

**GRAPHITE ONE INC.**  
**(formerly known as Graphite One Resources Inc.)**

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2019**

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

As at		September 30, 2019	December 31, 2018
<b>ASSETS</b>	<b>Note</b>		
<b>Current assets</b>			
Cash		\$ 2,223,812	\$ 465,038
Prepayments and deposits		348,263	227,613
Amounts receivable		8,066	5,708
<b>Total current assets</b>		2,580,141	698,359
<b>Non-current assets</b>			
Equipment		115,805	36,073
Exploration and evaluation property	5	18,547,257	15,583,632
<b>Total non-current assets</b>		18,663,062	15,619,705
<b>Total assets</b>		\$ 21,243,203	\$ 16,318,064
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accounts payable		\$ 841,757	\$ 93,169
<b>Total current liabilities</b>		841,757	93,169
<b>Long term liabilities</b>			
Loan payable	6	3,336,796	659,900
<b>Total liabilities</b>		4,178,553	753,069
<b>Equity</b>			
Share capital		35,917,645	33,279,505
Share option reserve		6,527,441	6,086,081
Deficit		(25,380,436)	(23,800,591)
<b>Total equity</b>		17,064,650	15,564,995
<b>Total equity and liabilities</b>		\$ 21,243,203	\$ 16,318,064

Going concern 2

Approved by the Board of Directors:

"Anthony Huston"  
 Director

"Douglas Smith"  
 Director

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

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

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	For the nine month period ended September 30 2019	For the nine month period ended September 30 2018	For the three month period ended September 30 2019	For the three month period ended September 30 2018
<b>Expenses</b>				
Management fees and salaries	\$ 541,091	\$ 538,608	\$ 174,497	\$ 180,149
Marketing, advisory and investor relations	250,432	168,611	68,531	84,999
Office and administration	234,062	93,977	60,057	20,788
Professional fees	96,636	59,953	37,755	22,073
Share-based payments	7 367,800	-	-	-
	1,490,021	861,149	340,840	308,009
<b>Other income (expenses)</b>				
Foreign exchange loss	( 50,461)	1,030	( 80,199)	( 37,607)
Interest income	19	-	-	-
Interest expense	( 39,382)	( 1,047)	( 26,046)	-
	( 89,824)	( 17)	( 106,245)	( 37,607)
<b>Net loss and comprehensive loss for the year</b>	\$ 1,579,845	\$ 861,166	\$ 447,085	\$ 345,616

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

<b>For the nine month period ended September 30,</b>	<b>2019</b>	<b>2018</b>
<b>CASH DERIVED FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ ( 1,579,845)	\$ ( 861,166)
Items not involving cash:		
Share-based payments	441,360	49,700
Depreciation	999	-
<b>Changes in non-cash working capital items</b>		
Amounts receivable	( 2,358)	( 18,784)
Prepayments and deposits	66,350	( 107,854)
Trade and other accounts payable	( 5,534)	( 369,419)
	( 1,079,028)	( 1,307,523)
<b>FINANCING ACTIVITIES</b>		
Issuance of units	2,000,070	4,283,695
Share issuance costs	( 26,930)	( 70,740)
Loan payable	3,310,750	-
Loan interest payable	26,046	-
Foreign exchange gain on loan settled in shares	5,100	-
	5,315,036	4,212,955
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation property	( 2,209,390)	( 1,487,319)
Purchase of equipment	( 80,844)	-
<b>Changes in non-cash working capital items</b>		
Prepayments and deposits	( 187,000)	( 192,143)
	( 2,477,234)	( 1,679,462)
<b>(Decrease) increase in cash</b>	<b>1,758,774</b>	<b>1,225,970</b>
<b>Cash at beginning of period</b>	<b>465,038</b>	<b>351,081</b>
<b>Cash at end of year</b>	<b>\$ 2,223,812</b>	<b>\$ 1,577,051</b>
<b>Supplemental cash flow information:</b>		
<b>Non-cash transactions eliminated from the consolidated statements of cash flows:</b>		
Depreciation capitalized to exploration and evaluation property	113	673
Change in Accounts payable related to investing activities	\$ 740,132	\$ 892,878
Shares issued to settle debt	665,000	-
	\$ 1,405,245	\$ 893,551

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

	Common Shares		Share Option Reserve	Deficit	Total Equity
	Number	Amount \$			
<b>January 1, 2018</b>	26,493,284	29,072,557	6,030,374	(22,667,392)	12,435,539
Shares issued on private placement	6,118,959	4,283,695	-	-	4,283,695
Cost of share issuance	-	(76,747)	5,335	-	(71,412)
Share-based payments	-	-	49,700	-	49,700
Net loss for the period	-	-	-	(861,166)	(861,166)
<b>September 30, 2018</b>	32,612,243	33,279,505	6,086,081	(23,528,558)	15,837,028
<b>January 1, 2019</b>	32,612,243	33,279,505	6,086,081	(23,800,591)	15,564,995
Shares issued on private placement	6,666,900	2,000,070	-	-	2,000,070
Shares issued on settlement of debt	1,330,000	665,000	-	-	665,000
Cost of share issuance	-	(26,930)	-	-	(26,930)
Share-based payments	-	-	441,360	-	441,360
Net loss for the period	-	-	-	(1,579,804)	(1,579,804)
<b>September 30, 2019</b>	40,609,143	35,917,645	6,527,441	(25,380,395)	17,064,691

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

## **GRAPHITE ONE INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2019**

*(unaudited)*

*(Expressed in Canadian dollars)*

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#### **1. NATURE OF OPERATIONS**

Graphite One Inc. (“Graphite One” or the “Company”) was incorporated in Alberta and commenced operations on March 16, 2006 under the name Cedar Mountain Exploration Inc. (“Cedar Mountain”). Cedar Mountain changed its name to Graphite One Resources Inc. and adopted the symbol GPH on the TSX-V effective March 27, 2012. On February 27, 2019 the Company changed its name to Graphite One Inc. 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 and due to changes in the listing requirements of the OTCQX, the Company began trading on the OTCQB on April 1, 2017. The Company was continued into British Columbia on September 12, 2014. Graphite One is the parent company of the consolidated group.

Graphite One is engaged in the business of acquiring exploring and evaluating graphitic material properties. Through its 100% owned subsidiary, Graphite One (Alaska) Inc., the Company is focussed on the Graphite Creek property near Nome, Alaska, (the “Graphite Creek Project”).

The ability of the Company to proceed with the evaluation and development of the Graphite Creek 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 Graphite Creek Project.

#### **2. GOING CONCERN**

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

As at September 30, 2019, the Company had a cash balance of \$2,223,812 and working capital (current assets minus current liabilities) of \$1,738,384 with current liabilities of \$841,757. The Company has incurred losses since inception and does not generate any cash inflows from operations. In the nine-month period ended September 30, 2019, cash used in operating activities totaled \$1,079,028.

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. 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 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.

**GRAPHITE ONE INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2019**

*(unaudited)*

*(Expressed in Canadian dollars)*

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**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”) and applicable to interim financial reports, including International Accounting Standard 34 (“Interim Financial Reporting”). These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2018.

The unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on November 20, 2019.

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

**3.1 Significant judgments, estimates and assumptions**

The preparation of the Company’s unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Judgments:

Exploration and evaluation property: The Company is required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property should be impaired.

Estimates and assumptions:

Share-based payments: Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.



**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)*

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**4. SIGNIFICANT ACCOUNTING POLICIES**

Refer to the Company's annual audited consolidated financial statements for the years ended December 31, 2018 and 2017 for a summary of significant accounting policies.

**4.1 Changes in Accounting Standards**

The Company has reviewed the new and revised accounting pronouncements issued by the IASB relevant to the year ended December 31, 2018 and subsequently, and none were considered to have a significant impact on the Company's current operations or financial statements.

**5. EXPLORATION AND EVALUATION PROPERTY**

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

	<b>Graphite Creek</b>
<b>Balance, December 31, 2017</b>	<b>\$ 12,438,625</b>
Acquisition	84,952
Analysis	120,879
Geological consulting	425,573
Fieldwork	2,327,896
Engineering	135,271
Preliminary Economic Assessment	50,436
<b>Balance, December 31, 2018</b>	<b>\$ 15,583,632</b>
Acquisition	91,505
Analysis	104,802
Geological consulting	603,086
Fieldwork	1,756,053
Engineering	160,039
Preliminary Economic Assessment	248,140
<b>Balance, September 30, 2019</b>	<b>\$ 18,547,257</b>
Acquisition	\$ 1,536,999
Exploration and evaluation	14,046,633
<b>Balance, December 31, 2018</b>	<b>\$ 15,583,632</b>
Acquisition	\$ 1,628,504
Exploration and evaluation	16,918,753
<b>Balance, September 30, 2019</b>	<b>\$ 18,547,257</b>

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**GRAPHITE ONE INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2019**

*(unaudited)*

*(Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION PROPERTY (cont'd)...**

**Graphite Creek Property Summary**

The Graphite Creek Property consists of a number of Alaska state mining claims (the "GC Purchased Property") and Alaska state mining claims around the GC Option Property (the "GC Staked Property").

In May 2015, the Company executed a long-term lease agreement with Kougarok LLC, commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease for two successive twenty-year periods and ultimately for as long as production continues from the property. An advance royalty in the amount of US\$30,000 was paid upon execution of the agreement, with annual payments of US\$30,000 due each year until January 2019, and then increasing by US\$10,000 each year until production commences. All required payments under the agreement have been made. The production royalties are to be calculated as follows: 5% from lands in 4 claims that were originally located in 1943, 2.5% from lands within 20 other 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") the GC Purchased Property 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 "2015 Extension Agreement") whereby the Royalty Purchase Option could have been 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 2015 Extension Agreement, the Company issued to the Seller 769,231 common shares of the Company at an issue price of \$0.13 per share. In January 2017, the Company and the Seller agreed to further extend the terms of the Royalty Purchase Option and entered into an extension agreement effective January 24, 2017 (the "2017 Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before January 24, 2021. In connection with the 2017 Extension Agreement, the Company issued to the Seller 1,666,667 common shares of the Company at an issue price of \$0.09 per share and 1,153,846 common share purchase warrants of the Company.

During June 2015, the Company purchased from another private individual the balance of the GC Purchased Property (28 Alaska state mining claims covering the same lands as the 28 Alaska state mining claims acquired in January 2012) for US\$50,000, the issuance of 3 million common shares of the Company at a fair value of \$270,000 and a royalty interest equal to 1% of the Net Smelter Returns received by the Company on production 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.

**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)*

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**6. LOAN PAYABLE**

On December 26, 2018 the Company entered into a loan agreement with Taiga Mining, Inc. (“Taiga”) to borrow US\$500,000. The loan was unsecured with a term of five years. Interest was calculated on a simple interest basis at a rate of 8% per annum. On March 28, 2019, the loan payable was settled through the issuance of 1,330,000 shares of the Company at a price of CA\$0.50 per share and interest of \$13,274 was paid subsequent to March 31, 2019.

On September 6, 2019 the Company entered into a loan agreement with Taiga to borrow up to US\$4.8 million of which US\$2.5 million has been drawn down. The loan is unsecured with a term of two years. Interest is calculated at an interest basis at a rate of 12% per annum, compounded annually. The Company has the option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga.

**7. SHARE CAPITAL****7.1 Authorized**

Unlimited number of common shares with no par value.

**7.2 Shares Issued**

The following share transactions occurred during the year ended December 31, 2018:

On May 25, 2018, the Company completed a private placement for total gross proceeds of \$2,143,050. Pursuant to this private placement, the Company issued a total of 3,061,500 units (the “2018-1 Units”) at a price of \$0.70 per 2018-1 Unit. Each 2018-1 Unit consists of one common share and one transferable common share purchase warrant (a “2018-1 Warrant”). Each 2018-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.20 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2018-1 Warrants. The Company paid finder’s fees in the amount of \$13,104 and issued 18,720 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2018-1 Warrants described above.

On July 19, 2018, the Company completed a private placement for total gross proceeds of \$2,140,221. Pursuant to this private placement, the Company issued a total of 3,057,459 units (the “2018-2 Units”) at a price of \$0.70 per 2018-2 Unit. Each 2018-2 Unit consists of one common share and one transferable common share purchase warrant (a “2018-2 Warrant”). Each 2018-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$1.20 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2018-2 Warrants. The Company paid finder’s fees in the amount of \$2,800 and issued 3,500 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2018-2 Warrants described above.

**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)***7. SHARE CAPITAL (cont`d...)**

On April 17, 2019 and May 14, 2019, the Company completed the first and second tranches of a private placement for total gross proceeds of \$2,000,070. ("2019-1 Private Placement"). Pursuant to the 2019-1 Private Placement, the Company issued a total of 6,666,900 units (the "2019-1 Units") at a price of \$0.30 per 2019-1 Unit. Each 2019-1 Unit consists of one common share and one transferable common share purchase warrant (a "2019-1 Warrant"). Each 2019-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.30 per share during the 12 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2019-1 Warrants. The Company paid finder's fees in the amount of \$1,601 and issued 5,336 non-transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2019-1 Warrants described above.

**7.3 Share based compensation**

Pursuant to a stock option plan (the "Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, and the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee or on the fifth anniversary of the date the option was granted. Options granted under the plan may not exceed five years and vest at terms to be determined by the board of directors at the time of the grant, but shall not be less than the price determined by policy or policies of the stock exchange(s) on which the Company's common shares are then listed, or \$0.05 per share. Occasionally, the Company issues stock options to agents which do not fall under the plan.

The following table summarizes activity related to stock options:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2017</b>	2,580,000	\$ 1.01
Issued	100,000	\$ 0.60
Expired	(215,000)	\$ 1.52
Forfeited	(50,000)	\$ 1.00
<b>Balance, December 31, 2018</b>	2,415,000	\$ 0.95
Issued	1,800,000	-\$ 0.27
Forfeited	(200,000)	\$ 1.04
<b>Balance, September 30, 2019</b>	4,015,000	\$ 0.40

**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)***7. SHARE CAPITAL (cont`d...)**

Options outstanding

As at September 30, 2019				As at December 31, 2018			
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
235,000	235,000	1.30	0.1	505,000	505,000	1.30	0.9
220,000	220,000	0.30	0.1	-	-	-	-
-	-	-	-	50,000	50,000	1.30	1.3
50,000	50,000	0.30	0.5	-	-	-	-
150,000	150,000	1.00	1.4	755,000	755,000	1.00	2.2
525,000	525,000	0.30	1.4	-	-	-	-
55,000	55,000	1.00	2.1	380,000	380,000	1.00	2.9
275,000	275,000	0.30	2.1	-	-	-	-
50,000	50,000	0.60	3.2	625,000	625,000	0.60	4.0
555,000	555,000	0.30	3.2	-	-	-	-
-	-	-	-	100,000	100,000	0.60	4.4
100,000	100,000	0.30	3.7	-	-	-	-
1,800,000	1,800,000	0.30	4.6	-	-	-	-
4,015,000	4,015,000	0.40	3.1	2,415,000	2,415,000	0.95	2.6

On May 15, 2019, 1,800,000 options were granted to directors, officers and consultants of the Company. Each option has an exercise price of \$0.30, expiring 5 years from the date of grant and vested immediately. On June 19, 2019, 1,625,000 options that had been granted to certain directors, officers and consultants of the Company were repriced to \$0.30.

The fair value of the share options granted in the nine-month period ended September 30, 2019 and the year ended December 31, 2018 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<b>Nine months ended September 30, 2019</b>	<b>Year ended December 31, 2018</b>
Exercise price	\$0.30	\$0.60
Market price	\$0.320	\$0.650
Risk free interest rate	1.56%	2.06%
Expected option life	5 years	5 years
Expected stock price volatility	103%	101%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option	\$0.25	\$0.50

**GRAPHITE ONE INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

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

**7.4 Warrants**

The following table summarizes activity related to warrants:

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2017</b>	12,779,539	\$ 1.44
Issued	6,118,960	\$ 1.20
Expired	(9,497,746)	1.55
<b>Balance, December 31, 2018</b>	9,400,753	\$ 1.17
Issued	6,666,900	\$ 0.30
Expired	(782,323)	1.20
<b>Balance, September 30, 2019</b>	15,285,330	\$ 0.79

Warrants outstanding:

<b>As at September 30, 2019</b>			<b>As at December 31, 2018</b>		
Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life
#	\$	years	#	\$	years
-	-	-	482,322	1.20	0.0
-	-	-	300,001	1.20	0.2
115,385	1.30	1.3	115,385	1.30	2.1
969,714	1.20	2.9	969,714	1.20	3.6
1,414,371	1.00	3.2	1,414,371	1.00	3.9
3,061,501	1.20	3.7	3,061,501	1.20	4.4
3,057,459	1.20	3.8	3,057,459	1.20	4.6
6,231,867	0.30	0.5	-	-	-
435,033	0.30	0.6	-	-	-
<b>15,285,330</b>	<b>0.79</b>	<b>2.2</b>	<b>9,400,753</b>	<b>1.17</b>	<b>3.9</b>

**GRAPHITE ONE INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
*(unaudited)*  
*(Expressed in Canadian dollars)*

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

**7.5 Broker Warrants**

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2017</b>	525,625	\$ 1.48
Issued	22,720	\$ 1.20
Expired	(518,154)	1.48
<b>Balance, December 31, 2018</b>	30,191	\$ 1.20
Issued	5,336	\$ 0.30
Exercised	-	-
Expired	(7,471)	1.20
<b>Balance, September 30, 2019</b>	28,056	\$ 1.03

The following table summarizes activity related to Broker Warrants:

Broker warrants outstanding:

<b>As at September 30, 2019</b>			<b>As at December 31, 2018</b>		
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
-	-	-	360	1.20	0.0
-	-	-	7,111	1.20	0.2
18,720	1.20	3.7	18,720	1.20	4.4
4,000	1.20	3.8	4,000	1.20	4.6
5,336	0.30	1.0	-	-	-
<b>28,056</b>	<b>1.03</b>	<b>3.2</b>	<b>30,191</b>	<b>1.20</b>	<b>3.4</b>

In May 2019, 5,336 broker warrants were issued pursuant to the 2019-1 Private Placement (see Note 7).

**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)***8. RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
Huston and Huston Holdings Corp. ("Huston")	Huston and Huston Holdings Corp. is a private company controlled by Anthony Huston, an officer and director of the Company which provides management services to the Company.
Rockford Resources, LLC ("Rockford")	Rockford is a private company controlled by Pat Smith, a director of the Company which provides director services to the Company.
0897877 BC Ltd. ("0897877 BC")	0897877 BC is a private company controlled by Brian Budd, a director of the Company which provides director services to the Company.
Taiga Mining Company, Inc. ("Taiga")	Taiga is a private company and a Control Person of the Company in accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

**8.1 Related party transactions**

	<b>Management Consulting and Directors' Fees</b>	
<b>For the nine months ended September 30</b>	<b>2019</b>	<b>2018</b>
Huston & Huston Holdings Corp.	\$ 187,500	\$ 187,500
Rockford Resources, LLC	18,000	18,000
0897877 BC Ltd.	18,000	18,000
<b>For the three months ended September 30</b>	<b>2019</b>	<b>2018</b>
Huston & Huston Holdings Corp.	\$ 62,500	\$ 62,500
Rockford Resources, LLC	6,000	6,000
0897877 BC Ltd.	6,000	6,000

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

During the three months ended March 31, 2019, the Company settled the loan payable with Taiga through the issuance of 1,330,000 common shares and paid \$13,274 in interest (see Note 6).

In September 2019, the Company drew US\$2.5 million pursuant to a loan agreement with Taiga (see Note 6). As at September 30, 2019, the Company owed Taiga loan principal and interest equal to CA\$3,336,796.

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At September 30, 2019, the Company owed \$3,355,022 (2018 - \$89,210) to related parties.



**GRAPHITE ONE INC.****Notes to the Condensed Interim Consolidated Financial Statements****September 30, 2019***(unaudited)**(Expressed in Canadian dollars)***8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)****8.2 Key management compensation**

<b>For the nine months ended September 30,</b>	<b>2019</b>	<b>2018</b>
Consulting and directors' fees	\$ 223,500	\$ 223,500
Salaries and benefits	607,109	479,346
Stock-based compensation	343,280	49,700
	<u>\$ 1,173,889</u>	<u>\$ 752,546</u>

  

<b>For the three months ended September 30,</b>	<b>2019</b>	<b>2018</b>
Consulting and directors' fees	\$ 74,500	\$ 74,500
Salaries and benefits	190,456	212,482
	<u>\$ 264,956</u>	<u>\$ 286,982</u>

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

Geological services are capitalized to Exploration and evaluation properties in the consolidated statements of financial position.

**9. MANAGEMENT OF CAPITAL**

The Company defines capital that it manages as equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the future.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

**GRAPHITE ONE INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2019**

*(unaudited)*

*(Expressed in Canadian dollars)*

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**10. RISK MANAGEMENT**

**10.1 Financial Risk Management**

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

**a. Credit risk**

Credit risk is the risk of potential loss to the Company if 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.

**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 September 30, 2019, the Company had working capital (current assets minus current liabilities) of \$1,752,373 and long-term monetary liabilities of \$3,336,796. 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. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

**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 \$2,223,812 in cash at September 30, 2019 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 September 30, 2019, 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 \$487,200 in the Company's net loss.

**GRAPHITE ONE INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**September 30, 2019**

*(unaudited)*

*(Expressed in Canadian dollars)*

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**10. RISK MANAGEMENT (cont'd...)**

**10.2 Fair Values**

The carrying values of cash, 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.