

GRAPHITE ONE INC.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Notice of No Auditor Review

In accordance with National Instrument 51-102, the Company discloses that the accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Professional Accountants of Canada.

GRAPHITE ONE INC.**Condensed Interim Consolidated Statements of Financial Position***(Unaudited - expressed in United States dollars)*

As at		March 31, 2022	December 31, 2021
ASSETS	Note		
Current assets			
Cash and cash equivalents		\$ 5,044,063	\$ 6,376,049
Accounts receivable	4	12,465	19,699
Prepays and deposit	5	295,575	132,329
Total current assets		5,352,103	6,528,077
Property and equipment	6	598,996	532,604
Exploration and evaluation property	7	35,167,014	34,089,017
Total assets		\$ 41,118,113	\$ 41,149,698
Current liabilities			
Trade and other accounts payable		\$ 680,746	\$ 604,362
Loans payable	8	6,505,718	6,308,720
Leases payable		89,764	87,124
Total current liabilities		7,276,228	7,000,206
Leases payable		62,456	85,911
Total liabilities		7,338,684	7,086,117
Shareholders' equity			
Share capital	9	52,722,632	52,199,470
Reserves		12,225,926	12,225,926
Cumulative translation adjustment		3,390,770	3,419,339
Deficit		(34,559,900)	(33,781,154)
Total shareholders' equity		33,779,429	34,063,581
Total liabilities and shareholders' equity		\$ 41,118,113	\$ 41,149,698
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 Interim Consolidated Statements of Loss and Comprehensive Loss***(Unaudited - expressed in United States dollars)*

		For the three months ended	
		March 31,	
	Note	2022	2021
Expenses			
Management fees and salaries	10	\$ 261,232	\$ 510,658
Marketing, advisory and investor relations		285,621	79,714
Office and administration		91,676	41,712
Professional fees		12,270	26,637
Share-based payments		-	1,960,126
		650,799	2,618,847
Other (income) expenses			
Foreign exchange loss (gain)		(33,339)	(96,306)
Interest income		(39,778)	-
Interest expense		201,064	170,752
		127,947	74,446
Net loss for the period		778,746	2,693,293
Other comprehensive loss			
Foreign currency translation		(28,569)	44,395
Net loss and comprehensive loss for the period		\$ 750,177	\$ 2,737,688
Basic and diluted loss per common share			
		\$ 0.01	\$ 0.05
Weighted average number of common shares outstanding		70,368,118	50,864,068

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

GRAPHITE ONE INC.**Condensed Interim Consolidated Statements of Shareholders' Equity***(Unaudited - expressed in United States dollars)*

	Common Shares		Reserves \$	Cumulative Translation Adjustment	Deficit \$	Total Equity \$
	Number of Shares	Amount \$				
Balance, December 31, 2020	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
Shares issued on private placement	29,790,685	16,842,484	-	-	-	16,842,484
Shares issued on option exercise	1,185,000	995,009	(614,544)	-	-	380,465
Shares issued on warrant exercise	10,255,616	7,681,665	(1,480,475)	-	-	6,201,190
Shares issued on broker warrant exercise	1,183,843	1,520,613	(920,907)	-	-	599,706
Cost of share issuance	-	(1,408,283)	-	-	-	(1,408,283)
Share-based payments	-	-	6,030,747	-	-	6,030,747
Broker warrants issued on private placement	-	(1,366,799)	1,366,799	-	-	-
Changes in cumulative translation adjustment	-	-	-	(81,242)	-	(81,242)
Net loss for the year	-	-	-	-	(8,264,771)	(8,264,771)
Balance, December 31, 2021	85,524,287	52,199,470	12,225,926	3,419,339	(33,781,154)	34,063,581
Shares issued on warrant exercise	586,882	523,162	-	-	-	523,162
Changes in cumulative translation adjustment	-	-	-	(28,569)	-	(28,569)
Net loss for the period	-	-	-	-	(778,746)	(778,746)
Balance, March 31, 2022	86,111,169	52,722,632	12,225,926	3,390,770	(34,559,900)	33,779,429

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

GRAPHITE ONE INC.**Condensed Interim Consolidated Statements of Cash Flows***(Unaudited - expressed in United States dollars)*

	For the three months ended March 31,	
	2022	2021
OPERATING ACTIVITIES		
Net loss for the period	\$ (778,746)	\$ (2,693,293)
Items not involving cash:		
Share-based payments	-	2,007,817
Unrealized foreign exchange loss (gain)	26,484	(535)
Depreciation	492	394
Interest expense	201,064	170,157
Changes in non-cash working capital items		
Amounts receivable	7,234	(2,085)
Prepays and deposits	(79,609)	(35,236)
Trade and other accounts payable	(45,330)	(648,005)
Cash used in operating activities	(668,410)	(1,200,786)
FINANCING ACTIVITIES		
Issuance of shares	523,162	8,273,163
Share issuance costs	-	(667,132)
Subscriptions funds received	-	1,212,724
Lease payments	(25,800)	-
Cash provided by financing activities	497,362	8,818,755
INVESTING ACTIVITIES		
Exploration and evaluation property expenditures	(1,023,529)	(906,615)
Purchase of equipment	(111,843)	-
Cash used in investing activities	(1,135,372)	(906,615)
Effect of changes in exchange rates on cash and cash equivalents	(25,566)	(44,403)
Increase (decrease) in cash and cash equivalents during the period	(1,331,986)	6,711,354
Cash and cash equivalents at beginning of the period	6,376,049	14,586
Cash and cash equivalents at end of the period	\$ 5,044,063	\$ 6,681,537
Supplemental cash flow information:		
Non-cash Investing and financing activities		
Depreciation capitalized to exploration and evaluation property	(22,979)	(2,000)
Changes in accounts payable related to investing activities	121,715	58,659
	\$ 98,736	\$ 56,659

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

GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in United States dollars unless otherwise indicated)

1. NATURE OF OPERATIONS

Graphite One Inc. (“Graphite One” or the “Company”) is a Canadian publicly traded mineral exploration company headquartered in Vancouver, British Columbia and its common shares trades on the TSX Venture Exchange (TSX-V) under the symbol GPH and the over-the-counter market exchange (OTCQX) in the United States under the symbol GPHOF. The Company’s registered office is located at Suite 600 – 777 Hornby, Vancouver, B.C. V6Z 1S4.

The Company continues to develop its Graphite One Project (the “Project”), whereby the Company could potentially become an American producer of high-grade anode materials that is integrated with a domestic graphite resource. The Project is proposed as a vertically integrated enterprise to mine, process, and manufacture high grade anode materials primarily for the lithium-ion electric vehicle battery market. As set forth in the Company’s PEA, potential graphite mineralization mined from the Company’s Graphite Creek Property, is expected to be processed into concentrate at a graphite processing plant. The proposed processing plant would be located on the Graphite Creek Property situated on the Seward Peninsula about 60 kilometers north of Nome, Alaska. Graphite anodes and other value-added graphite products would be manufactured from the concentrate and other materials at the Company’s proposed advanced graphite materials manufacturing facility which is expected to be located in Washington State.

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. BASIS OF PRESENTATION

Statement of Compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 - Interim Financial Reporting. In addition, these interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) in effect on March 31, 2021 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2021. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements.

The consolidated financial statements for the three months ended March 31, 2022 (including comparatives) have been prepared by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on May 26, 2022.

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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 to operate 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, 2022, the Company had a cash balance of \$5,044,063 (December 31, 2021: \$6,376,049), a working capital deficit of \$1,924,127 (December 31, 2021: \$472,129 working capital deficit), and an accumulated deficit of \$34,559,900 (December 31, 2021 - \$33,781,154). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three months ended March 31, 2022, cash used in operating activities totalled \$668,410 (March 31, 2021: \$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 Company has not completed any financings during the first quarter of 2022; however, \$523,161 of proceeds were received from warrant exercises.

Based on projected administrative and project expenditures for 2022, the Company will require additional financing during the year to advance the completion of a feasibility study for the Project and to continue operating at the current activity levels. The Company will also seek to extend the maturity date of the Taiga Loan of \$6,505,718 which matures on September 6, 2022. There can be no assurance that the Company will be successful in extending the maturity of Taiga Loan or securing the additional financing, which give rise to material uncertainties that 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. SIGNIFICANT ACCOUNTING POLICIES**a) Basis for measurement**

These condensed interim consolidated financial statements have been prepared on a historical basis, except for those assets and liabilities that are measured at fair value at the end of each reporting period.

The accounting policies in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

(Unaudited - Expressed in United States dollars unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**b) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Graphite One (Alaska) Inc. All intercompany transactions and balances have been eliminated upon consolidation.

c) Critical accounting judgements and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note. The preparation of our consolidated financial statements requires us to make judgments regarding the Company's ability to continue as a going concern as discussed in Note 2.

Key Sources of Estimation Uncertainty and Critical Judgments**Exploration and evaluation assets**

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Key Sources of Estimation Uncertainty and Critical Judgments (Cont'd)**

Share-based payments

Share-based payments are measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

4. ACCOUNTS RECEIVABLE

Accounts receivables consist of GST receivable from the Federal Government of Canada in the amount of \$12,465 (December 31, 2021 - \$19,699)

5. PREPAIDS AND DEPOSITS

Prepays and deposits are comprised of the following:

	March 31, 2022	December 31, 2021
Subscriptions	\$ 4,216	\$ 4,835
Insurance	114,410	16,991
Project advances	74,345	79,255
Marketing	69,224	-
Deposits and other	33,380	31,248
	<u>\$ 295,575</u>	<u>\$ 132,329</u>

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***6. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

	Field Equipment	Computers	ROU Assets	Total
Cost	\$	\$	\$	\$
As at December 31, 2020	388,288	3,412	-	391,700
Additions	305,447	11,465	220,297	537,209
At at December 31, 2021	693,735	14,877	220,297	928,909
Additions	111,843	-	-	111,843
As at March 31, 2022	805,578	14,877	220,297	1,040,752

	Field Equipment	Computers	ROU Assets	Total
Accumulation depreciation	\$	\$	\$	\$
As at December 31, 2020	263,633	2,849	-	266,482
Depreciation	77,546	5,452	46,825	129,823
At at December 31, 2021	341,179	8,301	46,825	396,305
Depreciation	22,627	843	21,980	45,450
As at March 31, 2022	363,806	9,144	68,805	441,756

	Field Equipment	Computers	ROU Assets	Total
Net book value	\$	\$	\$	\$
At at December 31, 2021	352,556	6,576	173,472	532,604
As at March 31, 2022	441,772	5,733	151,492	598,996

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***7. EXPLORATION AND EVALUATION PROPERTY**

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

Balance, December 31, 2020	\$ 20,646,057
Land management	128,713
Analysis	132,991
Geological consulting	165,789
Fieldwork	1,247,924
Drilling	4,605
Engineering	36,609
Technical assessments	1,443,190
Community consultation	90,095
Environmental studies	414,260
Translation adjustment	996,645
Feasibility study	8,782,139
Balance, December 31, 2021	34,089,017
Land management	60,000
Analysis	81,603
Geological consulting	7,895
Fieldwork	179,837
Transport, equipment rentals	66,802
Community consultation	12,000
Environmental studies	46,718
Pre-feasibility studies	281,116
Feasibility study	342,026
Balance, March 31, 2022	\$ 35,167,014

8. LOANS PAYABLE

	Taiga Loan	Accrued Interest	Taiga Loan and Accrued Interest	CEBA Loan	Total
Balance, December 31, 2020	\$ 4,956,000	\$ 666,398	\$ 5,622,398	\$ 31,417	\$ 5,653,815
Repayments	-	-	-	(31,417)	(31,417)
Accrued interest	-	647,322	647,322	-	647,322
Balance, December 31, 2021	4,956,000	1,313,720	6,269,720	-	6,269,720
Accrued interest	-	235,998	235,998	-	235,998
Balance, March 31, 2022	\$ 4,956,000	\$ 1,549,718	\$ 6,505,718	\$ -	\$ 6,505,718

GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in United States dollars unless otherwise indicated)

8. LOANS PAYABLE (Cont'd)

On September 6, 2019, the Company entered into a two-year unsecured loan agreement with Taiga Mining Company Inc. ("Taiga") to borrow up to \$4.8 million (the "Taiga Loan") which was fully drawn as at March 31, 2022. The Taiga Loan bears an interest rate of 12% per annum, compounded annually. The Company has an option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga, which was exercised on July 23, 2021, extending the maturity date of the loan to September 6, 2022.

On June 8, 2020, the Company entered into a two-year unsecured loan agreement with Taiga to borrow up to \$156,000, which was fully drawn as at March 31, 2022. The Taiga Loan bears an interest rate of 12% per annum, compounded annually and matures on June 8, 2022. The Company has an option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga.

9. SHARE CAPITAL

9.1 Authorized

Unlimited number of common shares with no par value.

9.2 Shares Issued

The following transactions occurred during the three months ended March 31, 2022:

The Company issued 586,882 common shares for proceeds of CA\$656,446 pursuant to the exercise of share purchase warrants at an average exercise price of CA\$1.12 per share.

The following share transactions occurred during the year ended December 31, 2021:

During the year ended December 31, 2021, the Company completed three financings, raising total gross proceeds of CA\$21.3 million. These financings were undertaken 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 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 warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2021-1 Warrants, described above.

GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in United States dollars unless otherwise indicated)

9.2 Shares Issued (Cont'd)

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 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 entitling the holder to acquire one additional common share of the Company at CA\$0.98 per share.

On April 22, 2021, the 2,500,000 warrants held by the warrant holder pursuant to the Royalty Purchase Option Agreement were exercised for proceeds of CA\$1,525,000 in connection with the Company electing to accelerate the expiry of the warrants.

On August 12, 2021, the Company completed the first tranche of a brokered private placement ("2021-3 First Tranche Financing"), raising gross proceeds of CA\$7,727,000 through the issuance of 7,727,000 units ("2021-3 Units") at a price of CA\$1.00 per 2021-3 Unit consisting of one common share and one share purchase warrant ("2021-3 Warrant"). Each 2021-3 Warrant entitles the holder to acquire one common share of the Company at a price of CA\$1.50 per warrant for a period of 12 months from the closing date of the closing of the 2021-3 First Tranche Financing. The 2021-3 First tranche Financing was conducted pursuant to the terms of an agency agreement entered between the Company and Canaccord Genuity Corp. (the "Agent"). The Company has paid the Agent a cash fee of CA\$540,890 equal to 7% of the gross proceeds of the 2021-3 First Tranche Financing and issued 540,890 compensation warrants ("Compensation Warrants"). The exercise price of the Compensation Warrants is CA\$1.50 per share and expires 12 months from the date of the closing, subject to adjustment in certain circumstances.

Concurrent with the 2021-3 First Tranche Financing, Taiga Mining Company, Inc. purchased 2,501,581 2021-3 Units for gross proceeds of CA\$2,501,581. On September 24, 2021, the Company completed the second tranche of the brokered private placement ("2021-3 Second Tranche Financing"), raising gross proceeds of CA\$998,000 through the issuance of 998,000 units ("2021-3 Units"). Total gross proceeds raised from the 2021-3 First Tranche Financing, the 2021-3 Second Tranche Financing and the Taiga investment amounts to CA\$11,226,581.

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***9.3 Stock Options**

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 is to be determined on the date of issuance of the options.

The following table summarizes activity related to stock options:

	Number of Options	Weighttted Average Exercise Price (CA\$)
Balance, December 31, 2020	4,060,000	\$ 0.34
Granted	5,492,429	1.25
Exercised	(1,185,000)	0.40
Expired	(15,000)	1.00
Balance, December 31, 2021 and March 31, 2022	8,352,429	\$ 0.93

No stock options were granted during the three months ended March 31, 2022. The fair value of the stock options granted during the year ended December 31, 2021 was estimated on the date of grant using the Black-Scholes Option Pricing Model under the following assumptions:

	March 31 2022	December 31, 2021
Exercise price (CA\$)	-	\$1.02 - \$1.39
Share price	-	\$1.28 - \$1.74
Risk-free interest rate	-	0.64% - 0.93%
Expected life	-	5 - Years
Expected stock price volatility	-	134% - 136%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per option (CA\$)	-	\$1.34 - \$1.54

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***9.3 Stock options (Cont'd)****Outstanding Stock Options**

As at March 31, 2022				As at December 31, 2021			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
30,000	30,000	0.60	0.7	30,000	30,000	0.60	1.0
505,000	505,000	0.30	0.7	505,000	505,000	0.30	1.0
100,000	100,000	0.30	1.2	100,000	100,000	0.30	1.4
1,700,000	1,700,000	0.30	2.1	1,700,000	1,700,000	0.30	2.4
525,000	525,000	0.35	3.2	525,000	525,000	0.35	3.5
2,105,000	2,105,000	1.02	3.9	2,105,000	2,105,000	1.02	4.2
3,387,429	3,387,429	1.39	4.7	3,387,429	3,387,429	1.39	5.0
8,352,429	8,352,429	0.93	3.6	8,352,429	8,352,429	0.93	3.8

9.4 Warrants

The following table summarizes the activity related to Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2020	11,118,430	\$ 1.04
Issued	29,790,685	0.98
Exercised	(10,255,618)	0.76
Expired	(115,386)	1.30
Balance, December 31, 2021	30,538,111	1.07
Exercised	(586,882)	1.12
Balance, March 31, 2022	29,951,229	\$ 1.07

The Company did not issue any warrants during the three months ended March 31, 2022. The 2021-1, 2021-2, and 2021-3 Warrants were issued pursuant the private placements (Note 9.2) that closed during the year ended December 31, 2021 were assigned a \$Nil value.

GRAPHITE ONE INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021***(Unaudited - Expressed in United States dollars unless otherwise indicated)***9.5 Broker Warrants**

The following table summarizes the activity related to Broker Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2020	22,720	\$ 1.20
Issued	2,036,474	0.76
Exercised	(1,183,843)	0.64
Balance, December 31, 2021 and March 31, 2022	875,351	1.07

The Company did not issue any broker warrants during the three months ended March 31, 2022. During the year ended December 31, 2021, the Company issued 2,036,474 broker warrants pursuant to equity financings (Note 9.2).

The fair value of the broker warrants issued during the year ended December 31, 2021 was estimated on the date of grant using the Black-Scholes Option Pricing Model under the following assumptions.

	March 31, 2022	December 31, 2021
Exercise price (CA\$)	-	\$0.61 - \$1.00
Share price	-	\$1.28 - \$1.56
Risk-free interest rate	-	0.41% -- 0.64%
Expected life	-	1 - 2 years
Expected stock price volatility	-	117% - 133%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per option (CA\$)	-	\$0.50 - \$0.99

Outstanding Broker Warrants

As at March 31, 2022				As at December 31, 2021		
Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)		Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
18,720	1.20	1.2		18,720	1.20	1.4
1,636	1.20	1.3		1,636	1.20	1.5
134,543	0.61	0.9		134,543	0.61	1.1
109,702	0.98	0.9		109,702	0.98	1.1
540,890	1.00	0.4		540,890	1.00	0.6
69,860	1.00	0.4		69,860	1.00	0.6
875,351	0.94	0.5		875,351	0.94	0.8

GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in United States dollars unless otherwise indicated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

During the three months ended March 31, 2022, the Company accrued interest of \$196,998 (three months ended March 31, 2021 - \$170,157) related to the Taiga Loan (Note 8). As at March 31, 2022, the Company owed \$6,505,718 (December 31, 2021 - \$6,308,720) for principal and interest on the Taiga Loan.

Key management compensation

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

Compensation paid to key personnel was as follows:

	Three months ended March 31,	
	2022	2021
Management fees	\$ 75,000	\$ 224,857
Director fees	15,000	65,860
Salaries and benefits	242,109	323,298
Share-based payments	-	1,912,435
	<u>\$ 332,109</u>	<u>\$ 2,526,450</u>

For the three months ended March 31, 2022, the Company capitalized \$89,000 (three months ended March 31, 2021 - \$104,300) of salaries and benefits and \$Nil (March 31, 2021 - \$47,909) of share-based payments to the exploration and evaluation property. The amounts capitalized were related to project management.

Amounts owing to other related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. As at March 31, 2022, the Company owed \$10,000 (December 31, 2021 - \$1,237) to related parties.

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 and cash equivalents.

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a. Credit risk (Cont'd)

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. Majority of the Company's cash and cash equivalents are held with a chartered bank 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 of March 31, 2022, the Company had a working capital deficit of \$1,924,127 (December 31, 2021 - \$472,129 working capital deficit). The Company will seek to extend the maturity date of the Taiga Loan of \$6,308,720 as well as to complete additional debt or equity offerings to fund ongoing operations and development project. There can be no assurance that the Company can extend the maturity of the Taiga loan or obtain additional financing on terms acceptable to the Company or at all. As at March 31, 2022 and December 31, 2021, the Company has no bank 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 \$5,044,063 in cash and cash equivalents as of March 31, 2022 (December 31, 2021 - \$6,376,049), on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered to be immaterial.

d. Foreign currency risk

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

The Company has entered into dual currency swap contracts to provide a better interest rate yield in exchange of foreign currency risk. If the CAD/USD spot rate is less than or equal to the pre-determined conversion rate on settlement date, the principal amount will be settled in the conversion currency at the pre-determined conversion rate resulting in a foreign exchange loss. For the three months ended March 31, 2022, the Company has recorded a mark-to-market loss of \$41,940 on the fair value of embedded derivative on the open contracts.

As at December 31, 2021, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures at December 31, 2021, a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease the Company's net loss by \$390,791.

11.2 Fair Values

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

GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

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12. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company:

- a) on April 4, 2022, entered into a non-binding initial Memorandum of Understanding (“MOU”) with battery material recycler Lab 4 Inc. of Nova Scotia, Canada whereby Lab 4 will work with the Company to design, develop and build a recycling facility for end-of-life EV and lithium-ion batteries. The Company and Lab 4 anticipate entering into a definitive agreement and ancillary documents within 180 days from signing of the MOU to set out the proposed terms of the collaboration to design, develop and build a recycling facility. The transaction is subject to a number of conditions including, but not limited to: (1) completion of due diligence by both parties ((ii) the parties negotiating and executing a definitive agreement on terms mutually agreed to by both parties, and (ii) receipt of all regulatory approvals and third-party consents, including the approval of the TSX Venture Exchange.

- b) on April 6, 2022, entered into a memorandum of understanding (“MOU”) with Sunrise (Guizhou) New Energy Materials Co. Ltd. (“Sunrise”), a Chinese lithium-ion battery anode producer to development an agreement to share expertise and technology for the design construction, and operation of a US-based graphite material manufacturing facility. The plan for the materials facility, which is the second link to the Company’s US supply chain solution for advanced graphite products and will be detailed in the prefeasibility study expected to be released in the first half of 2022.