GRAPHITE ONE RESOURCES INC.

(the “Company” or “Graphite One”)

Form 51-102F1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2014

The following Management’s Discussion and Analysis (“MD&A”), prepared as of August 27, 2014, should be read together with the condensed interim consolidated financial statements of the Company for the three and nine months ended June 30, 2014 and 2013 and related notes thereto, which are prepared in accordance with IAS 34 “Interim Financial Reporting” using accounting principles consistent with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should be aware that historical results are not necessarily indicative of future performance.

Forward Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Certain statements contained in this MD&A constitute forward-looking statements. The use of any words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Examples of where the company uses forward looking statements include when discussing exploration plans operational plans and future expenditure expectations.

It is important to note that:

• Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of August 27, 2014.

• Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

• The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by law.

The mineral resource estimates reported in this MD&A were prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission (“SEC”) applies different standards in the classification of mineralization. In particular, while the terms “measured,” “indicated” and “inferred” mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, “inferred” mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Mining Risks" and “Business Risks”.

Nature of Operations and Going Concern

Cedar Mountain Exploration Inc. was incorporated in Alberta and commenced operations on March 16, 2006. On October 18, 2007, the Company closed its initial public offering and began trading on the TSX-Venture exchange under the symbol CED on October 29, 2007. On March 23, 2012, the Company changed its name to Graphite One Resources Inc. (“Graphite One” or the “Company”) and adopted the symbol on the TSX Venture exchange of GPH effective March 27, 2012. On June 11, 2012 the Company began trading in the over the counter market in the United States on the OTCQX under the symbol GPHOF. Graphite One is the parent company of its consolidated group. The Company’s head office address is 160, 1209 – 59th Avenue SE, Calgary, Alberta, T2H 2P6.

Graphite One is in the business of acquiring and exploring exploration and evaluation properties. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable and the Company is carrying out active exploration efforts on all of its exploration and evaluation properties. The recoverability of the amounts shown for exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the exploration and evaluation properties.

The 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. The Company’s ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet 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.

Exploration and Evaluation Properties

2012 Prospect under option – Graphite Creek

On January 17, 2012, the Company announced that it had entered into an option agreement (the “Graphite Creek Option”) with an arm’s length party to earn a 100% interest in the Graphite Creek Property, now a 6,799 hectare property on the Seward Peninsula of Alaska. The Graphite Creek Property is an early stage exploration Property which the Company has assessed is of high prospectivity for large-flake, high grade graphite. To complete the Graphite Creek Option, the Company must incur exploration expenditures on the Graphite Creek property totaling United States dollars (“USD”) 1,525,000 over three years (completed), and make aggregate cash payments to the vendor of the Graphite Creek project totaling USD 425,000, including: USD 25,000 upon entering the Graphite Creek Option (completed); USD 50,000 due March 1, 2012 (completed); USD 100,000 due March 1, 2013 (completed), and; USD 250,000 on March 1, 2014 (completed).

Having satisfied the terms of its option agreement regarding the Graphite Creek Property, the Company is now entitled to execute the lease with its initial 20 year term and provisions for renewal (the "Graphite Creek Lease"). During the term of the Graphite Creek Lease, the Company must pay an advance royalty (the "Advance Royalty") of USD 30,000 per year for each of the first five years and increasing by USD 10,000 per year thereafter, until such time as the Graphite Creek Property commences production. Upon commencement of production, the Graphite Creek property shall be subject to a 5% net smelter royalty in favour of the vendor of the Graphite Creek Property (the "Graphite Creek NSR"), of which 50% of the total amount payable under the Graphite Creek NSR may be settled by applying advance royalties paid prior to production. The Company shall have the additional option of reducing the Graphite Creek NSR to 3% by making cash payments to the beneficiary of the Graphite Creek Royalty of USD 2,000,000 for each 1% of the total 5% Graphite Creek Royalty.

The total Graphite Creek Property land package comprises 129 claims totaling 16,801 acres (6,799 hectares), essentially controlling all prospective lands of known graphite mineralization in the region. 42 of the claims are state select claims which are awaiting conveyance by the US federal government to the state of Alaska. The Property is 3 kilometres away from intertidal waters at Windy Cove, approximately 20 kilometres away from road systems, and 3 kilometres from an airstrip to the southeast.

The Graphite Creek Property is historically characterized by a series of large-flake, high-grade graphite deposits or showings that crop out in incised creek valleys on the northern, lowermost slopes of the Kigluaik Mountains. The graphite showings were first discovered after the 1898 Cape Nome gold rush, and have been reported under the guise of several names including the Uncle Sam, Tweet and Kigluaik graphite deposits. The showings were intermittently mined from 1907 to 1920 with some 580 tonnes of hand-sorted graphite mined from talus and adits (small <10 m excavations into exposed outcrop) that penetrated high-grade graphitic zones. Prior to Graphite One's interest, the deposits were last explored during the mid-1990s when minor mineralogical (x-ray diffraction) and chemical work was conducted. The graphite showings were never drill-tested prior to Graphite One's 2012 exploration program.

The graphite deposits consist mainly of segregations (lenses and streaks) of semi-massive to massive graphite and graphite disseminations that are hosted in schistose rocks within the lower granulite facies portion of the Kigluaik Group. Based on surface exposures and workings, the deposits are known to strike in a northeasterly direction adjacent to the high angle, strike-slip Kigluaik Fault. Graphite zones within the schistose rocks occur as: 1) massive resistant graphite segregations in sillimanite-garnet-biotite-quartz schist; 2) flaky graphitic sillimanite-garnet-biotite-quartz schist consisting of 15-55% large graphite flakes; and 3) graphitic biotite-quartz schist containing 1-10% disseminated graphite. Historical sampling suggests that the sillimanite-garnet-biotite-quartz schist has massive 'high-grade' graphite segregations (and disseminated graphite) that can yield up to 60% graphite, and the biotite-quartz schist contains 2% to 6% disseminated graphite.

On June 13, 2012 the company announced it had completed the airborne geophysical survey conducted by SkyTEM Canada Inc. ("SkyTEM") which was comprised of both magnetics and electromagnetics (SkyTEMs' Dual-Moment, Time-Domain Electromagnetic ("TDEM") System). The survey was flown at 50 metre spaced lines. A total of 1,523.5 line-kilometres were flown in two phases. The first phase collected survey data during May 2012 and the second phase collected survey data over newly acquired claims during July and August 2012. The two survey phases were collected over adjoining blocks using SkyTEM systems with identical system calibrations. The main EM conductor that is coincident with graphite occurrences has now doubled to more than 18 kilometres in strike length. As well, a second EM conductor (the 'south zone' or 'Araujo zone') was identified during 2012 yet remains virtually unexplored.

On June 27, 2012 an aggressive $4.5 million exploration program at the Graphite Creek Property which consisted of drilling, prospecting, geological mapping and sampling along conductors delineated from the airborne survey and previously defined graphite-bearing schist - to quickly move towards a National Instrument 43-101 compliant resource, commenced.

A total of 591 rock grab samples were sampled throughout the Graphite Creek Property during 2012 fieldwork. Rock sample types include graphitic sillimanite-garnet-biotite-quartz and biotite-quartz (±garnet) schistose units plus localized intrusive diorite. All samples were analyzed for specific gravity and graphitic carbon (Cg). Of the 591 samples, 11 samples yielded >45% Cg (up to 80.9% Cg), 47 samples had >10% Cg and 137 samples had >3% Cg. Fifteen bulk samples of between 558 kg and 739 kg (totaling 9,916 kg in three composite samples) were collected from three different areas including Graphite Creek, Christophosen Creek and Child Drainage. Bulk pit sample analysis is pending.

The 2012 drill program included 18 drillholes totaling 4,249 m. The majority (17 drillholes) were conducted in the central portion of the Property near Graphite Creek. These 17 drillholes are spaced about 200 m apart with infill drilling initiated on the western portion of the drill zone at a spacing of 50 m. With the exception of one drillhole (12GCH005; -87° dip), all drillholes were drilled at -49° to -51° dip to test the true thickness of mineralization; the graphite bearing rocks dip at approximately 60°. The drill core was sampled approximately every metre (4,106 samples), which resulted in 208 samples yielding >10% Cg and 1,249 samples with >3% Cg. All drillholes encountered graphite mineralization including, for example, 173 m of 5.39% Cg with sub-intersections of 10.03% Cg over 55 m and 12.01% Cg over 42 m (drillhole 12GCH005), and 147 m of 4.0% Cg with sub-intersections of 6.56% Cg over 58 m and 10.14% Cg over 32 m (drillhole 12GCH006). The results confirm that graphite mineralization exposed at surface extends to vertical depths of over 225 m.

The 18th drillhole completed during the 2012 program represents a step-out hole to test graphite mineralization along the geophysical conductor. Drillhole 12GCH008 was collared approximately 2.2 km west of the main drill zone. Drill core analytical results include 177 m of 3.0% Cg including 6.02% Cg over 52 m and 7.07% Cg over 31 m. The step-out hole shows the potential for continuous high-grade mineralization along the geophysical conductor.

With respect to metallurgical work, in 2011, Graphite One collected four samples of the garnet-bearing schist that yielded 9.1 to 21.6% carbon. Screening analyses of 2011 samples, which included high-grade massive, disseminated and mixed composite samples that were crushed to -10 mesh, shows that about 57-71 wt. % (57% to 64% of the graphite distribution) is contained in the 10 by 40 mesh size fraction, with 8-18 wt. % (11% to 20% of the graphite distribution) in the 40 by 80 mesh fraction. An additional five samples were taken for flake size distribution during the 2012 exploration campaign and results are pending.

During 2012, Graphite One tested 4 samples from drill core for flake size analysis. The samples analyzed contained 8.7%, 13.7%, 14.9% and 8.0% Cg, respectively. From these samples 62.9%, 70%, 63.9%, and 59.3%* of the graphite recovered are large flakes (*samples were crushed to 10 mesh so results may be understated because the 2011 samples contained up to 10.5% +10 mesh material). The analytical work was conducted at Hazen Laboratories, Co, USA. Based on the 2011 and 2012 tests, the Graphite Creek Property is known to be a flake graphite deposit whereby the majority of the flake is considered to be large flake.

On April 29, 2013, the Company announced that a first pass beneficiation test at Activation Laboratories Ltd. ("ActLabs"), Thunder Bay, Ontario, demonstrated a leaching process capable of producing a high purity of 99.2% graphitic carbon (Cg) from a rough concentrate. On April 24, 2014, the Company announced results from a second series of beneficiation tests conducted at SGS Canada Inc. ("Lakefield") on samples from its 100% owned Graphite Creek Deposit. Trials using a leaching process yielded results exceeding 99.99 per cent Carbon ("% C") from a rough concentrate produced from floatation which had an initial 92 % C head grade.

On September 24, 2013 an exploration program at the Graphite Creek Property which consisted of drilling conductors along strike using data gathered from the 2012 airborne electro-magnetic survey and successful drill program. In total, 10 diamond drillholes were completed totaling 1,023 meters. Drillholes were typically spaced about 250 meters apart. Drill holes 13GCH009 and 13GCH010 were drilled east of the 2012 drilling and drillholes 13GCH011 to 017 were designed to drill in between the 2012 step out hole (12GCH008 was drilled 2.2 km west) and the 2012 inferred resource. All drillholes were mineralized from top to bottom with respect to Graphite. Results of the 2013 drilling were used to update the existing inferred resource.

On January 20, 2014 the Company announced an increase of the existing inferred resource by 67% to 284.71 Mt of 4.5% Cg (See Table Below "2014 Graphite One Inferred Resource").

2014 Graphite One Inferred Resource[c]			
Cut-Off Grade (% Cg) by LECO	Tonnage (Million)	Graphite % (Cg) by LECO	In Situ Graphite (Metric Tonnes[a])
2	284.71	4.5	12,756,000
3[b]	186.86	5.5	10,346,000
5	95.93	7.2	6,906,000
7	37.68	9.2	3,467,000
10	8.63	12.8	1,103,000

a: The grade and in situ graphite have been rounded off to the nearest thousand, and therefore may not tally due to rounding.
b: This inferred resource recommends using a 3.0 % Cg cut-off. The base case cut-off grade of 3% Cg is based on a conservative approach of resource recovery of 80 to 95% Graphite concentrate with average selling price of $1200 /tonne.
c: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

The mineral resource estimate was prepared by Steve Nicholls, BASc, MAIG and Roy Eccles, M.Sc., P.Geol. of APEX Geoscience Ltd., both of whom are independent Qualified Persons under National Instrument 43-101, using the most current Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines.

The Expanded Graphite Creek Inferred Resource are constrained within a drilled area of approximately 4.8km along the northeast striking trend of the graphitic schist, 230m across the strike to the southeast and 320m below surface. Geological interpretation and estimation utilized 28 drillholes (totaling 5,272m) that were drilled by Graphite One in 2012 and 2013. Spacing between drillholes generally varied from 50 to 500 m, with an average of 190 m between drillhole sections. Based on the drillhole spacings, a parent block size of 20m x 20m x 20m with sub-blocking down to 5m x 5m x 5m was applied. The deposit remains open along strike to both the east and west, and down dip.

The graphite deposits occur within distinct geological layers that comprise high-grade massive to semi-massive segregated, and disseminated, large-flake graphite in sillimanite-garnet-biotite-quartz schist and biotite-quartz schist (±garnet) host rocks. Accordingly, the geological model and estimation is guided by eight distinct mineralized lodes, or statistically derived groupings of elevated graphite mineralization, that are shown to extend laterally for various distances along the strike of the deposit. Of these lodes, the highest in situ graphite tonnage occurs in surface/near-surface mineralized lodes comprised of sillimanite-garnet-biotite-quartz schist.

The Graphite Creek assay file comprised 4,930 analyses of variable length from all the sampled lithologies. The mineral resources were estimated using analytical data from 28 surface drill holes for which samples were assayed for Cg using the LECO analytical method (composite to 2m) at Activation Laboratories Inc., Ancaster, ON, Canada ("Actlabs"). Based on drill core lithologies and the assay file, a total of eight different mineralized wireframes, or lodes, were interpreted in the three-dimensional geological model. Of the 4,930 assays in the Graphite One database, 2,599 assays were situated within the mineralized lodes. Upon the completion of the compositing process (at 2m intervals), a total of 1,271 composites were used in the estimation process. Density values (n=4,928) were estimated for each individual block throughout the block model. Variography was limited because most drill sections had a single drillhole, and subsequently, grade estimation of graphite percentage was performed using inverse-distance squared methodology.

Graphite One conducted laboratory quality assurance/quality control ("QA/QC") tests, where 99 duplicate samples from the 2013 drill program were analyzed at two separate, independent laboratories (Actlabs and Acme Analytical Laboratories Inc.). The results yielded good correlation of graphitic carbon between data from the two laboratories with the majority of samples plotting near the 1:1 line, and provides confidence in the graphite concentration data used in the Expanded Graphite Creek Inferred Resource.

Graphite One has its own core logging and sample preparation laboratory / facility in Nome, Alaska. The sample preparation laboratory was installed, and is being managed by Actlabs. This will ensure Graphite One maintains the highest level of QA/QC and ensures timely receipt of analytical results.

On March 3rd, 2014 Graphite One announced that it had satisfied all of its obligations under the Graphite Creek option agreement by making the final option payment of USD 250,000 and now holds a 100% interest in the high-grade Graphite Creek deposit in Alaska.

The project will now be governed by a 20 year lease with automatic renewal provisions. The lease agreement allows for a 5% net smelter royalty which can be reduced to 3% by cash payment of $2,000,000 for each one percent purchased.

Changes in Management and the Board of Directors

On January 29th, 2014, the Company announced changes to its senior management team including:

- The resignation of Mr. Charles Chebry from his position of CEO and Director
- The appointment of Mr. Anthony Huston, formerly President, to the position of President and CEO
- The appointment of Mr. Douglas Smith to the position of Executive Chairman

Overall Performance

The Company has no operating revenue to date. The Company relies on the issuance of common shares to finance acquisitions, exploration on its exploration and evaluation properties, and to provide general operating working capital. The majority of the Company's financial assets are expended in the acquisition and exploration of its exploration and evaluation properties which is reflected in the Company's consolidated financial statements as exploration and evaluation properties on the balance sheet or write down of exploration and evaluation properties on the statement of loss and comprehensive loss.

Selected Annual Information

The following table summarizes financial data for annual operations reported by the Company for the years ended September 30, 2013, 2012, and 2011.

	September 30, 2013	September 30, 2012	September 30, 2011
Current assets ($)	1,563,827	990,948	925,872
Total Assets ($)	7,302,220	5,757,680	5,818,696
Exploration and evaluation properties ($)	5,513,217	4,444,125	4,788,842
Current liabilities ($)	488,313	317,964	359,125
Net loss ($)	(1,686,631)	(6,776,181)	(1,292,730)
Basic and diluted net loss per common share ($)	(0.02)	(0.09)	(0.03)
Weighted average number of common shares outstanding	89,938,337	71,961,162	44,722,549

Summary of Quarterly Results

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

Period ended	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012
Net loss ($)	(457,436)	(511,925)	(458,562)	(535,910)	(211,564)	(421,597)	(517,560)	(322,386)
Basic and diluted loss per common share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)

Over the past eight quarters, the Company continued its focus on exploration and there are no cash flows resulting from operations.

Results of Operations

Three months ended June 30, 2014

During the three months ended June 30, 2014 (“the current quarter”), the Company incurred a net loss of $457,436 compared to a net loss of $211,564 during the three months ended June 30, 2013 (the “third quarter of 2013”).

General and administrative expenses for the current quarter, consisting of management fees and salaries, marketing and investor relations, office and administration and professional fees, totaled $426,738 (2013 - $211,238). General and administrative expenses in the current quarter, compared to the third quarter of 2013, include the following:

- Marketing and investor relations costs of $105,088 (2013 - $59,625) increased in the current quarter due primarily to higher conference fees, higher costs associated with the Company’s OTCQX listing, and marketing fees partly offset by lower IR consulting costs.
- Management fees and salaries increased to $204,888 (2013 – $90,259) driven by increased compensation for an executive officer as well as the addition of the position of Executive Chairman to the Company.

- An increase in office and administrative expenses to $70,998 (2013 - $49,207) was driven by increased rent and travel costs partly offset by lower insurance costs.
- Professional fees increased to $45,764 compared with $12,147 in the third quarter of 2013. An increase in legal fees was offset by lower accounting and audit costs.

Share based payments expense, a non-cash expense, amounted to $31,219 (2013 – nil). Share options vested during the three months ended June 30, 2014 were 300,000 (2013 – nil). Share based payments amounts were determined based on the fair value of share options granted, vested and approved in the quarter.

Nine months ended June 30, 2014

During the nine months ended June 30, 2014 ("the current year"), the Company incurred a net loss of $1,427,923 compared to a net loss of $1,150,721 during the nine months ended June 30, 2013 (the "prior year").

General and administrative expenses for the current year, consisting of management fees and salaries, marketing and investor relations, office and administration and professional fees, totaled $1,222,011 (2013 - $950,568). General and administrative expenses in the current year, compared to the prior year, include the following:

- Marketing and investor relations costs of $430,468 (2013 - $363,641) increased in the current year driven by increased marketing efforts resulting in higher travel and conference costs partly offset by a reduction in IR consulting fees.
- Management fees and salaries increased to $536,596 (2013 – $305,459) driven by several factors including: severance paid to a former officer and director of the corporation; increased compensation for an executive officer; the creation of the position of Executive Chairman; and increased costs related to a corporate strategy consultant. These increases were partly offset by lower accounting costs.
- A decrease in office and administrative expenses to $176,397 (2013 - $226,576) was driven primarily by lower rent, insurance and IT costs in the current year, partly offset by increased corporate travel costs.
- Professional fees in the current year were $78,550 compared with $54,892 in the prior year. The increase is driven by higher legal costs, partly offset by lower accounting and audit fees.

Share based payments expense, a non-cash expense, amounted to $203,385 (2013 – $201,679). Share options granted during the nine months ended June 30, 2014 were 900,000 (2013 – 1,355,000). Share based payments amounts were determined based on the fair value of share options granted, vested and approved in the quarter.

Liquidity and Capital Resources

	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012
Working Capital ($)	213,116	701,272	318,215	1,075,514	(169,603)	107,337	114,179	672,984

Working capital at June 30, 2014 was $213,116 compared with a working capital deficit of $169,603 at June 30, 2013.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon the Company's ability to arrange adequate financing in the near term. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operations. The Company may seek such 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. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Financial Instruments and risk management

Financial instrument classification

Graphite One's financial instruments recognized on the balance sheet consist of cash, investment, trade and other payables, accrued liabilities and refundable deposits.

Upon initial recognition, Graphite One has designated its cash, refundable deposits and other receivables as loans and receivables, and accordingly they are measured at amortized cost.

The Company holds common shares of a private corporation, received in the year ended September 30, 2011 as consideration for the sale of a mineral property. These common shares are classified as available for sale investments, and are carried at cost as the shares are not yet traded on an active market.

Trade and other accounts payable have been classified as other liabilities, and are measured at amortized cost.

The estimated fair market values of Graphite One's financial instruments approximate their carrying values due to their short-term nature, other than investment, which is carried at cost.

The Company has no unrecognized financial instruments or derivative financial instruments.

Capital management

The Company's capital consists of equity.

The Company's objectives in managing its capital are: to maintain corporate and administrative functions necessary to support its operations and corporate functions; to perform mineral exploration activities on its exploration projects; and to seek out and acquire new projects of merit. Graphite One 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 case of working capital deficits.

There have been no changes in the Company's capital management in the current year.

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.

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's cash balances held at financial institutions earn interest at rates which vary according to prevailing rates. The Company does not deem the associated interest rate risk to be material.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any material credit risk.

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. Graphite One maintains the majority of its cash reserves in Canadian Dollars. A portion of the Company's funds are held in United States Dollars and are, therefore, subject to fluctuations in foreign exchange rates.

At June 30, 2014, the Company has certain monetary items denominated in United States Dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian Dollar against the United States Dollar would result in an increase or decrease of $750 in the Company's net loss.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

At June 30, 2014, the Company's current liabilities consisted of accounts payable and accrued liabilities of approximately $80,517 (September 30, 2013 - $488,313), due primarily within the next fiscal quarter. The Company's cash of $244,088 at June 30, 2014 (September 30, 2013 - $1,512,856) was more than sufficient to pay these current liabilities. As at August 27, 2014, the Company had working capital of approximately $1.85 million. The Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

At June 30, 2014, Graphite One's working capital was $213,116 (September 30, 2013 - $1,075,514) and does not have any long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. The Company will have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
CC Management Inc. ("CC")	CC is a private company controlled by a former officer and director of the Company. CC provides management services to the Company
Huston Financial Corp. ("Huston")	Huston Financial Corp. is a private company controlled by an officer and director of the Company. Huston provides management services and IR Consulting to the Company.

878160 Alberta Ltd. ("878160")	878160 is a private company controlled by an officer and director of the Company. 878160 provides geological consulting and management services to the Company.
DH Smith Resource Advisory Corp ("Smith")	Smith is a private company controlled by a director of the company. Smith provides management services to the Company.

Services provided for the nine months ended June 30, 2014	Management Services $	IR Consulting $	Geological Services $
CC Management Inc.	175,000	-	-
878160 Alberta Ltd.	22,500	-	90,000
Huston Financial Corp.	134,572	65,625	-
DH Smith Resource Advisory Corp.	66,664	-	-

Services provided for the nine months ended June 30, 2013	Management Services $	IR Consulting $	Geological Services $
CC Management Inc.	112,500	-	-
878160 Alberta Ltd.	45,000	-	65,000
Huston Financial Corp.	33,750	101,250	-

The above transactions relate to consulting fees incurred by the Company with exception to CC Management Inc. which includes $125,000 severance paid to an officer and director of the Company and Huston Financial Corp. which includes a bonus of $50,000 paid to an officer and director of the Company. Management services costs are included in Management fees and salaries and IR consulting expenses are included in Marketing and investor relations in the consolidated statements of loss and comprehensive loss. Geological services are capitalized to Exploration and evaluation properties in the consolidated statements of financial position.

The Company pays a company with common directors for monthly office rent and general operating costs for an office in one of the Company's locations. The office rental and operating costs are shared between several companies, and the Company only pays its pro rata share of the total cost of the office rental and related costs. The Company's share of office rent and basic operating costs was $71,034 for the nine months ended June 30, 2014 (2013 - $100,384).

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At June 30, 2014, the Company owed $35,456 (2013 – $34,747) to related parties.

Key management compensation

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

	Nine months ended June 30, 2014	2013
Consulting fees	$ 429,361	$ 357,500
Severance	125,000	-
Benefits	47,061	20,644
Salary	54,000	44,000
Stock options	39,000	418,000
	$ 694,422	$ 840,144

Management contracts

The Company entered into an agreement effective February 1, 2014 with a private company controlled by the President and CEO which provides management services to the Company. Under this agreement, the Company will pay an annual fee for services of $250,000 and, in the event of change of control of the Company, an amount equal to three times the annual fee. The agreement also provides for the payment of an amount equal to 2.5% of proceeds on any non-brokered financings with aggregate proceeds not to exceed $20 million.

Also effective February1, 2014, the Company entered into an agreement with a private company controlled by the Executive Chairman which provides management services. Under this agreement, the Company will pay an annual fee for services of $200,000 and, in the event of change of control of the Company, an amount equal to two times the annual fee.

Outstanding Share Data

The following table summarizes the Company’s outstanding share capital:

	August 27, 2014
Common shares issued and outstanding	144,189,024
Warrants outstanding (weighed average exercise price $0.17)	36.664.945
Agent options, finder’s warrants outstanding (weighted average exercise price $0.13)	2,734,722
Stock options outstanding (weighted average exercise price $0.22)	10,675,000
Fully diluted common shares outstanding	**194,263,691**

On August 26, 2014, the Company completed a private placement for total gross proceeds of $2,027,890. Pursuant to this private placement, the Company issued a total of 15,599,160 units (the “Units”) at a price of C$0.13 per Unit. Each Unit consists of one common share and one non-transferable common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of $0.20 per share during the first two years from the date of issuance and at a price of $0.25 per share during years three and four from the date of issuance. The Company paid finders' fees in the aggregate amount of $120,887.26 and issued 929,902 non-transferrable share purchase warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the Warrants described above.

Since June 30, 2014, 44,000 Agent Options were exercised at a price of $0.10 per share for total proceeds of $4,400.

Additional Disclosure for Venture Issuers without Significant Revenue

Details of the Company’s general and administrative expenses for the three and nine months ended June 30, 2014 and 2013 are included in the results of operations section of this MD&A. Details of the Company’s expenditures relating to exploration and evaluation properties are presented in note 8 to the consolidated financial statements.

Mining Risks

The Company is subject to the risks typical in the mining business including uncertainty of success in exploration and development; operational risks including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Metal prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, sales of gold by central banks, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

• Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks however the Company is not fully insured against all risks nor are all such risks insurable.

• Financial risks include fluctuations in commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.

• Regulatory risks include possible delays in getting regulatory approval for transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings, and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.

Outlook

The Company's primary focus is the exploration and development of the Graphite Creek Project. In addition to the exploration at this Property, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the risk capital necessary to advance such prospects.

Approval

The Board of Directors of the Company have approved the disclosure contained in this MD&A.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and on the Company's website at www.graphiteoneresources.com.