

# **GRAPHITE ONE INC.**

**Condensed Interim Consolidated Financial Statements**

**For the three and six months ended June 30, 2022 and 2021**

### **Notice of No Auditor Review**

In accordance with National Instrument 51-102, the Company discloses that the accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Professional Accountants of Canada.

**GRAPHITE ONE INC.****Condensed Interim Consolidated Statements of Financial Position***(Unaudited - expressed in United States dollars)*

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 2,849,442	\$ 6,376,049
Receivables	4	27,932	19,699
Prepays and deposits	5	148,149	132,329
<b>Total current assets</b>		<b>3,025,523</b>	<b>6,528,077</b>
Property and equipments, net of accumulated depreciation	6	776,179	532,604
Exploration and evaluation property	7	39,543,497	34,089,017
<b>Total assets</b>		<b>\$ 43,345,199</b>	<b>\$ 41,149,698</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 2,614,807	\$ 604,362
Loans payable - current	9	6,672,010	6,308,720
Lease obligations - current		160,205	87,124
<b>Total current liabilities</b>		<b>9,447,022</b>	<b>7,000,206</b>
Lease obligations		76,795	85,911
<b>Total liabilities</b>		<b>9,523,817</b>	<b>7,086,117</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	53,748,043	52,199,470
Reserves		12,192,732	12,225,926
Cumulative translation adjustment		3,452,260	3,419,339
Deficit		(35,571,653)	(33,781,154)
<b>Total shareholders' equity</b>		<b>33,821,382</b>	<b>34,063,581</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 43,345,199</b>	<b>\$ 41,149,698</b>
Going concern	2		
Subsequent events	13		

Approved by the Board of Directors

«Anthony Huston»

Director

«Doug Smith»

Director

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

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**GRAPHITE ONE INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***(Unaudited - expressed in United States dollars)*

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
<b>Expenses</b>				
Management fees and salaries	\$ 257,582	\$ 225,471	\$ 518,814	\$ 736,129
Marketing, advisory and investor relations	307,724	141,455	593,345	221,169
Office and administration	124,069	85,587	215,745	127,299
Professional fees	34,261	12,401	46,531	39,038
Share-based payments	-	60,439	-	2,020,565
	723,636	525,353	1,374,435	3,144,200
<b>Other (income) expenses</b>				
Foreign exchange loss (gain)	136,864	(22,979)	97,086	(119,285)
Gain on sale of asset	(8,076)	-	(8,076)	-
Interest income	(13,969)	-	(47,309)	-
Interest expense	173,299	178,001	374,363	348,753
	288,117	155,022	416,064	229,468
Net loss for the period	1,011,753	680,375	1,790,499	3,373,668
<b>Other comprehensive loss</b>				
Foreign currency translation	(4,352)	279,535	(32,921)	323,930
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 1,007,401</b>	<b>\$ 959,910</b>	<b>\$ 1,757,578</b>	<b>\$ 3,697,598</b>
<b>Basic and diluted loss per common share</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.05</b>
<b>Weighted average number of common shares outstanding</b>	<b>87,180,561</b>	<b>59,512,813</b>	<b>86,455,403</b>	<b>68,066,517</b>

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**GRAPHITE ONE INC.****Condensed Interim Consolidated Statements of Shareholders' Equity***(Unaudited - expressed in United States dollars)*

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, December 31, 2021</b>	85,524,287	52,199,470	12,225,926	3,419,339	(33,781,154)	34,063,581
Shares issued on warrant exercises	1,773,194	1,548,573	(33,194)	-	-	1,515,379
Changes in cumulative translation adjustment	-	-	-	32,921	-	32,921
Net loss for the period	-	-	-	-	(1,790,499)	(1,790,499)
<b>Balance, June 30, 2022</b>	<b>87,297,481</b>	<b>53,748,043</b>	<b>12,192,732</b>	<b>3,452,260</b>	<b>(35,571,653)</b>	<b>33,821,382</b>

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, December 31, 2020</b>	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
Shares issued on private placement	18,564,104	8,142,130	-	-	-	8,142,130
Shares issued on option exercises	1,015,000	337,491	-	-	-	337,491
Shares issued on warrant exercises	9,223,969	5,631,210	-	-	-	5,631,210
Shares issued on broker warrant exercises	8,764	5,488	-	-	-	5,488
Share issuance costs	-	(692,179)	-	-	-	(692,179)
Share-based payments	-	-	2,069,728	-	-	2,069,728
Broker warrants issued on private placements	-	-	1,133,250	-	-	1,133,250
Warrants issued on extension of royalty purchase option	-	(1,133,251)	-	-	-	(1,133,251)
Changes in cumulative translation adjustment	-	-	-	(323,930)	-	(323,930)
Net loss for the period	-	-	-	-	(3,373,668)	(3,373,668)
<b>Balance, June 30, 2021</b>	<b>71,920,980</b>	<b>40,225,670</b>	<b>11,047,284</b>	<b>3,176,651</b>	<b>(28,890,051)</b>	<b>25,559,554</b>

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**GRAPHITE ONE INC.****Condensed Interim Consolidated Statements of Cash Flows***(Unaudited - expressed in United States dollars)*

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (1,011,753)	\$ (680,375)	\$ (1,790,499)	\$ (3,373,668)
Items not involving cash:				-
Share-based payments	-	61,911	-	2,069,728
Unrealized foreign exchange	53,324	(4,782)	79,808	(5,317)
Depreciation	488	644	980	1,038
Interest on loan payable	161,297	176,357	362,361	346,514
Interest on leases payable	10,841	1,587	10,841	1,587
Gain on disposal of asset	(8,076)	-	(8,076)	-
<b>Changes in non-cash working capital items</b>				
Receivables	(15,467)	8,849	(8,233)	6,764
Prepays and deposits	15,408	14,135	(64,201)	(21,101)
Accounts payable and accrued liabilities	(36,947)	(173,367)	(82,277)	(821,372)
Cash used in operating activities	(830,885)	(595,041)	(1,499,296)	(1,795,827)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares	992,217	5,843,156	1,515,379	14,116,319
Share issuance costs	-	(25,048)	-	(692,180)
Subscriptions funds received	-	(1,212,724)	-	-
Lease payments	(38,350)	(7,475)	(64,150)	(7,475)
Cash provided by financing activities	953,867	4,597,909	1,451,229	13,416,664
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation property expenditures	(2,178,772)	(1,390,292)	(3,202,300)	(2,296,907)
Purchase of equipment	(118,439)	(224,327)	(230,282)	(224,327)
Cash used in investing activities	(2,297,211)	(1,614,619)	(3,432,582)	(2,521,234)
<b>Effect of changes in exchange rates on cash and cash equivalents</b>	(20,392)	(279,535)	(45,958)	(323,938)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	(2,194,622)	2,388,249	(3,526,607)	9,099,603
<b>Cash and cash equivalents at beginning of the period</b>	5,044,064	6,681,537	6,376,049	14,586
<b>Cash and cash equivalents at end of the period</b>	\$ 2,849,442	\$ 8,790,251	\$ 2,849,442	\$ 8,790,251
<b>Supplemental cash flow information:</b>				
<b>Non-cash Investing and financing activities</b>				
Depreciation capitalized to exploration and evaluation property	88,097	12,843	111,076	19,070
Changes in accounts payable related to investing activities	1,971,007	302,502	2,092,722	(285,724)
	\$ 2,059,104	\$ 315,345	\$ 2,203,798	\$ (266,654)

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

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## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **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 in Washington State.

The ability of the Company to proceed with the evaluation and development of the Project depends on several factors which includes, but not limited to, hiring of key technical personnel and obtaining the necessary financing to complete the evaluation and development.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 - Interim Financial Reporting. These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2021. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements.

The condensed interim consolidated financial statements for the three and six months ended June 30, 2022 (including comparatives) have been prepared by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on August 18, 2022.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **Going Concern**

These condensed interim consolidated financial statements have been prepared based on 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 considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at June 30, 2022, the Company had a cash balance of \$2,849,442 (December 31, 2021: \$6,376,049), a working capital deficit of \$6,421,499 (December 31, 2021: \$472,129 working capital deficit), and an accumulated deficit of \$35,571,653 (December 31, 2021 - \$33,781,154). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three and six months ended June 30, 2022, cash used in operating activities totalled \$830,885 (June 30, 2021: \$595,041) and \$1,499,296 (June 30, 2021: \$1,795,827), respectively.

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. The Company has not completed any financings during the first half of 2022; however, \$1,515,379 of proceeds were received from warrant exercises (Note 10). Subsequent to June 30, 2022, the Company announced a non-brokered private placement of up to 13.5 million units at a price of CA\$1.15 per unit for aggregate proceeds of CA\$15,525,000 (Note 13c).

Based on projected administrative and project expenditures for the next twelve months, the Company will require additional financing to complete the pre-feasibility study for the Project and to continue operating at current activity levels. The Company will also seek to extend the maturity date of the Taiga Loan of \$6,672,010 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis for measurement**

These condensed interim consolidated financial statements have been prepared on a historical basis, except for those assets and liabilities that are measured at fair value at the end of each reporting period.

The accounting policies in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.



## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **b) Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Graphite One (Alaska) Inc. All intercompany transactions and balances have been eliminated upon consolidation.

#### **c) Critical accounting judgements and estimates**

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note. The preparation of our condensed interim consolidated financial statements requires us to make judgments regarding the Company's ability to continue as a going concern as discussed in Note 2.

#### **Key Sources of Estimation Uncertainty and Critical Judgments**

##### Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental, and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Key Sources of Estimation Uncertainty and Critical Judgments (Cont'd)

Share-based payments

Share-based payments are measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

### 4. RECEIVABLES

Receivables are comprised of the following:

	June 30, 2022	December 31 2021
Goods and services taxes receivable	\$ 23,017	\$ 19,699
Other receivables	4,915	-
	<u>\$ 27,932</u>	<u>\$ 19,699</u>

Receivables consist primarily of GST receivable from the Federal Government of Canada in the amount of \$23,017 (December 31, 2021 - \$19,699)

### 5. PREPAIDS AND DEPOSITS

Prepays and deposits are comprised of the following:

	June 30, 2022	December 31, 2021
Subscriptions	\$ 2,700	\$ 4,835
Insurance	77,628	16,991
Project advances	-	79,255
Marketing	15,307	-
Deposits and other	52,514	31,248
	<u>\$ 148,149</u>	<u>\$ 132,329</u>

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***6. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

	Field Equipment	Computers	ROU Assets	Total
<b>Cost</b>	\$	\$	\$	\$
As at December 31, 2020	243,548	3,412	-	246,960
Additions	305,447	11,465	220,297	537,209
As at December 31, 2021	548,995	14,877	220,297	784,169
Additions	213,037	17,246	-	230,283
Acquisition of lease	-	-	241,788	241,788
Lease cancellation	-	-	-174,657	-174,657
As at June 30, 2022	762,033	32,123	287,427	1,081,583
<b>Accumulation depreciation</b>	Field	Computers	ROU Assets	Total
As at December 31, 2020	118,893	2,849	-	121,742
Depreciation	77,546	5,452	46,825	129,823
As at December 31, 2021	196,439	8,301	46,825	251,565
Depreciation	53,423	2,140	56,495	112,058
Lease cancellation	-	-	-58,219	-58,219
As at June 30, 2022	249,862	10,441	45,101	305,404
<b>Net book value</b>	Field	Computers	ROU Assets	Total
As at December 31, 2021	352,556	6,576	173,472	532,604
As at June 30, 2022	512,171	21,682	242,326	776,179

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***7. EXPLORATION AND EVALUATION PROPERTY**

The following table summarizes the exploration and evaluation expenditures associated with the Graphite Creek Project:

Balance, December 31, 2020	\$	20,646,057
Land management		128,713
Assays and metallurgy		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 depreciation		131,658
Capitalized share-based payments		293,752
Pre-feasibility study		9,357,979
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Balance, December 31, 2021		34,089,017
Land management		60,847
Assays and metallurgy		110,223
Geological consulting		388,855
Fieldwork		2,550,788
Engineering		109,532
Technical assessments		728,251
Community consultation		80,466
Environmental studies		406,553
Capitalized depreciation		111,076
Pre-feasibility study		907,890
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Balance, June 30, 2022	\$	39,543,497

Certain comparatives figures were reclassified to conform to current presentation.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2022	December 31, 2021
Accounts payable - trade	\$ 36,237	143,552
Accounts payable - projects	2,578,570	367,552
Payroll	-	93,258
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	\$ 2,614,807	\$ 604,362

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

### 9. LOANS PAYABLE

	Taiga Loan	Accrued Interest	Taiga Loan and Accrued Interest	CEBA Loan	Total
Balance, December 31, 2020	\$ 4,956,000	\$ 666,398	\$ 5,622,398	\$ 31,417	\$ 5,653,815
Repayments	-	-	-	(31,417)	(31,417)
Accrued interest	-	686,322	686,322	-	686,322
Balance, December 31, 2021	4,956,000	1,352,720	6,308,720	-	6,308,720
Accrued interest	-	363,290	363,290	-	363,290
Balance, June 30, 2022	\$ 4,956,000	\$ 1,716,010	\$ 6,672,010	\$ -	\$ 6,672,010

On September 6, 2019, the Company entered into a two-year unsecured loan agreement with Taiga Mining Company Inc. ("Taiga") to borrow up to \$4.8 million ("Taiga Loan 1") which was fully drawn as at June 30, 2022. The Taiga Loan bears an interest rate of 12% per annum, compounded annually. The Company has an option to extend the loan by an additional twelve (12) months upon 30 days notice to Taiga, which was exercised on July 23, 2021, extending the maturity date of the loan to September 6, 2022.

On June 8, 2020, the Company entered into a two-year unsecured loan agreement with Taiga to borrow up to \$156,000 ("Taiga Loan 2"), which was fully drawn as of June 30, 2022. The Taiga Loan bears an interest rate of 12% per annum, compounded annually and matures on June 8, 2022. On June 7, 2022, the Company received written confirmation from Taiga to extend the maturity date to September 6, 2022 in order to negotiate extending the maturity date of Taiga Loan 1 and Taiga Loan 2.

### 10. SHARE CAPITAL

#### 10.1 Authorized

Unlimited number of common shares with no par value.

#### 10.2 Shares Issued

The following transactions occurred during the six months ended June 30, 2022:

The Company issued 1,773,194 common shares for proceeds of \$1,515,378 (CA\$1,901,514) pursuant to the exercise of share purchase warrants at an average exercise price of \$0.85 (CA\$1.07) per share.

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.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **10.2 Shares Issued (Cont'd)**

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 warrant holder 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.

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 warrant holder 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 warrant holder pursuant to the Royalty Purchase Option Agreement were exercised for proceeds of CA\$1,525,000 in connection with the Company electing to accelerate the expiry of the warrants.

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### 10.2 Shares Issued (Cont'd)

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.

### 10.3 Stock Options

Pursuant to a stock option plan (the “Plan”) for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares and the exercise price is to be determined on the date of issuance of the options.

The following table summarizes the activities related to stock options:

	Number of Options	Weighted Average Exercise Price (CA\$)
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 and June 30, 2022	8,352,429	\$ 0.93

No stock options were granted or exercised during the six months ended June 30, 2022.

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***10.3 Stock options (Cont'd)**

The fair value of the stock options granted during the year ended December 31, 2021 was estimated on the date of grant using the Black-Scholes Option Pricing Model under the following assumptions:

	June 30, 2022	December 31, 2021
Exercise price (CA\$)	-	\$1.02 - \$1.39
Share price	-	\$1.28 - \$1.74
Risk-free interest rate	-	0.64% - 0.93%
Expected life	-	5 - Years
Expected stock price volatility	-	134% - 136%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per option (CA\$)	-	\$1.34 - \$1.54

**Outstanding Stock Options**

The following table summarizes the outstanding stock options

<b>As at June 30, 2022</b>				<b>As at December 31, 2021</b>			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average contractual life (years)
505,000	505,000	0.30	0.5	505,000	505,000	0.30	1.0
100,000	100,000	0.30	0.9	100,000	100,000	0.30	1.4
1,700,000	1,700,000	0.30	1.9	1,700,000	1,700,000	0.30	2.4
525,000	525,000	0.35	3.0	525,000	525,000	0.35	3.5
2,105,000	2,105,000	1.02	3.7	2,105,000	2,105,000	1.02	4.2
3,387,429	3,387,429	1.39	4.5	3,387,429	3,387,429	1.39	5.0
<b>8,352,429</b>	<b>8,352,429</b>	<b>0.93</b>	<b>3.3</b>	<b>8,352,429</b>	<b>8,352,429</b>	<b>0.93</b>	<b>3.8</b>



**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***10.4 Warrants**

The following table summarizes the activities related to warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
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
Exercised	(1,688,574)	- 1.08
Balance, June 30, 2022	28,849,537	\$ 1.07

The following table summarizes the outstanding warrants:

As at June 30, 2022			As at December 31, 2021		
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
71,499	1.20	0.1	71,499	1.20	0.6
127,943	1.00	0.4	127,943	1.00	0.9
2,779,237	1.20	0.9	2,779,237	1.20	1.4
2,819,031	1.20	1.1	2,819,031	1.20	1.6
10,864,400	0.61	0.7	11,545,861	0.61	1.1
1,757,446	0.98	0.7	1,967,959	0.98	1.1
9,431,981	1.50	0.1 <sup>(1)</sup>	10,228,581	1.50	0.6
998,000	1.50	0.1 <sup>(1)</sup>	998,000	1.50	0.6
28,849,537	1.07	0.5	30,538,111	1.07	1.0

<sup>(1)</sup> The expiry date of the warrants was extended to March 13, 2023 (Note 13c).

No warrants were issued during the six months ended June 30, 2022. The 2021-1, 2021-2, and 2021-3 Warrants were issued pursuant the private placements (Note 10.2) that closed during the year ended December 31, 2021 were assigned a \$Nil value.

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***10.5 Broker Warrants**

The following table summarizes the activities related to broker warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
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
Exercised	(84,620)	1.00
Balance, June 30, 2022	790,731	\$ 0.94

No broker warrants were issued during the six months ended June 30, 2022.

During the year ended December 31, 2021, the Company issued 2,036,474 broker warrants pursuant to equity financings (Note 10.2). The fair value of the broker warrants issued during the year ended December 31, 2021 was estimated on the date of grant using the Black-Scholes Option Pricing Model under the following assumptions:

	June 30, 2022	December 31, 2021
Exercise price (CA\$)	-	\$0.61 - \$1.00
Share price	-	\$1.28 - \$1.56
Risk-free interest rate	-	0.41% -- 0.64%
Expected life	-	1 - 2 years
Expected stock price volatility	-	117% - 133%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per option (CA\$)	-	\$0.50 - \$0.99

The following table summarizes the outstanding broker warrants:

As at June 30, 2022			As at December 31, 2021		
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	0.9	18,720	1.20	1.4
1,636	1.20	1.1	1,636	1.20	1.5
134,543	0.61	0.7	134,543	0.61	1.1
109,702	0.98	0.7	109,702	0.98	1.1
456,270	1.00	0.1	540,890	1.00	0.6
69,860	1.00	0.1	69,860	1.00	0.6
790,731	0.94	0.3	875,351	0.94	0.8

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### 11. RELATED PARTY TRANSACTIONS AND BALANCES

During the three and six months ended June 30, 2022, the Company accrued interest of \$166,292 and \$402,290 (three and six months ended June 30, 2021 - \$176,357 and \$346,514), respectively, related to the Taiga Loan (Note 9). As at June 30, 2022, the Company owed \$6,672,010 (December 31, 2021 - \$6,308,720) for principal and interest on the Taiga Loan.

During the three and six months ended June 30, 2022, ROTAK Helicopter Services, whose owners are significant shareholders of the Company, charged the Company \$439,775 (three and six months ended June 30, 2021 - \$301,348) for helicopter services relating to the Company's 2022 summer drilling program.

#### Key management compensation

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

Compensation paid to key personnel was as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Management fees	\$ 75,000	\$ 75,077	\$ 150,000	\$ 299,934
Director fees	15,000	15,064	30,000	80,924
Salaries and benefits	196,391	182,786	438,500	506,084
Share-based payments	-	-	-	1,912,435
	<u>\$ 286,391</u>	<u>\$ 272,927</u>	<u>\$ 618,500</u>	<u>\$ 2,799,377</u>

Salaries and benefits and share-based payments related to the Graphite Creek project are capitalized to exploration and evaluation assets. For the three and six months ended June 30, 2022, the total amount capitalized to exploration and evaluation assets were \$64,000 and \$153,000 (three and six months ended June 30, 2021 - \$64,000 and \$200,909), respectively.

Amounts owing to other related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. As at June 30, 2022, the Company owed \$13,062 (December 31, 2021 - \$1,237) to related parties.

### 12. FINANCIAL RISK MANAGEMENT

#### 12.1 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.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **12.1 Financial Risk Management (Cont'd)**

#### **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 cash equivalents and has determined that such risk is minimal. Majority of the Company's cash and cash equivalents are held with a chartered bank in Canada.

#### **b. Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As of June 30, 2022, the Company had a working capital deficit of \$6,421,499 (December 31, 2021 - \$472,129 working capital deficit). The Company will seek to extend the maturity date of the Taiga Loan of \$6,672,010 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 June 30, 2022 and December 31, 2021, the Company had 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 \$2,849,442 in cash and cash equivalents as of June 30, 2022 (December 31, 2021 - \$6,376,049), on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered 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 a significant portion of its cash reserves in Canadian dollars and therefore subject to fluctuations in foreign exchange rates.

As at June 30, 2022, 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 \$338,251 (December 31, 2021 - \$296,928).

### **12.2 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.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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### **13. SUBSEQUENT EVENTS**

Subsequent to June 30, 2022, the Company:

- a) on August 8, 2022, announced a non-brokered private placement of up to 13.5 million units of the Company at a price of CA\$1.15 per Unit for aggregate gross proceeds of up to \$15,525,000 (the "Offering"). Each unit consists of one common share and one common share purchase unit entitling the holder to acquire one common share for a period of 24 months from the first date of closing of the Offering. The warrants include an accelerated provision whereby if the Company's share price closes above CA\$2.00 for 10 consecutive trading days, the Company may elect to accelerate the expiry date of the Warrants by issuing a press release and notice to the warrant holders for the expiry of the warrants that is 45 days from the press release date. Net proceeds from the private placement will be used to complete the pre-feasibility study, summer field program and for general working capital.
- b) received proceeds of \$409,135 (CA\$526,130) on the exercise of 526,130 broker warrants at a price of CA\$1.00 per broker warrant.
- c) on August 2, 2022 announced amendment to the terms on 10,429,981 warrants exercisable at CA\$1.50 per warrant which is subject to Exchange acceptance. The amendment includes extending the expiry date of the warrants from August 12, 2022 to March 12, 2023 and to include an accelerated provision whereby if the Company's share price closes above CA\$1.75 for 20 consecutive trading days, the Company may elect to accelerate the expiry date of the warrants by issuing a press release to the warrant holders to notify the warrants will expire 45 days from the press release date. All other terms of the warrants remain unchanged for the extended exercise period.