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

Consolidated Financial Statements

December 31, 2019

GRAPHITEONE

Independent Auditor's Report

GRAPHITE ONE INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars

As at	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		$ 218,988	$ 465,038
Prepayments and deposits		325,776	227,613
Amounts receivable		5,397	5,708
Total current assets		550,161	698,359
Non-current assets			
Equipment		195,533	36,073
Exploration and evaluation property	5	20,626,459	15,583,632
Total non-current assets		20,821,992	15,619,705
Total assets		$ 21,372,153	$ 16,318,064
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable		$ 391,148	$ 93,169
Total current liabilities		391,148	93,169
Long term liabilities			
Loan payable	6	4,282,118	659,900
Total liabilities		4,673,266	753,069
Equity			
Share capital	7	35,916,877	33,279,505
Share option reserve		6,627,719	6,086,081
Deficit		(25,845,709)	(23,800,591)
Total equity		16,698,887	15,564,995
Total equity and liabilities		$ 21,372,153	$ 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
(Expressed in Canadian dollars)

For the year ended December 31			2019		2018
Expenses					
Management fees and salaries		$	739,592	$	718,163
Marketing, advisory and investor relations			300,522		241,897
Office and administration			295,534		127,593
Professional fees			121,556		75,687
Share-based payments	7		467,310		-
			1,924,514		1,163,340
Other income (expenses)					
Foreign exchange loss			20,700		31,188
Interest expense (net of interest income)			(141,304)		(1,047)
			(120,604)		30,141
Net loss and comprehensive loss for the year		$	2,045,118	$	1,133,199
Basic and diluted loss per common share		$	0.05	$	0.04
Weighted average number of common shares oustanding			38,305,542		29,720,711

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

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

For the year ended December 31,		2019		2018
CASH DERIVED FROM (USED IN)				
OPERATING ACTIVITIES				
Loss for the year	$	(2,045,118)	$	(1,133,199)
Items not involving cash:				
Share-based payments		540,870		49,700
Foreign exchange gain on loan settled in shares		(7,200)		-
Depreciation		3,841		-
Changes in non-cash working capital items				
Amounts receivable		311		(5,708)
Prepayments and deposits		75,667		(72,374)
Trade and other accounts payable		23,897		(390,579)
		(1,407,732)		(1,552,160)
FINANCING ACTIVITIES				
Issuance of units		2,000,070		4,283,695
Share issuance costs		(26,930)		(70,740)
Loan payable		4,153,460		659,900
Loan interest payable		140,958		-
		6,267,558		4,872,855
INVESTING ACTIVITIES				
Exploration and evaluation property		(4,767,019)		(3,137,914)
Purchase of equipment		(165,027)		-
Changes in non-cash working capital items				
Prepayments and deposits		(173,830)		(68,824)
		(5,105,876)		(3,206,738)
(Decrease) increase in cash		(246,050)		113,957
Cash at beginning of period		465,038		351,081
Cash at end of year	**$**	218,988	$	465,038
Supplemental cash flow information:				
Non-cash transactions eliminated from the consolidated statements of cash flows:				
Depreciation capitalized to exploration and evaluation property		(1,726)		(673)
Change in Accounts payable related to investing activities	$	274,082	$	7,766
Shares issued to settle debt		665,000		-
	$	937,356	$	7,093

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

(Expressed in Canadian dollars)

	Common Shares				
	Number	Amount $	Share Option Reserve $	Deficit $	Total Equity $
January 1, 2018	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)	6,007	-	(70,740)
Share-based payments	-	-	49,700	-	49,700
Net loss for the year	-	-	-	(1,133,199)	(1,133,199)
December 31, 2018	32,612,243	33,279,505	6,086,081	(23,800,591)	15,564,995
January 1, 2019	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	-	(27,698)	768	-	(26,930)
Share-based payments	-	-	540,870	-	540,870
Net loss for the year	-	-	-	(2,045,118)	(2,045,118)
December 31, 2019	40,609,143	35,916,877	6,627,719	(25,845,709)	16,698,887

1. NATURE OF OPERATIONS

Graphite One Inc. ("Graphite One" or the "Company") was incorporated in Alberta and commenced operations on March 16, 2006 under the name Cedar Mountain Exploration Inc. ("Cedar Mountain"). In 2012, Cedar Mountain changed its name to Graphite One Resources Inc. and adopted the symbol GPH on the TSX-V effective March 27, 2012. On February 27, 2019 the Company changed its name to Graphite One Inc. and the Company began trading in the over the counter market in the United States on the OTCQX under the symbol GPHOF on June 11, 2012. 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, evaluating and then developing the Company's 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 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 December 31, 2019, the Company had a cash balance of $218,988 (2018 $465,038) and working capital (current assets less current liabilities) of $159,013 (2018 $605,190). Current liabilities as at December 31, 2019 totalled $391,148 (2018 $93,169)) and accumulated deficit totalled $25,945,709 (2018 - $23,800,591). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2019, cash used in operating activities totalled $1,400,532 (2018 $1,552,160).

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. Subsequent to December 31, 2019 the Company drew down an additional US$1.6 million of the loan payable (see Note

6. LOAN PAYABLE). There is, however, no assurance that any such initiatives to secure additional financing will be sufficient which gives rise to material uncertainties which may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material. See Note 11 – SUBSEQUENT EVENT - COVID-19.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The consolidated financial statements have been authorized for issue by the Board of Directors of the Company on April 24, 2020.

3.1 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.

3.2 Significant judgments, estimates and assumptions

The preparation of the Company's 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 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 expired 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.

3.3 Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Graphite One (Alaska) Inc., incorporated in Alaska, USA. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiary. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains and losses are included in profit and loss.

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

Equipment

Equipment is recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. The cost of additions and improvements are capitalized. An item of equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

	Depreciation Rate
Analytical equipment	20%
Mobile equipment	20%
Sample preparation lab	50%

The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of individual items over their estimated useful lives, less any residual value. Depreciation on operating assets is included in the statements of net loss as a component of office and administrative expenses. Depreciation of assets utilized in mineral exploration activities is capitalized as a cost of mineral properties.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and Evaluation Properties

(i) Pre-license costs:
Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:
Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the property is abandoned, sold or considered impaired in value, on a property by property basis. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, the related expenditures are tested for impairment and are then reclassified to mineral property development costs.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are regularly changing and are generally becoming more restrictive.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2019 and December 31, 2018 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

Impairment

The carrying values of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Provisions

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments

Share-based payment arrangements in which the Company receives goods or services from consultants are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss, or exploration and evaluation property, with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated stock-based compensation recorded to date is reversed in the period of forfeiture. The fair value of any vested share options that expire remain in share option reserve.

Share capital

When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and is valued with reference to the market price. The residual value is attributed to the warrants, if any, is recorded as a separate component of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)…

Earnings (Loss) per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets in the following measurement categories:

i) Those to be subsequently measured at amortized cost, or
ii) Those to be subsequently measured at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"))

The classification is driven by business model for managing the financial asset and their contractual cash flow characteristics.

The Company classifies cash and cash equivalents, deposits, trade and other payables and loans as subsequently measured at amortized cost.

At initial recognition financial assets and financial liabilities are measured at fair value less transaction costs except for financial assets classified as FVPL, where transaction costs are expensed directly to profit or loss.

Leases

The Company has adopted IFRS 16 "Leases" effective January 1, 2019. The standard replaces IAS 17 "Leases" and for lessees eliminates the classifications of operating and finance leases. Except for short-term leases and low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of -use assets and an interest expense on the recognized lease liabilities. In the earlier periods of the lease, the expenses associated with the IFRS 16 will be higher when compared to lease expenses under IAS 17.However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION PROPERTY

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

	Graphite Creek
Balance, December 31, 2017	$ 12,438,625
Land management	84,952
Analysis	120,879
Geological consulting	425,573
Fieldwork	1,507,333
Drilling	511,125
Engineering	135,271
Technical assessments	50,436
Community consultation	241,536
Environmental studies	67,902
Balance, December 31, 2018	$ 15,583,632
Land management	92,511
Analysis	221,980
Geological consulting	814,959
Fieldwork	1,691,749
Drilling	385,988
Engineering	193,217
Technical assessments	480,804
Community consultation	183,526
Environmental studies	978,093
Balance, December 31, 2019	$ 20,626,459

Effective March 27, 2018, after conversion of Federal mining claims to Alaska state claims, the Graphite Creek Property consists of fifty-six Alaska state mining claims (the "GC Purchased Property") and one hundred and twenty Alaska state mining claims (the "GC Staked Property").

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

In May 2015, the Company executed a long-term lease agreement with Kougarok LLC, commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease for two successive twenty-year periods and ultimately for as long as production, if any, continues from the property. An advance royalty in the amount of US$30,000 was paid upon execution of the agreement, with annual payments of US$30,000 due each year until January 2019, and then increasing by US$10,000 each year until production commences. All required payments under the agreement have been made to date. The production royalties are to be calculated as follows: 5% from lands in the 4 formerly federal claims originally located in 1943; 2.5% from lands within the other 20 federal claims; 5% from lands within state claims staked by the Company within the area of interest; and 2.5% from state claims acquired by the Company within the area of interest. All advance royalties paid may be recouped from production royalties. The Company has the option to reduce the production royalties by up to 2% by paying US$2 million for each 1% reduction of the production royalties.

On January 24, 2012, the Company purchased from a private individual (the "Seller") the GC Purchased Property for $20,000 and a 2% production royalty on future production, if any, from the GC Purchased Property. The Company had the right to purchase the production royalty for $1 million until January 24, 2015 (the "Royalty Purchase Option"). The Company and the Seller entered into an extension agreement effective January 24, 2015 (the "2015 Extension Agreement"). In connection with the 2015 Extension Agreement, the Company issued to the Seller pre-consolidated 769,231 common shares of the Company at an issue price of $0.13 per share. In January 2017, the Company and the Seller agreed to further extend the terms of the Royalty Purchase Option and entered into an extension agreement effective January 24, 2017 (the "2017 Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before January 24, 2021. In connection with the 2017 Extension Agreement, the Company issued to the Seller pre-consolidated 1,666,667 common shares of the Company at a fair value of $0.09 per share and 1,153,846 common share purchase warrants of the Company.

During June 2015, the Company purchased from another private individual the balance of the GC Purchased Property (28 Alaska state mining claims covering the same lands as the 28 Alaska state mining claims acquired in January 2012) for US$50,000, the issuance of 3 million common shares of the Company at a fair value of $270,000 and a royalty interest equal to 1% of the Net Smelter Returns received by the Company on production, if any, from the claims. The Company has the right to purchase the royalty for US$500,000 at any time within 36 months following the start of mine production.

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 on settlement.

On September 6, 2019 the Company entered into another loan agreement with Taiga to borrow up to US$4.8 million of which US$3.2 million was drawn down as at December 31, 2019. Subsequent to December 31, 2019, the Company drew down the remaining US$1.6 million.

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, 2019:

On March 28, 2019, the loan payable that was outstanding at December 31, 2018 (see Note 6: Loan payable) was settled through the issuance of 1,330,000 shares of the Company at a price of CA$0.50 per share.

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. SHARE CAPITAL (cont'd)…

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 C$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 $01.20 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 C$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.

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, 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 higher of 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.

(Expressed in Canadian dollars)

7 SHARE CAPITAL (cont'd)…

The following table summarizes activity related to stock options:

	Options		Weighted Average Exercise Price
Balance, December 31, 2017	2,580,000	$	1.01
Issued	100,000	$	0.60
Expired	(215,000)	$	1.52
Forfeited	(50,000)	$	1.00
Balance, December 31, 2018	2,415,000	$	0.95
Issued	1,800,000	-$	0.27
Expired	(455,000)	$	0.82
Forfeited	(225,000)	$	1.03
Balance, December 31, 2019	3,535,000	$	0.34

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.

On June 11, 2018, 100,000 options were granted to directors, officers and consultants of the Company. Each option has an exercise price of $0.60, expiring 5 years from the date of grant and vested immediately.

With respect to the options granted in the year ended December 31, 2019 and the impact of the repriced options; $467,310 (for the year ended December 31, 2018; $nil) was recorded in share-based payments and $73,560 (2018 - $49,700) was capitalized to exploration and evaluation property.

(Expressed in Canadian dollars)

7 SHARE CAPITAL (cont'd)…

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

	Year ended December 31, 2019	Year ended December 31, 2018
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

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.

Stock options outstanding:

	As at December 31, 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
	-	-	-	-	505,000	505,000	1.30	0.9
	-	-	-	-	50,000	50,000	1.30	1.3
*	50,000	50,000	0.30	0.3	-	-	-	-
	150,000	150,000	1.00	1.2	755,000	755,000	1.00	2.2
*	525,000	525,000	0.30	1.2	-	-	-	-
	30,000	30,000	1.00	1.9	380,000	380,000	1.00	2.9
*	275,000	275,000	0.30	1.9	-	-	-	-
	50,000	50,000	0.60	3.0	625,000	625,000	0.60	4.0
*	555,000	555,000	0.30	3.0	-	-	-	-
	-	-	-	-	100,000	100,000	0.60	4.4
*	100,000	100,000	0.30	3.4	-	-	-	-
	1,800,000	1,800,000	0.30	4.4	-	-	-	-
	3,535,000	3,535,000	0.34	3.2	2,415,000	2,415,000	0.95	2.6

* Options repriced in May 2019.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd)…

7.4 Warrants

The following table summarizes activity related to warrants: Warrants outstanding:

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

Warrants outstanding:

As at December 31, 2019			**As at December 31, 2018**		
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
-	-	-	482,322	1.20	0.0
-	-	-	300,001	1.20	0.2
115,385	1.30	1.1	115,385	1.30	2.1
969,714	1.20	2.6	969,714	1.20	3.6
1,414,371	1.00	2.9	1,414,371	1.00	3.9
3,061,501	1.20	3.4	3,061,501	1.20	4.4
3,057,459	1.20	3.6	3,057,459	1.20	4.6
6,231,867	0.30	0.3	-	-	-
435,033	0.30	0.4	-	-	-
15,285,330	0.79	2.0	9,400,753	1.17	3.9

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd)…

7.5 Broker Warrants

The following table summarizes activity related to Broker Warrants:

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

The fair value of the broker warrants granted in the year ended December 31, 2019 - $768 (2018 - $6,007) was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions.

	Year ended December 31, 2019	Year ended December 31, 2018
Strike price	$0.30	$13.20
Market price	$0.30	$0.55 - $0.70
Risk free interest rate	1.64%	2.02 - 2.19%
Expected warrant life	1 years	2 years
Expected stock price volatility	101%	101%
Dividend payments during life of warrant	nil	nil
Expected forfeiture rate	nil	nil
Fair value per warrant	$0.14	$0.20 - $0.30

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 warrants is indicative of future trends.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd)…

Broker warrants outstanding:

As at December 31, 2019			As at December 31, 2018		
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	3.4	18,720	1.20	4.4
4,000	1.20	3.6	4,000	1.20	4.6
5,336	0.30	0.7	-	-	-
28,056	1.03	2.9	30,191	1.20	3.4

8. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
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 Patrick 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 on accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

8.1 Related party transactions

	Management Consulting and Directors' Fees	
For the year ended December 31	**2019**	**2018**
Huston & Huston Holdings Corp.	$ 250,000	$ 250,000
Rockford Resources, LLC	24,000	24,000
0897877 BC Ltd.	24,000	24,000

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

During the year, the Company settled the first loan payable with Taiga through the issuance of 1,330,000 common shares and paid $13,274 in interest (see Note 6).

(Expressed in Canadian dollars)

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

In September 2019, the Company drew US$2.5 million and in December 2019 drew US$700,000, pursuant to a second loan agreement with Taiga (see Note 6). As at December 31, 2019, the Company owed the loan principal and interest equal to CA$4,282,118. Subsequent to December 31, 2019, the Company drew an additional US$1.6 million pursuant to the loan agreement.

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At December 31, 2019, the Company owed $4,307,570 (December 31, 2018- $18,000) 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 President, Chief Executive Officer, Directors, Chief Financial Officer, Chief Operating Officer and General Manager, Operations. Compensation paid to key personnel was as follows:

For the year ended December 31,		2019		2018
Consulting and directors' fees	$	298,000	$	298,000
Salaries and benefits		801,160		677,348
Stock-based compensation		343,280		49,700
	$	1,442,440	$	1,025,048

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 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 December 31, 2019, the Company had working capital of $159,013, with current assets of $550,161 and current liabilities of $391,148. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. See Note 2, Going Concern.

As at December 31, 2019 there are no loan covenants.

c. Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company had $218,988 in Cash at December 31, 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 United States dollars and are therefore subject to fluctuations in foreign exchange rates.

At December 31, 2019, the Company has certain monetary items denominated in United States dollars. Based on these net exposures at December 31, 2019 a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease of $73,000 in the Company's net loss.

9.2 Fair Values

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

(Expressed in Canadian dollars)

10. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

Year ended	**December 31 2019**	December 31 2018
Loss before income taxes	$ 2,046,118	$ 1,133,199
Statutory rate	26.00%	26.00%
Expected tax recovery	531,731	294,632
Effect of tax rate changes and tax rates in foreign jurisdictions	31,414	16,578
Non-deductible expenses	(122,002)	33,633
Tax benefits not recognised	(441,143)	(344,843)
Income tax recovery (expense)	$ -	$ -

Unrecognized deferred tax asset is comprised of the following tax affected temporary differences:

Year ended	**December 31 2018**	**December 31 2018**
Mineral properties	$ 258,242	$ 734,969
Non-capital losses carried forward	7,347,253	6,899,540
Capital loss carried forward	58,764	58,764
Share issuance and incorporation costs	30,548	47,048
Unrecognized deferred tax asset	$ 7,694,807	$ 7,740,321

As at December 31, 2019 the Company had tax operating losses available of the following, which expire at various dates and amounts between 2024 and 2038.

Canada	$	16,621,808
United States	$	7,359,726

The ability to use U.S. loss carry-forwards in future is subject to certain limitations under provisions of the Internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Graphite One Resources Inc. and the U.S. tax losses related to Graphite One (Alaska) Inc. may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

11. SUBSEQUENT EVENT

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout North America. The spread of COVID-19 has caused significant volatility in North America and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19. The Company has and continues to take all prescribed steps to minimize the impact of the outbreak of the COVID-19 pandemic on the health of its employees, contractors and consultants. Working remotely, conducting virtual instead of in-person meetings, restricting travel and other measures for physical distancing are in place. Due to the uncertainty as to the duration of the pandemic and the impact on operations, the Company may find it challenging to complete its Project PFS as expected or conduct any extensive field operations this year, which may delay progress on the Project.