20	3.6
-	-	-	5,336	0.30	0.4
22,720	1.20	2.4	28,056	1.03	2.8

* in Canadian dollars

Broker warrants outstanding:
Subsequent to December 31, 2020, 2,364 broker warrants were exercised totalling CA$2,837.

9. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
Huston and Huston Holdings Corp. ("Huston")	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 Patrick 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 provided technical services to the Company, until Dr. Beattie's death in July 2020.
Taiga Mining Company, Inc. ("Taiga")	Taiga is a private company and a Control person of the Company on accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

(Expressed in United States dollars unless otherwise indicated)

9. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)…

9.1 Related party transactions

	Management Consulting and Directors' Fees	
For the year ended December 31	**2020**	**2019**
Huston & Huston Holdings Corp.	$ 405,414	$ 188,414
Rockford Resources, LLC	18,010	18,087
0897877 BC Ltd.	18,010	18,087
Beattie Battery Technologies Innovations	33,199	13,636

The above transactions relate to consulting fees incurred by the Company. Management services expenses are included in management fees and salaries and marketing, advisory and investor relations in the consolidated statements of financial position. Geological services are capitalized to Exploration and evaluation property in the consolidated statements of financial position.

During 2019, the Company settled the first loan payable with Taiga through the issuance of 1,330,000 common shares and paid $13,274 in interest (see Note 7).

During 2019, the Company drew US$3.2 million and during 2020 drew $1.6 million pursuant to a second loan agreement with Taiga and $156,0000 pursuant to a third loan with Taiga (see Note 6). As at December 31, 2020, the Company owed the loan principal and interest of $5,653,815 (2019 $3,296,980) 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 December 31, 2020, the Company owed $5,980,749 (December 31, 2019 - $4,307,570) to related parties.

9.2 Key management compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President, Chief Executive Officer, Directors, Chief Financial Officer and Chief Operating Officer. Compensation paid to key personnel was as follows:

(Expressed in United States dollars unless otherwise indicated)

For the year ended December 31,		2020		2019
Consulting and directors' fees	$	439,465	$	224,590
Salaries		809,506		517,433
Benefits		77,752		86,246
Stock-based compensation		151,630		327,367
	$	1,478,353	$	1,155,636

10. FINANCIAL 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 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 December 31, 2020, the Company had a working capital deficit of $1,354,567, with current assets of $134,718 and current liabilities of $1,489,285. The Company will 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. See Note 2, Going Concern.

As at December 31, 2020 there are no loan covenants.

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 $14,586 in Cash at December 31, 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.

10. FINANCIAL RISK MANAGEMENT (cont'd)…

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 December 31, 2020, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures at December 31, 2020 a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease of $60,000 in the Company's net loss.

10.2 Fair Values

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

11. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

Year ended	**December 31 2020**	December 31 2019
Loss before income taxes	$ 2,127,753	$ 1,538,730
Statutory rate	26.00%	26.00%
Expected tax recovery	553,216	400,070
Effect of tax rate changes and tax rates in foreign jurisdictions	(20,652)	23,635
Non-deductible expenses	(51,503)	(91,793)
Tax benefits not recognised	(546,289)	(480,439)
Foreign exchange and other	65,228	148,527
Income tax recovery (expense)	$ -	$ -

(Expressed in United States dollars unless otherwise indicated)

11. INCOME TAXES (cont'd)…

Unrecognized deferred tax asset is comprised of the following tax affected temporary differences:

Year ended	December 31 2020	December 31 2019
Mineral properties	$ 321,816	$ 198,831
Non-capital losses carried forward	4,929,307	5,616,247
Capital loss carried forward	46,767	45,245
Share issuance and incorporation costs	15,350	23,521
Unrecognized deferred tax asset	$ 5,513,240	$ 5,883,844

As at December 31, 2020 the Company had tax operating losses available of the following, which expire at various dates and amounts between 2024 and 2039.

Canada	$ 15,837,263
United States	$ 6,132,388

The ability to use U.S. loss carry-forwards in future is subject to certain limitations under provisions of the Internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Graphite One Inc. and the U.S. tax losses related to Graphite One (Alaska) Inc. may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company completed two financings, raising total gross proceeds of CA$10 million. This was undertaken in two financings under the following terms.

On February 23, 2021, the Company completed a private placement for total gross proceeds of CA$8,000,000. Pursuant to this private placement, the Company issued a total of 16,000,000 units (the "2021-1 Units") at a price of CA$0.50 per 2021-1 Unit. Each 2021-1 Unit consists of one common share and one transferable common share purchase warrant (a "2021-1 Warrant"). Each 2021-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of CA$0.61 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.90 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-1 Warrants.

12. SUBSEQUENT EVENTS (cont'd)…

The Company paid finder's fees in the amount of CA$614,400 and issued 1,228,800 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2021-1 Warrants described above.

Also on February 23, 2021, the Company completed a private placement for total gross proceeds of CA$2,000,000. Pursuant to this private placement, the Company issued a total of 2,564,104 units (the "2021-2 Units") at a price of CA$0.78 per 2021-2 Unit. Each 2021-2 Unit consists of one common share and one transferable common share purchase warrant (a "2021-2 Warrant"). Each 2021-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of CA$0.98 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$1.45 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-2 Warrants. The Company paid finder's fees in the amount of CA$153,600 and issued 196,924 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2021-2 Warrants described above.

Subsequent to December 31, 2021, the Company provided notice to the warrantholder of the warrants issued pursuant to the Royalty Purchase option that the Company was invoking the accelerated expiry clause of the warrant agreement such that the warrants would expire if not exercised by April 29, 2021. As of April 20, 2021, funds of CA$1,525,000 have been received relating to the exercise of these warrants.