GRAPHITE ONE INC.

Consolidated Financial Statements

December 31, 2021

Graphite One

Independent auditor's report

To the Shareholders of Graphite One Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Graphite One Inc. and its subsidiary (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2022

GRAPHITE ONE INC.
Consolidated Statements of Financial Position
(Expressed in United States dollars)

As at		December 31, 2021	December 31, 2020
ASSETS	**Note**		
Current assets			
Cash and cash equivalents		$ 6,376,049	$ 14,586
Prepayments and deposits		132,329	103,372
Amounts receivable		19,699	16,760
Total current assets		6,528,077	134,718
Non-current assets			
Property and equipment	6	532,604	125,610
Exploration and evaluation property	7	34,089,017	20,646,057
Total non-current assets		34,621,621	20,771,667
Total assets		$ 41,149,698	$ 20,906,385
Current liabilities			
Trade and other accounts payable		$ 604,362	$ 1,489,285
Loans payable - current	8	6,308,720	-
Leases payable - current		87,124	-
Total current liabilities		7,000,206	1,489,285
Long term liabilities			
Loans payable	8	-	5,653,815
Leases payable		85,911	-
Total liabilities		7,086,117	7,143,100
Shareholders' equity			
Share capital	9	52,199,470	27,934,781
Reserves		12,225,926	7,844,306
Cumulative translation adjustment		3,419,339	3,500,581
Deficit		(33,781,154)	(25,516,383)
Total shareholders' equity		34,063,581	13,763,285
Total liabilities and shareholders'equity		$ 41,149,698	$ 20,906,385
Going concern	2		
Subsequent events	12		

Approved by the Board of Directors:

«Anthony Huston»
Director

«Douglas Smith»
Director

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

GRAPHITE ONE INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

For the years ended December 31,	Note		2021		2020
Expenses					
Management fees and salaries	10	$	1,610,684	$	1,181,008
Marketing, advisory and investor relations			630,217		183,799
Office and administration			200,418		98,760
Professional fees			92,823		62,619
Share-based payments	9		5,081,571		203,979
			7,615,713		1,730,165
Other (income) expenses					
Foreign exchange loss (gain)			146,679		(182,884)
Interest income			(138,247)		-
Interest expense			704,704		580,472
Other income			(56,190)		-
Gain on loan foregiveness	8		(7,888)		-
			649,058		397,588
Net loss for the year			8,264,771		2,127,753
Other comprehensive loss					
Foreign currency translation			81,242		219,522
Net loss and comprehensive loss for the year		$	8,346,013	$	2,347,275
Basic and diluted loss per common share		$	0.12	$	0.05
Weighted average number of common shares outstanding			70,368,118		42,891,752

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

GRAPHITE ONE INC.
Consolidated Statements of Shareholders' Equity
(Expressed in United States dollars)

	Common Shares					
	Number of Shares	Amount $	Reserves $	Cumulative Translation Adjustment $	Deficit $	Total Equity $
January 1, 2020	40,609,143	26,369,451	6,156,242	3,720,103	(23,388,630)	12,857,166
Shares issued on purchase of net smelter royalty	2,500,000	1,573,340	-	-	-	1,573,340
Cost of share issuance	-	(8,010)	-	-	-	(8,010)
Warrants issued on extension of royalty purchase option	-	-	199,579	-	-	199,579
Warrants issued on net smelter royalty purchase	-	-	1,480,475	-	-	1,480,475
Change in cumulative translation adjustment	-	-	8,010	(219,522)	-	(211,512)
Net loss for the year	-	-	-	-	(2,127,753)	(2,127,753)
December 31, 2020	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
January 1, 2021	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
Shares issued on private placement	29,790,685	16,842,484	-	-	-	16,842,484
Shares issued on option exercise	1,185,000	995,009	(614,544)	-	-	380,465
Shares issued on warrant exercise	10,255,616	7,681,665	(1,480,475)	-	-	6,201,190
Shares issued on broker warrant exercise	1,183,843	1,520,613	(920,907)	-	-	599,706
Cost of share issuance	-	(1,408,283)	-	-	-	(1,408,283)
Share-based payments	-	-	6,030,747	-	-	6,030,747
Broker warrants issued on private placement	-	(1,366,799)	1,366,799	-	-	-
Change in cumulative translation adjustment	-	-	-	(81,242)	-	(81,242)
Net loss for the year	-	-	-	-	(8,264,771)	(8,264,771)
December 31, 2021	85,524,287	52,199,470	12,225,926	3,419,339	(33,781,154)	34,063,581

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

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

For the year ended December 31,		2021		2020
OPERATING ACTIVITIES				
Net loss for the year	$	(8,264,771)	$	(2,127,753)
Items not involving cash:				
Share-based payments		5,081,571		207,589
Unrealized foreign exchange loss (gain)		(37,400)		(132,323)
Depreciation		2,216		1,149
Interest on loan payable		686,322		569,445
Interest on leases payable		18,783		-
Gain on foregiveness of loan		(7,888)		-
Gain on termination of lease		(2,690)		-
Changes in non-cash working capital items				
Amounts receivable		(2,939)		(12,235)
Prepayments and deposits		(22,353)		25,674
Trade and other accounts payable		(700,989)		777,926
Cash used in operating activities		(3,250,138)		(690,528)
FINANCING ACTIVITIES				
Issuance of shares		24,023,845		-
Share issuance costs		(1,408,283)		(8,011)
Loan proceeds (repayments)		(23,529)		1,785,351
Lease payments		(84,500)		-
Cash provided by financing activities		22,507,533		1,777,340
INVESTING ACTIVITIES				
Exploration and evaluation property expenditures		(12,552,009)		(1,179,673)
Purchase of equipment		(299,425)		-
Cash used in investing activities		(12,851,434)		(1,179,673)
Foreign exchange on cash		(44,498)		(61,161)
Increase (decrease) in cash and cash equivalents during the year		6,405,961		(92,861)
Cash and cash equivalents at beginning of the year		14,586		168,608
Cash and cash equivalents at end of the year	$	6,376,049	$	14,586
Supplemental cash flow information:				
Non-cash Investing and financing activities				
Shares and warrants issued on purchase of net smelter royalty		-		3,053,816
	$	(51,621)	$	3,463,024

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

1. NATURE OF OPERATIONS

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

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

The ability of the Company to proceed with the evaluation and development of the Project depends on a number of factors, the key ones including obtaining the necessary financing to complete the evaluation and development, and ultimately upon future profitable production or proceeds from disposition of the Project.

2. GOING CONCERN

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

As at December 31, 2021, the Company had a cash balance of $6,376,049 (December 31, 2020: $14,586), a working capital deficit of $472,129 (December 31, 2020: $1,354,567 working capital deficit), and an accumulated deficit of $33,781,154 (December 31, 2020: $25,516,383). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2021, cash used in operating activities totalled $3,006,320 (December 31, 2020: $690,528).

2. GOING CONCERN (cont'd)

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. During the year ended December 31, 2021, the Company completed three financings for gross proceeds of $24,023,835 (Note 9). Based on projected administrative and project expenditures for 2022, the Company expects that it will require additional financing during the year to advance the completion of the feasibility study for the Project and to continue operating at the current activity levels. The Company will also seek to extend the maturity date of the Taiga Loan of $6,308,720 which matures on September 6, 2022. There can be no assurance that the Company will be successful in extending the maturity of Taiga Loan or securing the additional financing, which give rise to material uncertainties that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material. Also refer to Note 3 for uncertainties in relation to COVID-19.

3. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, with outbreaks of the virus spreading globally. The spread of COVID-19 and its variants caused significant volatility in North America and international markets and affected the Company's operations during 2020 and 2021. As of the date of these statements, restrictions necessitated by the pandemic are easing; however, the spread of new variants with disruptive affects on business remains a possibility. The Company is carefully monitoring this situation and will take all prescribed steps to minimize the impact of any new outbreaks of the COVID-19 pandemic on the health of its employees, contractors and consultants. Working remotely, testing of field personnel, conducting virtual instead of in-person meetings, restricting travel and other measures for physical distancing have been in place and, as the Company deems necessary, will either continue to be in place or be reinstated. As part of the 2021 field program in Alaska, the Company implemented its Community and Workplace Protection Plan (CWPP) which details COVID-19 protocols that meet all State of Alaska and City of Nome requirements for detecting and mitigating the spread of COVID-19. The CWPP defines protocols to be followed by all field program personnel to ensure appropriate measures are in place to detect and minimize the spread of COVID-19 to protect the local communities and our workforce. Due to the uncertainty as to the continuing impact of the pandemic with the ongoing threat of virus variants, the Company may find that there could be further delays in completing the PFS in the time expected or there may be other unexpected delays, which could affect progress on the Project.

4. 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 28, 2022.

4. BASIS OF PRESENTATION (cont'd)

4.1 Basis of measurement

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

4.2 Accounting policy judgments and estimation uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments in its process of applying the Company's accounting policies and estimates of future uncertain events on the carrying amount of the Company's assets and liabilities at the end of the reporting period. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. There are no material areas of estimation uncertainty as at December 31, 2021.

Accounting policy judgements

<u>Exploration and evaluation property</u>: 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 a 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. There are no indicators of impairment as at December 31, 2021.

4.3 Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Graphite One (Alaska) Inc. 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.

The functional currency of the Company is Canadian Dollars (CA$) and its wholly-owned subsidiary is United States dollars ($). The presentation currency of the Company is the United States dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the period. Unless otherwise indicated, all dollar amounts in these financial statements are in United States dollars.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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.

Property and equipment

Property consists of right-of-use assets which is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and is adjusted for certain remeasurements of lease liability.

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
Right of Use Assets	Term of the lease
Computer equipment	3 years straight line
Analytical equipment	20%
Mobile equipment	5 years straight line
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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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; and
- The status of environmental and mining permits and mining leases.

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 and remediation of any disturbances to the environment. In addition, environmental regulations are subject to change and the Company must comply accordingly.

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 the years ended December 31, 2021 and 2020, the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Leases

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and is adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets are presented in property and equipment on the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company applies judgement to determine the lease term for some lease contracts which contain renewal options.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets, leases with lease terms that are less than 12 months at inception and arrangements for the use of land that grant the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit. The Company applies judgement in determining whether an arrangement grants the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes (cont'd)

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.

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 has received 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 consultants. For directors, employees and consultants, 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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The fair value of share-based payments is charged either to profit or loss, or to the exploration and evaluation property, with the offsetting credit to reserves. 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. Share options granted that relate to the receipt of goods or services from certain consultants 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.

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 the business model for managing the financial asset and their contractual cash flow characteristics.

(Expressed in United States dollars unless otherwise indicated)

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

6. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	Field Equipment	Computers	ROU Assets	Total
Cost	$	$	$	$
As at December 31, 2019	386,963	3,355	-	390,317
Additions	1,325	57	-	1,382
At at December 31, 2020	388,288	3,412	-	391,700
Additions	305,447	11,465	220,297	537,209
As at December 31, 2021	**693,735**	**14,876**	**220,297**	**928,909**

	Field Equipment	Computers	ROU Assets	Total
Accumulation depreciation	$	$	$	$
As at December 31, 2019	238,677	2,052	-	240,729
Depreciation	24,956	797	-	25,753
At at December 31, 2020	263,633	2,849	-	266,482
Depreciation	77,546	5,452	46,826	129,823
As at December 31, 2021	**341,179**	**8,301**	**46,826**	**396,305**

	Field Equipment	Computers	ROU Assets	Total
Net book value	$	$	$	$
At at December 31, 2020	124,655	563	-	125,218
As at December 31, 2021	**352,556**	**6,576**	**173,472**	**532,604**

(Expressed in United States dollars unless otherwise indicated)

7. 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, 2019	$	15,881,167
Land management		101,930
Net smelter royalty purchase		3,009,834
Analysis		262,738
Geological consulting		360,401
Fieldwork		256,914
Engineering		45,377
Technical assessments		323,265
Community consultation		68,796
Environmental studies		335,635
Balance, December 31, 2020	$	20,646,057
Land management		128,713
Analysis		132,991
Geological consulting		165,789
Fieldwork		1,247,924
Engineering		36,609
Technical assessments		1,443,190
Community consultation		90,095
Environmental studies		414,260
Capitalized share-based compensation		996,645
Feasibility study		8,843,994
Balance, December 31, 2021	$	34,150,872

Property Summary

The Graphite Creek Property consists of 135 State of Alaska mining claims ("State Claims") and 41 state selected claims ("SS Claims"). The Company maintains the State Claims by performing the required annual assessment work on or for the benefit of the State Claims; timely recording Affidavits of Annual Labor attesting to the performance of the required assessment work and by making timely annual rental payments to the Alaska Department of Natural Resources. SS Claims do not require any annual labor obligations or rental payments, only an initial deposit.

7. EXPLORATION AND EVALUATION PROPERTY (cont'd)

Effective January 1, 2014, the Company executed a long-term lease agreement with Kougarok LLC which now covers 13 State Claims. The initial term is twenty years, 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. Advanced royalties have progressed to $50,000 on January 1, 2021. Each January 1st thereafter, they increase by $10,000 until production commences. All required payments under the Lease have been made to date. The production royalties are based on annual production and calculated once production begins as follows: 5% from lands in 4 formerly federal claims originally located in 1943; 2.5% from lands within 20 other 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 paid advance royalties 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") 28 of the State Claims for $20,000 and a 2% production royalty on future production, if any, from those claims. 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 extension agreements effective January 24, 2015 and again on January 24, 2017 whereby the Royalty Purchase Option may be exercised at any time on or before January 24, 2021. In October 2020, the Company exercised the Royalty Purchase Option and acquired the 2% production royalty. In settlement of this purchase, the Company issued 2,500,000 Common Shares at a price of CA$0.82 per share and 2,500,000 Warrants at a value of CA$0.77 per warrant (the "Warrants")). (Note 9). The Warrants included an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.65 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrantholders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. On March 15, 2021, the Company exercised its right and accelerated the expiry date of the Warrants, if not exercised, to April 29, 2021. All of these warrants were exercised in the second quarter of 2021.

During June 2015, the Company purchased from another private individual a second set of 28 State Claims (covering the same lands as the 28 State 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.

8. LOANS PAYABLE

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

8. LOANS PAYABLE (cont'd)

On June 8, 2020, the Company entered into a two-year unsecured loan agreement with Taiga to borrow up to $156,000, which was fully drawn as at December 31, 2021. The loan bears an interest rate of 12% per annum, compounded annually and matures on June 8, 2022. The Company has the option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga.

In May 2020 the Company applied for and received approval for a CA$40,000 Canada Emergency Business Account ("CEBA") and was fully drawn by June 30, 2020. The CEBA provides an interest-free loan of up to CA$40,000 ("CEBA Loan"). Provided the loan is repaid on or before December 31, 2023, the remaining 25% of the loan will be forgiven. The Company repaid CA$30,000 of the CEBA Loan prior to December 31, 2021 and recognized the remaining CA$10,000 as a gain on forgiveness of loan.

9. SHARE CAPITAL

9.1 Authorized

Unlimited number of common shares with no par value.

9.2 Shares Issued

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

During the year ended December 31, 2021, the Company completed three financings, raising total gross proceeds of CA$21.3 million. These financings were undertaken under the following terms.

On February 23, 2021, the Company completed a private placement for total gross proceeds of CA$8,000,000. Pursuant to this private placement, the Company issued a total of 16,000,000 units (the "2021-1 Units") at a price of CA$0.50 per 2021-1 Unit. Each 2021-1 Unit consists of one common share and one transferable common share purchase warrant (a "2021-1 Warrant"). Each 2021-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of CA$0.61 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.90 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-1 Warrants.

The Company paid finder's fees in the amount of CA$614,400 and issued 1,228,800 transferrable broker warrants, each warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2021-1 Warrants, described above.

9. Share Capital (cont'd)

Also on February 23, 2021, the Company completed a private placement for total gross proceeds of CA$2,000,000. Pursuant to this private placement, the Company issued a total of 2,564,104 units (the "2021-2 Units") at a price of CA$0.78 per 2021-2 Unit. Each 2021-2 Unit consists of one common share and one transferable common share purchase warrant (a "2021-2 Warrant"). Each 2021-2 Warrant entitles the holder to purchase one additional common share of the Company at a price of CA$0.98 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$1.45 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrantholder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-2 Warrants.

The Company paid finder's fees in the amount of CA$153,600 and issued 196,924 transferrable broker warrants entitling the holder to acquire one additional common share of the Company at CA$0.98 per share.

On April 22, 2021, the 2,500,000 warrants held by the warrantholder pursuant to the Royalty Purchase Option Agreement (Note 6) were exercised for proceeds of CA$1,525,000 in connection with the Company electing to accelerate the expiry of the warrants.

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

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

Including the warrants pursuant to the Royalty Purchase option, options, warrants and broker warrants exercised during the year ended December 31, 2021 raised CA$9,050,671.

(Expressed in United States dollars unless otherwise indicated)

9. SHARE CAPITAL (cont'd)

The following share transactions occurred during the year ended December 31, 2020:

On October 8, 2020, 2,500,000 shares were issued pursuant to the Royalty Purchase Option (Note 7) at a fair value of CA$2,050,000.

9.3 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 CA$0.05 per share.

The following table summarizes activity related to stock options:

	Number of Options		Weighted Average Exercise Price (CA$)
Balance, December 31, 2019	**3,535,000**	**$**	**0.34**
Granted	575,000		0.35
Expired	(50,000)		0.30
Balance, December 31, 2020	**4,060,000**		**0.34**
Granted	5,492,429		1.25
Exercised	(1,185,000)		0.40
Expired	(15,000)		1.00
Balance, December 31, 2021	**8,352,429**	**$**	**0.93**

On February 23, 2021, the Company granted 2,105,000 options to directors, officers, and consultants with an exercise price of CA$1.02 per share, expiring 5 years from the date of grant and vested immediately.

On December 22, 2021, the Company granted 3,387,429 options to directors, officers, and consultants with an exercise price of CA$1.39 per share, expiring 5 years from the date of grant and vested immediately.

On June 26, 2020, the Company granted 575,000 options to directors, officers, and consultants with an exercise price of CA$0.35 per share, expiring 5 years from the date of grant and vested immediately.

During the year ended December 31, 2021, the Company recognized share-based payment expense of $5,081,571 (year ended December 31, 2020: $203,979) and $949,176 (year ended December 31, 2020: $3,440) was capitalized to exploration and evaluation property.

(Expressed in United States dollars unless otherwise indicated)

9 SHARE CAPITAL (cont'd)

9.3 Share based compensation (cont'd)

The fair value of the share options granted in the years ended December 31, 2021 and 2020 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2021	December 31, 2020
Exercise price (CA$)	$1.02 - $1.39	$0.35
Market price (CA$)	$1.28 - $1.74	$0.500
Risk free interest rate	0.64% - 0.93%	0.36%
Expected option life	5 years	5 years
Expected stock price volatility	134% - 136%	161%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option (CA$)	$1.14 - $1.54	$0.47

The expected life is based on current expectations. The expected volatility reflects the assumption that the historical volatility will be similar to the future volatility.

Stock options outstanding:

As at December 31, 2021				As at December 31, 2020			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA$)	Weighted average remaining contractual life years	Number of options outstanding	Number of vested options	Weighted average exercise price (CA$)	Weighted average remaining contractual life years
-	-	-	-	150,000	150,000	1.00	0.2
-	-	-	-	525,000	525,000	0.30	0.2
-	-	-	-	30,000	30,000	1.00	0.9
-	-	-	-	275,000	275,000	0.30	0.9
30,000	30,000	0.60	1.0	50,000	50,000	0.60	2.0
505,000	505,000	0.30	1.0	555,000	555,000	0.30	2.0
100,000	100,000	0.30	1.4	100,000	100,000	0.30	2.4
1,700,000	1,700,000	0.30	2.4	1,800,000	1,800,000	0.30	3.4
525,000	525,000	0.35	3.5	575,000	575,000	0.35	4.5
2,105,000	2,105,000	1.02	4.2	-	-	-	-
3,387,429	3,387,429	1.39	5.0	-	-	-	-
8,352,429	8,352,429	0.93	3.8	4,060,000	4,060,000	0.34	2.6

(Expressed in United States dollars unless otherwise indicated)

9. SHARE CAPITAL (cont'd)

9.4 Warrants

The following table summarizes the activity related to Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA$)
Balance, December 31, 2019	**15,285,330**	**$ 0.79**
Issued	2,500,000	0.61
Expired	(6,666,900)	0.30
Balance, December 31, 2020	**11,118,430**	**1.04**
Issued	29,790,685	0.98
Exercised	(10,255,618)	0.76
Expired	(115,386)	1.30
Balance, December 31, 2021	**30,538,111**	**$ 1.07**

As at December 31, 2021			As at December 31, 2020		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years
-	-	-	115,385	1.30	0.1
71,499	1.20	0.6	969,714	1.20	1.6
127,943	1.00	0.9	1,414,371	1.00	1.9
2,779,237	1.20	1.4	3,061,501	1.20	2.4
2,819,031	1.20	1.6	3,057,459	1.20	2.6
-	-	-	2,500,000	0.61	4.8
11,545,861	0.61	1.1	-	-	-
1,967,959	0.98	1.1	-	-	-
10,228,581	1.50	0.6	-	-	-
998,000	1.50	0.6	-	-	-
30,538,111	1.07	1.0	11,118,430	1.04	2.8

The 2021-1, 2021-2, and 2021-3 Warrants were issued pursuant the private placements (Note 9.2) that closed during the year ended December 31, 2021 were assigned a $nil value.

(Expressed in United States dollars unless otherwise indicated)

9. SHARE CAPITAL (cont'd)

9.4 Warrants

On October 8, 2020, 2,500,000 warrants were issued pursuant to the Royalty Purchase Option (Note 6) at a fair value of CA$1,929,000, with an expiry term of five years and an exercise price of CA$0.61 per share. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA$0.65 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrantholders to accelerate the expiry of the warrants on the date that is 45 days from the press release and notice. Subsequent to December 31, 2020, the Company provided notice to the warrantholders that the Company was invoking the accelerated expiry clause of the warrant agreement such that the warrants would expire if not exercised by April 29, 2021. All the 2,500,000 warrants were exercised for proceeds of CA$1,525,000.

The fair value of the warrants issued during the year ended December 31, 2020 to purchase royalty option was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions. Warrants issued in 2021 units were assigned a $nil value.

		December 31, 2020
Exercise price (CA$)	$	0.61
Market price (CA$)	$	0.82
Risk free interest rate		0.37%
Expected life		5 years
Expected share price volatility		163%
Dividend payments		Nil
Expected forfeiture rate		Nil
Average fair value per option (CA$)	$	0.77

9.5 Broker Warrants

The following table summarizes the activity related to Broker Warrants:

	Number of Warrants		**Weighted Average Exercise Price (CA$)**
Balance, December 31, 2019	**28,056**	**$**	**1.03**
Expired	(5,336)		0.30
Balance, December 31, 2020	**22,720**		**1.20**
Issued	2,036,474		0.76
Exercised	(1,183,843)		0.64
Balance, December 31, 2021	**875,351**	**$**	**1.07**

(Expressed in United States dollars unless otherwise indicated)

9. SHARE CAPITAL (cont'd)

During the year ended December 31, 2021, the Company issued 2,036,474 broker warrants pursuant to equity financings (Note 8.2) and 1,183,843 broker warrants were exercised with an average exercise price of CA$0.64 for total proceeds of CA$479,500.

The fair value of the broker warrants granted in the year ended December 31, 2021 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions. No broker warrants were issued in 2020.

	December 31, 2020
Exercise price (CA$)	0.61 - $1.00
Market price (CA$)	$1.28 - $1.56
Risk free interest rate	0.41% - 0.64%
Expected life	1 - 2 years
Expected share price volatility	117% - 133%
Dividend payments	Nil
Expected forfeiture rate	Nil
Average fair value per option (CA$)	$0.50 - $0.99

The expected life is based on current expectations. The expected volatility reflects the assumption that the historical volatility over a period is indicative of the expected future volatility of the warrants issued during the year ended December 31, 2020.

Broker warrants outstanding:

As at December 31, 2021			**As at December 31, 2020**		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years
18,720	$ 1.20	1.4	18,720	$ 1.20	2.4
1,636	1.20	1.5	4,000	1.20	2.5
134,543	0.61	1.1	-	-	-
109,702	0.98	1.1	-	-	-
540,890	1.00	0.6	-	-	-
69,860	1.00	0.6	-	-	-
875,351	$ 0.94	0.8	22,720	$ 1.20	2.4

(Expressed in United States dollars unless otherwise indicated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
Huston and Huston Holdings Corp.	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 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 is a private company controlled by Brian Budd, a director of the Company which provides director services to the Company.
Beattie Battery Technology Innovations	Beattie is a private company controlled by Dr. Shane Beattie, Chief Technology of the Company, which provided technical services to the Company until July 2020.
Taiga Mining Company, Inc.	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.
ROTAK LLC	ROTAK is one of the providers to the Company of helicopter support services in Alaska. One of Taiga's principals is also a manager in the entity that controls ROTAK.

10.1 Related party transactions

	Management and Director Fees		Project Services	
For the years ended December 31,	2021	2020	2021	2020
Huston & Huston Holdings Corp.	$ 624,718	$ 405,414	$ -	$ -
Rockford Resources LLC	75,636	18,010	-	-
0897877 B.C. Ltd.	74,965	18,010	-	-
Beattie Battery Technologies Innovations	-	33,199	-	-
ROTAK Helicopter Services	-	-	919,076	-

The above transactions relate to consulting fees and project-related costs 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 and Project Services are capitalized to Exploration and evaluation property in the consolidated statements of financial position.

(Expressed in United States dollars unless otherwise indicated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

During the year ended December 31, 2021, the Company accrued interest of $686,806 (year ended December 31, 2020: $562,812) related to the Taiga Loan. As at December 31, 2021, the Company owed $6,308,720 (December 31, 2020: $5,622,398) for principal and interest on the Taiga Loan.

Amounts owing to other related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At December 31, 2021, the Company owed $1,237 (December 31, 2020 - $358,351) to related parties.

10.2 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 and Chief Operating Officer. Compensation paid to key personnel was as follows:

For the year ended December 31,		2021		2020
Consulting and directors' fees	$	775,321	$	439,465
Salaries		1,005,724		809,506
Benefits		85,306		77,752
Share-based payments		4,916,876		151,630
	$	6,783,227	$	1,478,353

11. FINANCIAL RISK MANAGEMENT

11.1 Financial Risk Management

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

a. Credit risk

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

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 are held with a chartered bank in Canada.

11. 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, 2021, the Company had a working capital deficit of $472,129. The Company will seek to extend the maturity date of the Taiga Loan of $6,308,720 as well as to complete additional debt or equity offerings to fund ongoing operations and development project. There can be no assurance that the Company can extend the maturity of the Taiga loan or obtain additional financing on terms acceptable to the Company or at all. As at December 31, 2021, the Company has no bank covenants.

c. Interest rate risk

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

The Company had $6,376,049 in cash and cash equivalents at December 31, 2021, 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 United States dollars. A portion of the Company's funds are held in Canadian dollars and are therefore subject to fluctuations in foreign exchange rates.

The Company has entered into dual currency swap contracts to provide a better interest rate yield in exchange of foreign currency risk. If the CAD/USD spot rate is less than or equal to the pre-determined conversion rate on settlement date, the principal amount will be settled in the conversion currency at the pre-determined conversion rate resulting in a foreign exchange loss. At December 31, 2021, the Company has recognised loss of $21,501 on the fair value of embedded derivative in open contracts.

At December 31, 2021, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures at December 31, 2021 a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease the Company's net loss by $296,928.

11.2 Fair Values

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

(Expressed in United States dollars unless otherwise indicated)

12. 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:

Years ended	**December 31 2021**	December 31 2020
Loss before income taxes	$ 8,264,771	$ 2,127,753
Statutory rate	27%	27%
Expected tax recovery	2,231,488	574,493
Effect of tax rate changes and tax rates in foreign jurisdictions	(80,894)	(21,446)
Non-deductible expenses	(1,296,881)	(53,483)
Tax benefits not recognised	(837,227)	(567,300)
Foreign exchange and other	(16,786)	67,736
Income tax recovery (expense)	$ -	$ -

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

Year ended	**December 31 2021**	December 31 2020
Mineral properties	$ 151,525	$ 321,816
Equipment	18,107	-
Non-capital losses carried forward	5,992,552	4,929,307
Capital loss carried forward	97,546	46,767
Share issuance costs	304,713	15,350
Unrecognized deferred tax asset	$ 6,546,443	$ 5,513,240

As at December 31, 2021 the Company had tax operating losses available of the following -

Canada	$ 16,432,444	(expire between 2026 and 2041)
United States	$ 7,408,535	

The ability to use U.S. loss carry-forwards in the 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 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.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

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

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