

GRAPHITE ONE INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited)



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

As at		March 31, 2021	December 31, 2020
ASSETS	Note		
Current assets			
Cash		\$ 6,681,537	\$ 14,586
Prepayments and deposits		131,808	103,372
Amounts receivable		18,845	16,760
Total current assets		6,832,190	134,718
Non-current assets			
Equipment		118,996	125,610
Exploration and evaluation property	6	20,977,473	20,646,057
Total non-current assets		21,096,469	20,771,667
Total assets		\$ 27,928,659	\$ 20,906,385
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable		\$ 253,054	\$ 1,489,285
Subscription funds not exercised	8	1,212,724	-
Total current liabilities		1,465,778	1,489,285
Long term liabilities			
Loans payable	7	5,823,437	5,653,815
Total liabilities		7,289,215	7,143,100
Equity			
Share capital		34,441,459	27,934,781
Share option reserve		10,951,476	7,844,306
Cumulative translation adjustment		3,456,186	3,500,581
Deficit		(28,209,676)	(25,516,383)
Total equity		20,639,445	13,763,285
Total equity and liabilities		\$ 27,928,660	\$ 20,906,385
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.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss***(unaudited)**(Expressed in United States dollars)*

For the three month period ended March 31,	2021		2020	
Expenses				
Management fees and salaries	\$	510,658	\$	161,612
Marketing, advisory and investor relations		79,714		40,578
Office and administration		41,712		27,868
Professional fees		26,637		4,369
Share-based payments	8	1,960,126		-
		<hr/> 2,618,847		<hr/> 234,427
Other (income) expenses				
Foreign exchange (gain)/loss		(96,306)		355,305
Interest expense		170,752		117,173
		<hr/> 74,446		<hr/> 472,478
Net loss for the period	\$	2,693,293	\$	706,905
Other comprehensive loss				
Foreign currency translation		44,395		(358,671)
Net loss and comprehensive loss for the year	\$	2,737,688	\$	348,234
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Basic and diluted loss per common share	\$	0.05	\$	0.02
Weighted average number of common shares outstanding		50,864,068		40,609,143

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 three month period ended March 31,	2021	2020
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	\$ (2,693,293)	\$ (706,905)
Items not involving cash:		
Share-based payments	2,007,817	-
Foreign exchange on loan payable	(535)	387,823
Depreciation	394	-
Interest on loan payable	170,157	111,051
Changes in non-cash working capital items		
Amounts receivable	(2,085)	(1,666)
Prepayments and deposits	(35,236)	(24,428)
Trade and other accounts payable	(648,005)	(17,694)
	(1,200,786)	(251,819)
FINANCING ACTIVITIES		
Issuance of shares	8,273,163	-
Share issuance costs	(667,132)	-
Loan payable	-	1,600,000
Subscription funds received not exercised	1,212,724	-
	8,818,755	1,600,000
INVESTING ACTIVITIES		
Exploration and evaluation property	(906,615)	(831,471)
Changes in non-cash working capital items		
Prepayments and deposits	-	-
	(906,615)	(831,471)
Foreign exchange on cash	(44,403)	(27,463)
Increase (decrease) in cash	6,711,354	516,710
Cash at beginning of period	14,586	168,608
Cash at end of period	\$ 6,681,537	\$ 657,855
Supplemental cash flow information:		
Non-cash transactions eliminated from the consolidated statements of cash flows:		
Depreciation capitalized to exploration and evaluation property	(6,227)	(2,000)
Change in Accounts payable related to investing activities	(588,226)	58,659
	\$ (594,453)	\$ 56,659

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)*

	<u>Common Shares</u>					
	<u>Number</u>	<u>Amount</u>	<u>Share Option</u>	<u>Cumulative</u>	<u>Deficit</u>	<u>Total Equity</u>
		\$	Reserve	Translation	\$	\$
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)
Warrants issued on extension of royalty purchase option	-	-	199,579	-	-	199,579
Warrants issued on net smelter royalty purchase	-	-	1,480,475	-	-	1,480,475
Change in cumulative translation adjustment	-	-	8,010	(219,522)	-	(211,512)
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
January 1, 2021	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
Shares issued on private placement	18,564,104	7,898,583	-	-	-	7,898,583
Shares issued on option exercise	965,000	313,574	-	-	-	313,574
Shares issued on warrant exercise	62,000	58,765	-	-	-	58,765
Shares issued on broker warrant exercise	2,364	2,241	-	-	-	2,241
Cost of share issuance	-	(1,766,485)	-	-	-	(1,766,485)
Share-based payments	-	-	2,007,818	-	-	2,007,818
Broker warrants issued on private placement	-	-	1,099,352	-	-	1,099,352
Change in cumulative translation adjustment	-	-	-	(44,395)	-	(44,395)
Net loss for the period	-	-	-	-	(2,693,293)	(2,693,293)
March 31, 2021	62,702,611	34,441,459	10,951,476	3,456,186	(28,209,676)	20,639,445

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

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(unaudited)

(Expressed in United States dollars unless otherwise indicated)

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. In April 2021, the Company submitted an application to move back to the OTCQX. 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 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 March 31, 2021, the Company had a cash balance of \$6,681,537 (December 31, 2020 - \$14,586) and working capital (current assets minus current liabilities) of \$5,366,412 (December 31, 2020 - working capital deficit \$1,354,567). Current liabilities as at March 31, 2021 totaled \$1,465,778 (December 31, 2020 - \$1,489,285) and accumulated deficit totaled \$28,209,676 (December 31, 2020 - \$25,516,383). The Company has incurred losses since inception and does not generate any cash inflows from operations. In the three-month period ended March 31, 2021, cash used in operating activities totaled \$1,200,786.

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. The ongoing COVID-19 pandemic has continued to add

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)*

uncertainty in respect of the Company's ability to raise financing. In the first quarter of 2021 the Company completed two financings, raising gross proceeds of \$10 million (see Note 8). Based on projected administrative and project expenditures for 2021, the Company expects that it will require additional financing during the year to continue in operation at the currently planned 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. Also refer to Note 3 for uncertainties in relation to COVID-19.

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 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, 2020, 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, 2020.

The unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on May 18, 2021.

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 indicated.

4.1 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

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(unaudited)

(Expressed in United States dollars unless otherwise indicated)

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES

Refer to the Company's annual audited consolidated financial statements for the years ended December 31, 2020 and 2019 for a summary of significant accounting policies.

5.1 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"), was changed from Canadian dollars ("CAD" or "CA\$") to United States dollars ("\$" or "USD") as a significant portion of financing for exploration operations are in USD and 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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)...

The Company has also changed its presentation currency from the CAD to the USD to better reflect the Company's business activities and to facilitate comparability to similar mining companies in the sector.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(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, 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
Land management	50,050
Analysis	30,595
Geological consulting	47,909
Fieldwork	156,730
Engineering	17,126
Technical assessments	12,654
Community consultation	12,760
Environmental studies	3,592
Balance, 2021 Q1	\$ 20,977,473

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)*

6. 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, 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 warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrant holder 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. Subsequent to March 31, 2021, all of these warrants were exercised.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)*

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

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 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. Since the Company has substantive right to defer the settlement, the loan is classified as non-current in the financial statements.

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 three-month period ended March 31, 2021:

During the three-month period ended March 31, 2021, the Company completed two financings, raising total gross proceeds of CA\$10 million. These financings undertaken under the following terms.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)*

8. SHARE CAPITAL (cont'd...)

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 warrant holder 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.

The Company paid finder's fees in the amount of CA\$614,400 and issued 1,228,800 transferrable broker 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 warrant holder 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 broker 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.

During the three months ended March 31, 2021, 965,000 options were exercised totaling proceeds of \$313,574, 62,000 warrants were exercised totaling proceeds of \$558,765 and 2,364 broker warrants were exercised totaling proceeds of \$2,241.

Subsequent to March 31, 2021, 2,500,000 warrants held by the warrant holder pursuant to the Royalty Purchase option (Note 6) where the Company invoked the accelerated expiry clause of the warrant agreement, were exercised. As at March 31, 2021, funds of \$1,212,724 had been received relating to the exercise of these warrants.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)*

8. SHARE CAPITAL (cont`d...)

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.

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, 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.

The following table summarizes activity related to stock options:

	Options	Weighted Average Exercise Price*
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
Granted	2,105,000	\$ 1.02
Exercised	(965,000)	\$ 0.41
Expired	(10,000)	\$ 1.00
Balance, March 31, 2021	5,190,000	\$ 0.60

* in Canadian dollars

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)***8. SHARE CAPITAL (cont`d...)**

Options outstanding:

As at December 31, 2020				As at December 31, 2020			
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
#	#			#	#		
-	-	-	-	150,000	150,000	1.00	0.2
*	-	-	-	525,000	525,000	0.30	0.2
25,000	25,000	1.00	0.6	30,000	30,000	1.00	0.9
*	150,000	0.30	0.6	275,000	275,000	0.30	0.9
30,000	30,000	0.60	1.7	50,000	50,000	0.60	2.0
*	505,000	0.30	1.7	555,000	555,000	0.30	2.0
*	100,000	0.30	2.2	100,000	100,000	0.30	2.4
1,700,000	1,700,000	0.30	3.1	1,800,000	1,800,000	0.30	3.4
575,000	575,000	0.35	4.2	575,000	575,000	0.35	4.5
2,105,000	2,105,000	1.02	4.9	-	-	-	-
5,190,000	5,190,000	0.60	3.7	4,060,000	4,060,000	0.34	2.6

* Options repriced in May 2019.

[#] Option prices are in Canadian dollars.

On June 23, 2021, 2,105,000 options were granted to directors, officers and consultants of the Company. Each option has an exercise price of CA\$1.02, expiring 5 years from the date of grant and vested immediately. During the three-month period ended March 31, 2021, 965,000 options were exercised totaling proceeds of \$313,574.

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****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)***8. SHARE CAPITAL (cont`d...)**

The fair value of the share options granted in the three-month period ended March 31, 2021 and 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:

	Three months ended March 31, 2021	Year ended December 31, 2020
Exercise price (CA\$)	CA\$1.02	CA\$0.35
Market price (CA\$)	CA\$1.28	CA\$0.50
Risk free interest rate	0.64%	0.36%
Expected option life	5 years	5 years
Expected stock price volatility	165%	161%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option (CA\$)	CA\$1.20	CA\$0.47

8.4 Warrants

The following table summarizes activity related to warrants:

	Warrants	Weighted Average Exercise Price*
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
Issued	18,564,104	\$ 0.66
Exercised	(62,000)	1.20
Expired/cancelled	(115,385)	1.30
Balance, March 31, 2021	29,505,149	\$ 0.80

* in Canadian dollars

During the three-month period ended March 31, 2021, 18,564,104 warrants were issued pursuant to the financings (Note 8.2) and 62,000 warrants were exercised totaling proceeds of \$558,765. An additional 6,076,672 warrants were exercised subsequent to March 31, 2021 resulting in proceeds of CA\$4.9 million.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)***8. SHARE CAPITAL (cont`d...)**

Warrants outstanding:

As at March 31, 2021			As at December 31, 2020		
Number of warrants outstanding #	Weighted average exercise price* CAS	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price* CAS	Weighted average remaining contractual life years
-	-	-	115,385	1.30	1.1
969,714	1.20	1.4	969,714	1.20	2.6
1,414,371	1.00	1.7	1,414,371	1.00	2.9
3,061,501	1.20	2.2	3,061,501	1.20	3.4
2,995,459	1.20	2.3	3,057,459	1.20	3.6
-	-	-	-	0.30	0.3
-	-	-	-	0.30	0.4
2,500,000	0.61	4.5	2,500,000	-	-
16,000,000	0.61	1.9	-	-	-
2,564,104	0.98	1.9	-	-	-
29,505,149	0.80	2.2	11,118,430	0.91	2.5

* in Canadian dollars

8.5 Broker Warrants

The following table summarizes activity related to Broker Warrants:

	Warrants	Weighted Average Exercise Price*
Balance, December 31, 2019	28,056	\$ 1.03
Expired/cancelled	(5,336)	\$ 0.30
Balance, December 31, 2020	22,720	\$ 1.20
Issued	1,425,724	\$ 0.66
Exercised	(2,364)	\$ 1.20
Balance, March 31, 2021	1,446,080	\$ 0.67

* in Canadian dollars

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)***8. SHARE CAPITAL (cont`d...)**

Broker warrants outstanding:

As at March 31, 2021			As at December 31, 2020		
Number of warrants outstanding #	Weighted average exercise price* CAS	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price* CAS	Weighted average remaining contractual life years
18,720	1.20	2.2	18,720	1.20	3.4
1,636	1.20	2.3	4,000	1.20	3.6
-	-	-	-	0.30	0.4
1,228,800	0.61	1.9	-	-	-
196,924	0.98	1.9	-	-	-
1,446,080	0.67	1.9	22,720	1.20	3.4

* in Canadian dollars

9. 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 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 in accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

GRAPHITE ONE INC.**Notes to the Condensed Consolidated Interim Financial Statements****March 31, 2021***(unaudited)**(Expressed in United States dollars unless otherwise indicated)***9. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)****9.1 Related party transactions**

For the three months ended March 31	Management Consulting and Directors' Fees	
	2021	2020
Huston & Huston Holdings Corp.	\$ 224,857	\$ 46,472
Rockford Resources, LLC	32,930	4,461
0897877 BC Ltd.	32,930	4,461
Beattie Battery Technologies Innovations	-	20,076

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 the three months ended March 31, 2021, the Company accrued interest totalling \$169,230 related to the loan from Taiga (see Note 7).

Amounts owing to related parties other than Taiga are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At March 31, 2021, the Company owed \$5,877,547 (December 31, 2020 - \$5,980,749) to related parties.

9.2 Key management compensation

For the three months ended March 31,	2021	2020
Consulting and directors' fees	\$ 290,717	\$ 55,394
Salaries	290,159	127,496
Benefits	33,139	29,226
Stock-based compensation	1,912,435	-
	\$ 2,526,450	\$ 212,116

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.

10. 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.

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(unaudited)

(Expressed in United States dollars unless otherwise indicated)

10. MANAGEMENT OF CAPITAL (cont'd)...

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 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.

11. FINANCIAL RISK MANAGEMENT

11.1 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 March 31, 2021, the Company had a cash balance of \$6,681,537 and working capital (current assets minus current liabilities) of \$5,366,412. Current liabilities as at March 31, 2021 totaled \$1,465,778. 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 March 31, 2021 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 \$6,681,537 in Cash at March 31, 2021, on which it may earn 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.

GRAPHITE ONE INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(unaudited)

(Expressed in United States dollars unless otherwise indicated)

11. 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. A portion of the Company's funds are held in Canadian dollars and are therefore subject to fluctuations in foreign exchange rates.

At March 31, 2021, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures at March 31, 2021 a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease of \$198,600 in the Company's net loss.

11.2 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.

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2021, 8,576,672 warrants were exercised resulting in proceeds of CA\$6.47 million.