

**GRAPHITE ONE RESOURCES INC.**

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended June 30, 2015**

**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**GRAPHITE ONE RESOURCES INC.**  
**Consolidated Statements of Financial Position**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

As at		June 30, 2015	September 30, 2014
<b>ASSETS</b>	<b>Note</b>		
<b>Current assets</b>			
Cash		\$ 146,242	\$ 2,954,924
Cash in trust	5	-	766,067
Prepayments and deposits		88,687	266,248
Accounts receivable		12,624	48,027
<b>Total current assets</b>		247,553	4,035,266
<b>Non-current assets</b>			
Equipment		64,028	94,514
Exploration and evaluation properties	6	9,792,824	7,387,334
<b>Total non-current assets</b>		9,856,852	7,481,848
<b>Total assets</b>		\$ 10,104,405	\$ 11,517,114
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accounts payable		\$ 324,353	\$ 593,368
<b>Total liabilities</b>		324,353	593,368
<b>Equity</b>			
Share capital	7	22,526,394	22,217,062
Share option reserve	7	4,461,702	3,861,029
Deficit		(17,208,044)	(15,154,345)
<b>Total equity</b>		9,780,052	10,923,746
<b>Total equity and liabilities</b>		\$ 10,104,405	\$ 11,517,114
Going concern	2		
Subsequent events	10		

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 RESOURCES INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

	Note	For the three month period ended June 30		For the nine month period ended June 30	
		2015	2014	2015	2014
<b>Expenses</b>					
Management fees and salaries	8	\$ 126,976	\$ 204,888	\$ 425,204	\$ 536,596
Marketing and investor relations		193,840	105,088	669,959	430,468
Office and administration		45,883	70,998	178,397	176,397
Share-based payments	7	65,001	31,219	600,673	203,385
Professional fees		83,117	45,764	171,620	78,550
		514,817	457,957	2,045,853	1,425,396
<b>Other income (expenses)</b>					
Foreign exchange gain (loss)		(1,218)	(842)	(16,673)	(7,307)
Interest income		1,160	1,363	8,827	4,780
		(58)	521	(7,846)	(2,527)
<b>Net loss and comprehensive loss for the year</b>		\$ 514,875	\$ 457,436	\$ 2,053,699	\$ 1,427,923
<b>Basic and diluted loss per common share</b>		\$ -	\$ -	\$ 0.01	\$ 0.01
<b>Weighted average number of common shares outstanding</b>		167,908,916	126,372,776	167,332,979	122,593,038

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

**GRAPHITE ONE RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

	<b>For the nine month period ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH DERIVED FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,053,699)	\$ (1,427,923)
Items not involving cash:		
Share-based payments	600,673	203,385
<b>Changes in non-cash working capital items</b>		
Accounts receivable	35,403	107
Prepayments and deposits	177,561	1,319
Trade and other accounts payable	(94,705)	(407,796)
	<b>(1,334,767)</b>	<b>(1,630,908)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	-	1,351,104
Share issuance costs	(18,360)	2,007
Decrease/(increase) in cash in trust	671,241	-
<b>Changes in non-cash working capital items</b>		
Trade and other accounts payable	(46,831)	-
	<b>606,050</b>	<b>1,353,111</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation properties	(2,047,311)	(990,971)
Decrease/(increase) in cash in trust	94,826	-
<b>Changes in non-cash working capital items</b>		
Trade and other accounts payable	(127,480)	-
	<b>(2,079,965)</b>	<b>(990,971)</b>
<b>(Decrease) increase in cash</b>	<b>(2,808,682)</b>	<b>(1,268,768)</b>
<b>Cash at beginning of period</b>	<b>2,954,924</b>	<b>1,512,856</b>
<b>Cash at end of period</b>	<b>\$ 146,242</b>	<b>\$ 244,088</b>
<b>Supplemental cash flow information:</b>		
<b>Non-cash transactions eliminated from the consolidated statements of cash flows:</b>		
Shares issued on purchase of claims and royalty extension	\$ 327,692	\$ -
	<b>\$ 358,178</b>	<b>\$ 55,015</b>

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

**GRAPHITE ONE RESOURCES INC.**  
**Consolidated Statements of Changes in Equity**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

	<u>Common Shares</u>		<u>Share Option Reserve</u>	<u>Deficit</u>	<u>Total Equity</u>
	<u>Number</u>	<u>Amount</u>			
<b>October 1, 2013</b>	117,674,684	16,458,376	3,464,471	(13,108,939)	6,813,908
Shares issued on broker warrant exercise	-	27,212	(12,095)	-	15,117
Adjustment for broker warrant exercise	151,180	-	-	-	-
Shares issued on warrant exercise	10,720,000	1,179,500	-	-	1,179,500
Cost of share issuance	-	(2,007)	-	-	(2,007)
Share-based payments	-	-	172,166	-	172,166
Net loss for the period	-	-	-	(970,487)	(970,487)
<b>June 30, 2014</b>	128,545,864	17,663,081	3,624,542	(14,079,426)	7,208,197
<b>October 1, 2014</b>	166,875,949	22,217,062	3,861,029	(15,154,345)	10,923,746
Shares issued on extension of royalty purchase option	769,231	57,692	-	-	57,692
Shares issued on purchase of mineral claims	3,000,000	270,000	-	-	270,000
Cost of share issuance	-	(18,360)	-	-	(18,360)
Share-based payments	-	-	600,673	-	600,673
Net loss for the period	-	-	-	(2,053,699)	(2,053,699)
<b>June 30, 2015</b>	170,645,180	22,526,394	4,461,702	(17,208,044)	9,780,052

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

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2015**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

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**1. NATURE OF OPERATIONS**

Graphite One Resources Inc. ("Graphite One" or the "Company") was incorporated in Alberta under the name Cedar Mountain Exploration Inc. ("Cedar Mountain") and commenced operations on March 16, 2006. On March 23, 2012, Cedar Mountain changed its name to Graphite One and adopted the symbol GPH on the TSX-V effective March 27, 2012.

On October 18, 2007, Cedar Mountain closed its initial public offering and on October 29, 2007 began trading on the TSX-Venture Exchange ("TSX-V") under the symbol CED. 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. In September 2014, the Company moved its corporate jurisdiction from Alberta to British Columbia and in December 2014, the Company's head office was relocated to 510 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

Graphite One is in the business of acquiring and exploring exploration and evaluation properties. Through its 100% owned subsidiary, Graphite One (Alaska) Inc. (formerly Cedar Mountain Exploration (Alaska) Inc.) the Company is focussed on the Graphite Creek property near Nome, Alaska. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable and the Company is presently carrying out, or is planning to carry out active exploration efforts and evaluation activities 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 mineral properties.

**2. GOING CONCERN**

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at June 30, 2015, the company had a cash balance of \$146,242 and a working capital deficiency of \$76,800. Current liabilities as at June 30, 2015 totalled \$324,353. The Company has incurred losses since inception and does not generate any cash inflows from operations. In the nine months ended June 30, 2015, cash used in operating activities totalled \$1,334,767.

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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**2. GOING CONCERN (cont'd...)**

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. These unaudited condensed interim 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.

**3. BASIS OF PRESENTATION**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") that the Company expects to be applicable for its annual financial statements for the year ending September 30, 2015. 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 September 30, 2014.

The unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on August 31, 2015.

**3.1 Statement of compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. Accordingly, these Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read in conjunction with the Company's financial statements for the year ended September 30, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

**3.2 Basis of measurement**

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



**3. BASIS OF PRESENTATION (cont'd...)**

**3.3 Significant judgments, estimates and assumptions**

The preparation of the Company's unaudited condensed interim consolidated financial statements in conformity with IFRS applicable to interim reporting requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of income 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 properties: The Company is required to make significant judgments regarding the capitalization of exploration and evaluation properties' expenditures. The Company is also 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 properties 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 and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

**4. SIGNIFICANT ACCOUNTING POLICIES**

Refer to the Company's annual audited consolidated financial statements for the year ended September 30, 2014 and 2013 for a summary of significant accounting policies.

**4.1 Changes in Accounting Standards**

The Company reviews new and revised accounting pronouncements that have been issued but are not yet effective. There are currently no new or revised accounting pronouncements that may impact the unaudited condensed interim consolidated financial statements.

**5. CASH IN TRUST**

The Company has \$nil (September 30, 2014 - \$766,067) Cash in trust. The balance at September 30, 2014 includes \$94,826 that relates to a deposit held in an escrow account as required by a drilling contract entered into in September 2014 and \$671,241 relates to the share issuance in September 2014 and was held in a trust account at the Company's legal counsel. The Cash in trust related to the share issuance was released from escrow in October 2014 and the deposit related to the drilling contract was released from escrow in February 2015.

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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*(Expressed in Canadian dollars)*

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**6. EXPLORATION AND EVALUATION PROPERTIES**

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

	<b>Graphite Creek</b>
<b>Balance, September 30, 2013</b>	\$ 5,513,217
Acquisition	333,261
Analysis	44,132
Geological consulting	351,518
Fieldwork	1,145,206
<b>Balance, September 30, 2014</b>	<b>\$ 7,387,334</b>
Acquisition	436,621
Analysis	267,459
Geological consulting	418,433
Fieldwork	1,161,837
Engineering	121,140
<b>Balance, June 30, 2015</b>	<b>\$ 9,792,824</b>
<b>Summary</b>	
Acquisition	\$ 598,444
Exploration	6,788,890
<b>Balance, September 30, 2014</b>	<b>\$ 7,387,334</b>
Acquisition	\$ 1,035,065
Exploration	8,636,619
Evaluation	121,140
<b>Balance, June 30, 2015</b>	<b>\$ 9,792,824</b>

**Graphite Creek Property Summary**

The Graphite Creek Property is located on the Seward Peninsula of Alaska about 59 kilometers ("km") north of the deep sea port at Nome. The Graphite Creek Property is situated about 20km from a seasonal road and 4km from tidewater.

The Graphite Creek Property consists of 165 mining claims totaling 7,317 hectares (18,081 acres) and is comprised of:

- Twenty-four Federal mining claims (the "GC Option Property");
- Fifty-six Alaska state mining claims (the "GC Purchased Property"); and
- Eighty five located Alaska state mining claims around the GC Option Property (the "GC Staked Property").

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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**6. EXPLORATION AND EVALUATION PROPERTIES (cont`d...)**

On January 17, 2012, the Company announced that it had entered into an option agreement (the "GC Option Agreement") with an arm's length party Kougaroc LLC ("Kougaroc") to earn a 100% interest in the GC Option Property. The GC Option Property is an early stage exploration property which the Company assessed is of high prospectivity for large-flake, high grade graphite.

To complete the GC Option Agreement, the Company was obligated to incur exploration expenditures on the GC Option Property totaling United States dollars ("US\$") 1,525,000 over three years, and make aggregate cash payments to Kougaroc totaling US\$425,000. The payments included US\$25,000 upon entering into the GC Creek Option Agreement, US\$50,000 due March 1, 2012, US\$100,000 due March 1, 2013 and US\$250,000 on March 1, 2014. On March 3, 2014, the Company announced that it had satisfied all of the obligations under the GC Option Agreement and earned the right to enter into a lease agreement.

In May 2015, the Company executed a long-term lease agreement with Kougaroc LLC, commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease for two successive twenty year periods and ultimately for as long as production continues from the property. An advance royalty in the amount of 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. The production royalties are to be calculated as follows: 5% from lands in the 4 federal claims that were 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 Graphite Creek Royalty.

On January 24, 2012, the Company purchased from a private individual (the "Seller") one half of the GC Purchased Property (28 Alaska state mining claims) for \$20,000 and a 2% production royalty on future production from the GC Purchased Property. The Company had the right to purchase the production royalty for \$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 "Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before the earlier of (i) January 24, 2017, or (ii) the date that is six (6) months after the release by the Company of a feasibility study on the Graphite Creek Property. In connection with the Extension Agreement, the Company has issued to the Seller, 769,231 common shares of the Company at an estimated fair value of \$57,692.

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

Seventy-seven of the Alaska state mining claims comprising the GC Staked Property were located in 2012 and eight were located in June 2015.

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2015**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

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**7. SHARE CAPITAL**

**7.1 Authorized**

Unlimited number of common shares with no par value.

**7.2 Shares Issued**

In June 2015, the Company issued 3,000,000 common shares at an estimated fair value of \$270,000 in connection with a purchase and sales agreement whereby Graphite One acquired 28 junior Alaska state mining claims acquired by Graphite One (Alaska) Inc. in January 2012, so that the Company now holds the junior and senior Alaska state mining claims that overlapped.

In February 2015, the Company issued 769,231 common shares at an estimated fair value of \$57,692 in connection with an agreement to extend the Company's right to purchase a net smelter return royalty from, on or before January 24, 2015, to any time on or before the earlier of (i) January 24, 2017, or (ii) the date that is six (6) months after the release by the Company of a feasibility study on the Graphite Creek Property.

During the nine months ended June 30, 2014, 10,720,000 warrants were exercised for total proceeds of \$1,340,000 and 151,180 broker warrants were exercised for proceeds of \$15,118.

There were no shares issued during the nine month period ended June 30, 2014.

**7.3 Warrants**

The following table summarizes activity related to warrants:

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, September 30, 2013</b>	47,960,785	\$ 0.21
Issued	38,286,085	\$ 0.20
Exercised	(10,720,000)	0.13
Expired	(16,175,000)	0.35
<b>Balance, September 30, 2014</b>	59,351,870	\$ 0.18
<b>Balance, June 30, 2015</b>	59,351,870	\$ 0.18

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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*(unaudited)*  
*(Expressed in Canadian dollars)*

**7. SHARE CAPITAL (cont`d...)**

As at June 30, 2015				As at September 30, 2014			
Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life years		Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life years	
4,285,785	0.20	2.6		4,285,785	0.20	3.4	
6,004,500	0.13	1.2		6,004,500	0.13	1.9	
10,775,500	0.13	1.2		10,775,500	0.13	2.0	
15,599,160	0.20	3.2		15,599,160	0.20	3.9	
22,686,925	0.20	3.3		22,686,925	0.20	4.0	
59,351,870	0.18	2.6		59,351,870	0.18	3.4	

**7.4 Share based compensation**

During the nine months ended June 30, 2015, 6,850,000 options (2014 – 900,000) were granted to directors, officers, employees and consultants of the Company. Each option has an exercise price of \$0.13, expiring 5 years from the date of grant. The options granted during the nine months ended June 30, 2015 vested immediately. Of the 900,000 options granted in the nine months ended June 30, 2014, 300,000 options vested immediately with the remaining vesting over a one year period. With respect to the options granted in the nine months ended June 30, 2015, \$600,673 (2014 - \$203,385) was recorded in share based payments.

The fair value of the share options granted in the nine month period ended June 30, 2015 and the year ended September 30, 2014 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<b>Nine months ended June 30, 2015</b>	<b>Year ended September 30, 2014</b>
Exercise price	\$0.13	\$0.17
Market price	\$0.12 - \$0.075	\$0.165 - \$0.17
Risk free interest rate	1.52% - 0.62%	1.73% - 1.89%
Expected option life	5 years	5 years
Expected stock price volatility	116% - 92%	104% - 130%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option	\$0.09	\$0.14

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

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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*(Expressed in Canadian dollars)*

**7. SHARE CAPITAL (cont'd...)**

**7.4 Share based compensation (cont'd)...**

The following table summarizes activity related to stock options:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, September 30, 2013</b>	10,225,000	\$ 0.23
Issued	900,000	\$ 0.17
Expired	(150,000)	\$ 0.15
Cancelled	(300,000)	\$ 0.28
<b>Balance, September 30, 2014</b>	10,675,000	\$ 0.22
Issued	6,850,000	\$ 0.13
Expired	-	\$ -
Cancelled	(1,950,000)	\$ 0.22
<b>Balance, June 30, 2015</b>	15,575,000	\$ 0.18

<b>As at June 30, 2015</b>				<b>As at September 30, 2014</b>			
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
750,000	750,000	0.150	0.0	950,000	950,000	0.150	0.8
200,000	200,000	0.300	0.5	200,000	200,000	0.300	1.2
300,000	300,000	0.280	0.7	300,000	300,000	0.280	1.4
900,000	900,000	0.270	0.8	1,300,000	1,300,000	0.270	1.6
2,475,000	2,475,000	0.280	1.7	2,975,000	2,975,000	0.280	2.4
175,000	175,000	0.280	2.0	175,000	175,000	0.280	2.7
925,000	925,000	0.200	2.3	1,275,000	1,275,000	0.200	3.1
1,500,000	1,500,000	0.165	3.2	2,000,000	2,000,000	0.165	4.0
600,000	600,000	0.175	3.2	600,000	600,000	0.175	4.0
600,000	600,000	0.170	3.3	600,000	450,000	0.170	4.0
300,000	300,000	0.170	3.4	300,000	300,000	0.170	4.2
5,350,000	5,350,000	0.130	4.4	-	-	-	-
500,000	500,000	0.130	4.8	-	-	-	-
1,000,000	1,000,000	0.130	3.0	-	-	-	-
<b>15,575,000</b>	<b>15,575,000</b>	<b>0.181</b>	<b>3.0</b>	<b>10,675,000</b>	<b>10,525,000</b>	<b>0.221</b>	<b>2.7</b>

**GRAPHITE ONE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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**7. SHARE CAPITAL (cont'd...)**

**7.5 Broker Warrants**

The following table summarizes activity related to Broker Warrants:

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, September 30, 2013</b>	5,054,000	\$ 0.16
Issued	2,220,102	\$ 0.20
Exercised	(195,180)	0.10
Expired	(3,054,000)	0.20
<b>Balance, September 30, 2014</b>	4,024,922	\$ 0.16
Expired	(1,804,820)	0.10
<b>Balance, June 30, 2015</b>	2,220,102	\$ 0.20

**As at June 30, 2015**

**As at September 30, 2014**

As at June 30, 2015			As at September 30, 2014		
Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life years	Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life years
-	-	-	395,180	0.100	0.4
-	-	-	1,409,640	0.100	0.5
929,902	0.200	3.2	929,902	0.200	3.9
1,290,200	0.200	3.3	1,290,200	0.200	4.0
<b>2,220,102</b>	<b>0.200</b>	<b>3.2</b>	<b>4,024,922</b>	<b>0.155</b>	<b>2.4</b>

All broker warrants at June 30, 2015 and September 30, 2014 were fully vested.

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**7. SHARE CAPITAL (cont`d...)**

No Broker Warrants were issued in the nine month periods ended June 30, 2015. The fair value of the Broker Warrants granted in the year ended September 30, 2014 of \$198,729 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<b>Nine months ended June 30, 2015</b>	<b>Year ended September 30, 2014</b>
Exercise price	n/a	\$0.20
Market price	n/a	\$0.135 - \$0.14
Risk free interest rate	n/a	1.54% - 1.63%
Expected warrant life	n/a	4 years
Expected stock price volatility	n/a	97% - 109%
Dividend payments during life of warrant	n/a	Nil
Expected forfeiture rate	n/a	Nil
Fair value per warrant	n/a	\$0.09

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

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
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.
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.
Ahlgren Consulting Inc. ("Ahlgren")	Ahlgren is a private company controlled by an officer of the Company. Ahlgren provides management services to the Company.
878160 Alberta Ltd. ("878160")	878160 is a private company controlled by a former officer and director of the Company. 878160 provides geological services to the Company.
CC Management Inc. ("CC")	CC is a private company controlled by a former officer and director of the Company. CC provided management services to the Company.



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

**8.1 Related party transactions**

	<b>Management Services</b>	<b>Investor Relations Consulting</b>	<b>Geological Services</b>
<b>For the Three Months ended June 30, 2015</b>			
Ahlgren Consulting Inc.	\$ 24,000	\$ -	\$ -
DH Smith Resource Advisory Corp.	49,998	-	-
Huston Financial Corp.	34,374	28,125	-
878160 Alberta Ltd.	-	-	-
<b>For the Three Months ended June 30, 2014</b>			
CC Management Inc.	\$ -	\$ -	\$ -
DH Smith Resource Advisory Corp.	33,331	-	-
Huston Financial Corp.	107,489	9,375	-
878160 Alberta Ltd.	7,500	-	30,000
<b>For the Nine Months ended June 30, 2015</b>			
Ahlgren Consulting Inc.	\$ 81,000	\$ -	\$ -
DH Smith Resource Advisory Corp.	149,994	-	-
Huston Financial Corp.	103,122	84,375	-
878160 Alberta Ltd.	-	-	25,000
<b>For the Nine Months ended June 30, 2014</b>			
CC Management Inc.	\$ 175,000	\$ -	\$ -
DH Smith Resource Advisory Corp.	66,664	-	-
Huston Financial Corp.	134,572	65,625	-
878160 Alberta Ltd.	22,500	-	90,000

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

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

During 2014, the Company paid a company with former common directors for monthly office rent and general operating costs for an office in one of the Company's locations. With the departure from the board of the common directors, these expenditures are no longer related party transactions. The office rental and operating costs were shared between several companies, and the Company only paid 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 for the nine months ended June 30, 2014 was \$71,034.

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, 2015, the Company owed \$nil (2014 - \$35,456) to related parties.

**8.2 Key management compensation**

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

<b>Nine months ended June 30,</b>	<b>2015</b>	<b>2014</b>
Consulting and director fees	\$ 490,196	\$ 429,361
Salary	168,000	47,061
Benefits	26,929	54,000
Severance	-	125,000
Stock-based compensation	360,000	39,000
	<u>\$ 1,045,125</u>	<u>\$ 694,422</u>

**9. FINANCIAL RISK MANAGEMENT**

**9.1 Financial Risk Management**

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

**a. Credit risk**

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

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

**9. FINANCIAL RISK MANAGEMENT (cont'd...)**

**b. Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2015, the Company had negative working capital of \$76,800, and it does not have any long term monetary liabilities. The Company announced on August 20, 2015 that it is currently seeking additional financing through a non-brokered private placement of up to \$500,000. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. See Note 2, Going Concern.

**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 \$146,242 in cash at June 30, 2015, on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

**d. Foreign currency risk**

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

At June 30, 2015, 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 \$12,800 in the Company's net loss.

**9.2 Fair Values**

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

**10. SUBSEQUENT EVENTS**

Subsequent to June 30, 2015, 750,000 options with an exercise price of \$0.15 expired.