GRAPHITE ONE INC.

Consolidated Financial Statements

December 31, 2022

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, 2022 and 2021, 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, 2022 and 2021;
- 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 to 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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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation property *Refer to note 4 – Summary of significant accounting policies, note 5 – Significant judgments in applying accounting policies and note 11 – Exploration and evaluation property to the consolidated financial statements.* The total book value of exploration and evaluation property amounted to $50.1 million as at December 31, 2022. At each reporting period, the management is required to make significant judgments in assessing whether there are any indicators of impairment relating to exploration and evaluation property. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period for which the entity has the right to explore in the specific area has expired during the year or will expire; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs. No impairment indicators were identified by management as at December 31, 2022.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's judgment in assessing the impairment indicators, which included the following: – Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates. – Read the board of directors' minutes and obtained an approved budget for the year ending December 31, 2023 to evidence continued and planned exploration and evaluation expenditure. Assessed whether sufficient data existed to support that extracting the resources will not be technically feasible or commercially viable, and development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs, based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significance of the exploration and evaluation property and the judgments by management in its assessment of indicators of impairment related to exploration and evaluation property, and these have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.	

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 21, 2023

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

	Note		December 31, 2022		December 31, 2021
ASSETS					
Current Assets					
Cash and cash equivalents	7	**$**	**501,704**	$	6,376,049
Receivables	8		**75,241**		19,699
Prepaids and deposits	9		**328,816**		132,329
Total current assets			**905,761**		6,528,077
Property and equipment	10		**1,047,535**		532,604
Exploration and evaluation property	11		**50,133,500**		34,089,017
Intangible assets			**98,444**		-
Total assets		**$**	**52,185,240**	$	41,149,698
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	12	**$**	**4,518,606**	$	604,362
Loans payable	13		**-**		6,308,720
Lease obligations - current portion			**156,536**		87,124
Total current liabilities			**4,675,142**		7,000,206
Lease obligations			**-**		85,911
Total liabilities			**4,675,142**		7,086,117
SHAREHOLDERS' EQUITY					
Share capital	14		**71,490,803**		52,199,470
Reserves			**12,029,896**		12,225,926
Cumulative translation adjustment			**3,469,087**		3,419,339
Deficit			**(39,479,688)**		(33,781,154)
Total shareholders' equity			**47,510,098**		34,063,581
Total liabilities and shareholders' equity		**$**	**52,185,240**	$	41,149,698
Going concern	2				
Subsequent events	18				

Approved by the Board of Directors:

«Anthony Huston»
Director

«Douglas Smith»
Director

GRAPHITE ONE INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars)

	Note	Twelve months ended December 31, 2022	2021
Expenses			
Management fees and salaries	15	**$ 1,894,657**	$ 1,610,684
Marketing, advisory and investor relations		**1,082,233**	319,896
Consulting and advisory fees		**348,159**	310,321
Office and administration		**560,839**	200,418
Professional fees		**109,733**	92,823
Share-based payments		**26,400**	5,081,571
		4,022,021	7,615,713
Other (income) expenses			
Foreign exchange loss		**171,037**	146,679
Loss (gain) on settlement of debt	13	**1,079,139**	(7,888)
Gain on sale of asset		**(8,076)**	-
Interest income		**(47,325)**	(138,247)
Interest expense		**490,238**	704,704
Other income		**(8,500)**	(56,190)
		1,676,513	649,058
Net loss for the year		**5,698,534**	8,264,771
Other comprehensive loss			
Foreign currency translation		**(49,748)**	81,242
Net loss and comprehensive loss for the year		**$ 5,648,786**	$ 8,346,013
Basic and diluted loss per common share		**$ 0.06**	$ 0.12
Weighted average number of common shares outstanding		**93,058,179**	70,368,118

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

	Common Shares			Cumulative Translation		
	Number	Amount $	Reserves $	Adjustment $	Deficit $	Total $
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 exercises	1,185,000	995,009	(614,544)	-	-	380,465
Shares issued on warrant exercises	10,255,616	7,681,665	(1,480,475)	-	-	6,201,190
Shares issued on broker warrant exercises	1,183,843	1,520,613	(920,907)	-	-	599,706
Share issue costs	-	(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	-	-	-
Changes in cumulative translation adjustment	-	-	-	(81,242)	-	(81,242)
Net loss for the year	-	-	-	-	(8,264,771)	(8,264,771)
Balance, December 31, 2021	**85,524,287**	**52,199,470**	**12,225,926**	**3,419,339**	**(33,781,154)**	**34,063,581**

	Common Shares			Cumulative Translation		
	Number	Amount $	Reserves $	Adjustment $	Deficit $	Total $
January 1, 2022	**85,524,287**	**52,199,470**	**12,225,926**	**3,419,339**	**(33,781,154)**	**34,063,581**
Shares issued on private placement	9,322,986	8,225,222	-	-	-	8,225,222
Shares issued on share for debt settlement	9,296,328	7,835,556	-	-	-	7,835,556
Shares issued on option exercises	945,000	374,371	(130,028)	-	-	244,343
Shares issued on warrant exercises	3,777,528	2,663,199	-	-	-	2,663,199
Shares issued on broker warrant exercises	610,750	731,419	(255,578)	-	-	475,841
Share issue costs	-	(375,258)	-	-	-	(375,258)
Share-based payments	-	-	26,400	-	-	26,400
Broker warrants issued on private placement	-	(163,176)	163,176			-
Changes in cumulative translation adjustment	-	-	-	49,748	-	49,748
Net loss for the year	-	-	-	-	(5,698,534)	(5,698,534)
Balance, December 31, 2022	**109,476,879**	**71,490,803**	**12,029,896**	**3,469,087**	**(39,479,688)**	**47,510,098**

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)

	Twelve months ended December 31, 2022	2021
OPERATING ACTIVITIES		
Net loss for the year	**$ (5,698,534)**	$ (8,264,771)
Items not involving cash:		
Share-based payments	**26,400**	5,081,571
Loss on settlement of debt	**1,079,139**	-
Unrealized foreign exchange gain	**24,527**	(37,400)
Depreciation	**6,374**	2,216
Interest on loan payable	**465,411**	686,322
Interest on leases payable	**23,665**	18,783
Gain on forgiveness of loan	**-**	(7,888)
Gain on termination of lease	**(8,076)**	(2,690)
Changes in non-cash working capital items		
Receivables	**(55,542)**	(2,939)
Prepaids and deposits	**(249,375)**	(22,353)
Accounts payable and accrued liabilities	**1,031,364**	(700,989)
Cash used in operating activities	**(3,354,647)**	(3,250,138)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**11,608,604**	24,023,845
Share issue costs	**(375,258)**	(1,408,283)
Loan repayment	**-**	(23,529)
Lease payments	**(153,400)**	(84,500)
Cash provided by financing activities	**11,079,946**	22,507,533
INVESTING ACTIVITIES		
Exploration and evaluation property expenditures	**(12,824,903)**	(12,552,009)
Purchase of intangible assets	**(110,035)**	-
Purchase of equipment	**(677,709)**	(299,425)
Cash used in investing activities	**(13,612,647)**	(12,851,434)
Effect of foreign exchange on cash and cash equivalents	**13,002**	(44,498)
(Decrease) increase in cash and cash equivalents during the year	**(5,874,346)**	6,361,463
Cash and cash equivalents at beginning of year	**6,376,049**	14,586
Cash and cash equivalents at end of year	**$ 501,704**	$ 6,376,049
Supplemental cash flow information:		
Non-cash Investing and financing activities		
Depreciation capitalized to exploration and evaluation property	**283,812**	76,519
Shares issued on settlement of debt	**7,835,556**	-
Changes in accounts payable related to investing activities	**2,882,879**	183,278
	$ 11,002,247	$ 259,797

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 Street Hornby, Vancouver, B.C. V6Z 1S4.

The Company is focused on developing its Graphite One Project is situated on the Seward Peninsula about 55 kilometers (37 miles) north of Nome, Alaska.

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, 2022, the Company had a cash balance of $501,704 (December 31, 2021: $6,376,049), a working capital deficit of $3,769,381 (December 31, 2021: $472,129 working capital deficit), and an accumulated deficit of $39,479,688 (December 31, 2021: $33,781,154). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2022, cash used in operating activities totaled $3,354,647 (December 31, 2021: $3,250,138) and $13,612,647 (December 31, 2021: 12,851,434) were spent on project related expenditures. Subsequent to December 31, 2022, the Company issued 15,914,400 common shares for gross proceeds of $10,327,511 (CA$13,864,329) from the exercise of warrants and broker warrants at an average exercise price of $0.65 (CA$0.87) per share.

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, 2022, the Company completed a non-brokered private placement offering, which together with the exercise of stock options and warrants raised gross proceeds of $11,608,604. Based on projected administrative and project expenditures for 2023, the Company will require additional financings to continue to operate (Note 18). There can be no assurance that the Company will be successful in securing adequate funding through additional financings, which gives rise to material uncertainty 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. 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"), effective as of December 31, 2022.

These consolidated financial statements were approved for issuance by the Board of Directors of the Company on April 21, 2023.

Certain comparative figures have been reclassified to conform to current year's presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Presentation currency

The functional currency of the Company is Canadian Dollars (CA$) and its wholly owned subsidiary is United States dollars (US$). 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.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for those assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period.

c) Basis 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.

d) 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.

e) 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.

f) Exploration and Evaluation Properties

i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed, as incurred.

ii) Exploration and evaluation costs

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

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

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

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

iii) 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, 2022 and 2021, the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

iv) 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.

g) 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.

h) 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.

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.

i) Income Taxes

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

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

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

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

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

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.

j) Share-based Payments

The Company makes share-based awards, including share options and restricted share units ("RSUs") to certain employees, directors and consultants.

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 the Black-Scholes Option Pricing Model to calculate the fair value 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.

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.

For equity-settled RSUs, the fair value is determined based on the quoted market price of the Company's common shares at the date of grant, and the fair value is recognized as a share-base payment expense or exploration and evaluation costs over the vesting period with a corresponding amount recorded in reserves.

k) 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.

l) 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.

m) 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 assets and their contractual cash flow characteristics.

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

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

n) Related party transactions

Parties are related if one party has the ability directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management personnel of the Company. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

5. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these consolidated financial statements for the year ended December 31, 2022, the Company applied the critical estimates, assumptions and judgements as disclosed below:

Critical accounting judgments

Exploration and evaluation property

The Company is required to make significant judgments in assessing whether there are any indicators of impairment relating to exploration and evaluation property. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period for which the entity has the right to explore in the specific area has expired during the year or will expire; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) development or sale 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, 2022.

Leases

Significant judgements made by management in the accounting for leases primarily included whether the lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the right-of-use (“ROU”) asset.

6. CHANGES IN ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted.

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be compiled with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

(Expressed in United States dollars, unless otherwise indicated)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

7. CASH AND CASH EQUIVALENTS

		December 31, 2022		December 31, 2021
Cash	**$**	**494,321**	$	5,374,314
Cash equivalents		**7,383**		1,001,735
	$	**501,704**	$	6,376,049

8. RECEIVABLES

		December 31, 2022		December 31, 2021
GST receivables	**$**	**47,110**	$	19,699
Other receivables		**28,131**		-
	$	**75,241**	$	19,699

9. PREPAIDS AND DEPOSITS

		December 31, 2022		December 31, 2021
Deposits and advances	**$**	**32,044**	$	79,325
Prepaid marketing		**200,000**		-
Prepaid expenses		**96,772**		53,004
	$	**328,816**	$	132,329

(Expressed in United States dollars, unless otherwise indicated)

10. PROPERTY AND EQUIPMENT AND OTHER ASSETS

Property and equipment are comprised of the following:

Cost	Field Equipment $	Computers $	ROU Assets $	Total $
As 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	14,877	220,297	928,909
Additions	660,611	17,098	237,750	915,459
Disposals	(144,369)	(5,441)	(174,657)	(324,467)
Effect on changes in foreign exchange rate	-	(623)	-	(623)
As at December 31, 2022	**1,209,977**	**25,911**	**283,390**	**1,519,278**

Accumulated depreciation	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2020	263,633	2,849	-	266,482
Depreciation	77,545	5,452	46,826	129,823
As at December 31, 2021	341,178	8,301	46,826	396,305
Depreciation	131,607	6,470	140,527	278,604
Disposals	(138,928)	(5,441)	(58,219)	(202,588)
Effect on changes in foreign exchange rate	-	(578)	-	(578)
As at December 31, 2022	**333,857**	**8,752**	**129,134**	**471,743**

Net book value	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2021	352,557	6,576	173,471	532,604
As at December 31, 2022	**876,120**	**17,159**	**154,256**	**1,047,535**

(Expressed in United States dollars, unless otherwise indicated)

11. 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, 2020	**$ 20,646,057**
Land management	128,713
Assays and metallurgy	132,991
Geological consulting	165,789
Drilling and 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	996,645
Pre-feasibility study	8,655,086
Balance, December 31, 2021	**34,089,017**
Land management	215,595
Assays and metallurgy	243,918
Geological consulting	1,330,471
Drilling and fieldwork	10,414,864
Engineering	10,405
Community consultation	164,720
Environmental studies	1,131,862
Capitalized depreciation	283,812
Project management and administration	1,000,191
Pre-feasibility study	1,248,645
Balance, December 31, 2022	**$ 50,133,500**

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 of the 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. The SS Claims only requires an initial deposit and do not require any annual labor obligations or rental payments.

The Company is subject to a production royalty payable to Kougarok LLC of a 5.0% net smelter returns ("NSR") on 4 Federal claims and a 2.5% NSR on 20 Federal claims. The Company has the option to acquire up to 2% of the NSR by making a payment of $2 million for each 1% NSR to Kougarok LLC.

The Company is also subject to a 1% NSR payable on certain mining claims with an option to purchase the NSR for a payment of $500,000.

(Expressed in United States dollars, unless otherwise indicated)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable - Trade	**$ 267,069**	$ 34,822
Accounts payable - Project	**3,293,689**	445,270
Payroll	**764,562**	82,744
Other liabilities	**193,286**	41,526
	$ 4,518,606	$ 604,362

13. 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**
Accrued interest	-	686,322	686,322	-	686,322
Repayment	-	-	-	(23,529)	(23,529)
Gain on forgiveness of loan	-	-	-	(7,888)	(7,888)
Balance, December 31, 2021	**4,956,000**	**1,352,720**	**6,308,720**	**-**	**6,308,720**
Accrued interest	-	466,510	466,510	-	466,510
Repayment in common shares	(4,956,000)	(1,819,230)	(6,775,230)	-	(6,775,230)
Balance, December 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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”). The loan bore 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.

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”). The loan bore an interest rate of 12% per annum, compounded annually and matured 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.

On August 22, 2022, the Company entered into a debt settlement agreement with Taiga to settle the outstanding principal and accrued interest on the Taiga Loan 1 and Taiga Loan 2 in the amount of $6,775,230 subject to approval by the TSXV. On September 19, 2022, the Company completed the debt settlement agreement by issuing to Taiga 9,296,328 common shares of the Company at a price of CA$1.12 per share and recognized a $1,079,139 loss on settlement of the debt.

13. LOANS PAYABLE (Cont'd)

In May 2020 the Company applied for and received approval for a $31,417 (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 $31,417 (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 settlement of debt.

14. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Shares Issued

The following share transactions occurred during the year ended December 31, 2022:

On August 30, 2022, the Company closed the first tranche of a non-brokered private placement (the "Private Placement") of 8,762,071 units at a price of CA$1.15 per unit for gross proceeds of CA$10,076,382. Each unit consists of one common share and one transferable, common share purchase warrant entitling the holder to purchase one common share of the Company at a price of CA$1.50 per share for 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a price of CA$2.00 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 warrants.

The Company paid finder's fees and other share issuance costs of CA$426,178 and issued 316,758 transferrable broker warrants, each warrant entitling the holder to acquire one common share of the Company at a price of $1.50 per warrant.

On September 19, 2022, the Company issued 9,296,328 common shares to Taiga Mining Company, Inc. at a price of CA$1.12 pursuant to a debt settlement agreement (Note 13).

b) Shares Issued (Cont'd)

On November 22, 2022, the Company closed the second tranche of the Private Placement of 560,915 units at a price of CA$1.15 per unit for gross proceeds of CA$645,052. Each unit consists of one common share and one transferable, common share purchase warrant entitling the holder to purchase one common share of the Company at a price of CA$1.50 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 price of CA$2.00 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 warrants.

The Company paid finder's fees and other share issuance costs of CA$65,079 and issued 39,264 transferrable broker warrants, each warrant entitling the holder to acquire one common share of the Company at a price of $1.50 per warrant.

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

On February 23, 2021, the Company completed a private placement of 16,000,000 units at a price of CA$0.50 per unit for gross proceeds of CA$8,000,000. Each unit consists of one common share and one transferable, common share purchase warrant ("2021-1 Warrant"). Each 2021-1 Warrant entitles the holder to purchase one common share of the Company at a price of CA$0.61 per share during the 2 years from the date of issuance. The 2021-1 Warrants include an accelerated exercise clause whereby, in the event the common shares trade at a price 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 purchase one 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 of 2,564,104 units at a price of CA$0.78 per unit for gross proceeds of CA$2,000,000. Each unit consists of one common share and one transferable common share purchase warrant ("2021-2 Warrant") entitling the holder to purchase one common share of the Company at a price of CA$0.98 per share during the 2 years from the date of issuance. The 2021-2 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.

b) Shares Issued (Cont'd)

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 a 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.

On August 12, 2021, the Company completed the first tranche of a brokered private placement ("2021-3 Financing") of 7,727,000 units at a price of CA$1.00 per unit for gross proceeds of CA$7,727,000. Each unit consists of one common share and one share purchase warrant ("2021-3 Warrant") entitling the holder to purchase 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 2021-3 Financing.

The Company has paid a finder's fee of CA$540,890 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 units at a price of CA$1.00 for gross proceeds of CA$2,501,581.

On September 24, 2021, the Company completed the second tranche of the 2021-3 Financing of 998,000 units for gross proceeds of CA$998,000. Each unit consist of one common share and one common share purchase warrant ("2021-4 Warrants") entitling the holder to purchase 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 second tranche of the 2021-3 Financing. Gross proceeds raised from the first and second tranche of the 2021-3 Financing and the Taiga investment totaled CA$11,226,581.

On August 2, 2022, the Company received TSXV Exchange approval to extend the expiry date of the 2021-3 Warrants and 2021-4 Warrants to May 12, 2023 and added a new acceleration provision whereby if the Company's share price closes above CA$1.75 for 20 consecutive trading days, the Company can elect to accelerate the expiry date of the warrants by issuing a press release to notify the warrant holders the warrants will expire 45 days from the press release date. All other terms of the 2021-3 and 2021-4 Warrants remain unchanged for the extended exercise period.

c) Share-based compensation

Stock Options

Pursuant to the Company's stock option 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.

(Expressed in United States dollars, unless otherwise indicated)

Stock Options (Cont'd)

The following table summarizes activity 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 and forfeited	(15,000)		1.00
Balance, December 31, 2021	**8,352,429**		**0.93**
Granted	1,463,157		1.08
Exercised	(945,000)		0.35
Expired and forfeited	(910,000)		0.88
Balance, December 31, 2022	**7,960,586**	**$**	**1.03**

On December 27, 2022, the Company granted 1,463,157 options to directors, officers, and consultants with an exercise price of CA$1.08 per share, expiring 5 years from the date of grant and vest one third on the first, second and third anniversary from date of grant.

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.

During the year ended December 31, 2022, the Company recognized share-based payment expense of $26,400 (year ended December 31, 2021: $5,081,571) and $Nil (year ended December 31, 2021: $996,645) was capitalized to exploration and evaluation property.

(Expressed in United States dollars, unless otherwise indicated)

Stock Options (Cont'd)

The fair value of the share options granted in the years ended December 31, 2022 and 2021 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2022	December 31, 2021
Exercise price (CA$)	$1.08	$1.02 - $1.39
Share price	$1.08	$1.28 - $1.74
Risk-free interest rate	3.07%	$0.64% - 0.93%
Expected life	5 years	5 years
Expected stock price volatility	93.20%	134.0% - 136.0%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per option (CA$)	$0.78	$1.34 - $1.54

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, 2022				As at December 31, 2021			
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)
-	-	-	-	30,000	30,000	0.60	1.0
-	-	-	-	505,000	505,000	0.30	1.0
-	-	-	-	100,000	100,000	0.30	1.4
1,100,000	1,100,000	0.30	1.4	1,700,000	1,700,000	0.30	2.4
455,000	455,000	0.35	2.5	525,000	525,000	0.35	3.5
2,005,000	2,005,000	1.02	3.2	2,105,000	2,105,000	1.02	4.2
2,937,429	2,937,429	1.39	4.0	3,387,429	3,387,429	1.39	5.0
1,463,157	-	1.08	5.0	-	-	-	-
7,960,586	6,497,429	$ 1.03	3.5	8,352,429	8,352,429	$ 0.93	3.8

Omnibus Incentive Plan

Security-based awards under the Omnibus Incentive Plan (the "Omnibus Plan") consist of deferred share units, restricted share and restricted share units and performance share units for directors, officers, employees and consultants. The maximum number of security-based awards to be granted under the Omnibus Plan is 6,520,000 and any adjustments are subject to approval by the TSXV and the shareholders of the Company.

(Expressed in United States dollars, unless otherwise indicated)

Omnibus Incentive Plan (Cont'd)

On December 27, 2022, the Company granted 3,769,266 restricted share units ("RSUs) to officers and directors as follow:

	Grant Date	Security Based Award	Number of Awards	Vesting Date
Directors	December 27, 2022	RSU	1,131,323	December 27, 2023
Officers	December 27, 2022	RSU	2,637,943	Note 1
			3,769,266	

[1] Vests one-third or 879,981 RSUs on the first, second and third anniversary of grant date

The fair value of the restricted share units was $3,092,381 (CA$4,206,566) which will be amortized over the vesting period.

d) Warrants

The following table summarizes the activity 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
Issued	9,322,986	1.50
Exercised	(3,777,528)	1.13
Expired	(71,498)	1.00
Balance, December 31, 2022	36,012,071	$ 1.20

(Expressed in United States dollars, unless otherwise indicated)

d) Warrants (Cont'd)

Warrants outstanding:

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	0.6
-	-	-		127,943	1.00	0.9
2,329,238	1.20	0.4		2,779,237	1.20	1.4
2,819,030	1.20	0.6		2,819,031	1.20	1.6
9,498,400	0.61	0.1		11,545,861	0.61	1.1
1,612,436	0.98	0.1		1,967,959	0.98	1.1
9,431,981	1.50	0.4	(1)	10,228,581	1.50	0.6
998,000	1.50	0.4	(1)	998,000	1.50	0.6
8,762,071	1.50	1.7		-	-	-
560,915	1.50	1.9		-	-	-
36,012,071	1.20	0.7		30,538,111	1.07	1.0

(1) The expiry date of the warrants was extended to May 12, 2023

e) Broker Warrants

The following table summarizes the activity 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**
Issued	356,022		1.50
Exercised	(610,750)		1.00
Balance, December 31, 2022	**620,623**	**$**	**1.21**

During the year ended December 31, 2022, the Company issued 356,022 broker warrants pursuant to a non-brokered private placement exercisable at CA$1.50 per warrant (Note 14 (b)) and 610,750 brokered warrants were exercised for gross proceeds of CA$610,750.

(Expressed in United States dollars, unless otherwise indicated)

e) Broker Warrants (Cont'd)

During the year ended December 31, 2021, the Company issued 2,036,474 broker warrants pursuant to equity financings (Note 14 (b)) 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, 2022 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions.

	December 31, 2022	December 31, 2021
Exercise price (CA$)	$1.50	$0.61 - $1.00
Share price (CA$)	$1.26 - $1.29	$1.28 - $1.56
Risk-free interest rate	3.59% - 3.92%	0.41% - 0.64%
Expected life	2 years	1 - 2 years
Expected stock price volatility	85.63% - 93.01%	117.0% - 133.0%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per broker warrant (CA$)	$0.54 - $0.60	$0.50 - $0.99

Broker warrants outstanding:

As at December 31, 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	0.4	18,720	1.20	1.4
1,636	1.20	0.5	1,636	1.20	1.5
134,543	0.61	0.1	134,543	0.61	1.1
109,702	0.98	0.1	109,702	0.98	1.1
-	1.00	-	540,890	1.00	0.6
-	1.00	-	69,860	1.00	0.6
316,758	1.50	1.7	-	-	-
39,264	1.50	1.9	-	-	-
620,623	1.21	1.0	875,351	0.94	0.8

(Expressed in United States dollars, unless otherwise indicated)

15. 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 director and management services to the Company.
Rockford Resources LLC	Rockford is a private company controlled by Patrick Smith, a director of the Company which provides Patrick Smith's services as a director to the Company.
SSP Partners LLC	SSP Partners LLC is a private company controlled by Scott Packman, a director of the Company which provides Scott Packman's services as a director to the Company.
Taiga Mining Company, Inc.	Taiga is a private company that owns more than 20% of the common shares of Graphite One, the owners are Jerry Birch and Kevin Greenfield.
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.

a) Related party transactions

	Management and Director Fees		Project Services	
For the years ended December 31,	**2022**	**2021**	**2022**	**2021**
Huston & Huston Holding Corp.	$ 617,755	$ 624,718	$ -	$ -
Rockford Resources LLC	30,000	75,636	-	-
0897877 B.C. Ltd.	-	74,965	-	-
SSP Partners LLC	16,401	-	-	-
ROTAK LLC	-	-	447,496	919,076
	$ 664,156	**$ 775,319**	**$ 447,496**	**$ 919,076**

On August 22, 2022, the Company entered into a Debt Settlement Agreement with Taiga Mining Company, Inc. ("Taiga") to settle the outstanding loan of $6,775,230 by issuing to Taiga 9,296,328 common shares of the Company at a price of CA$1.12 per share. The Company recognized a loss on the debt settlement of $1,079,139. The Company had accrued $466,510 (year ended December 31, 2021: $686,322) of interest on the Taiga loan during 2022 and had accumulated total interest of $1,819,230 prior to the debt settlement.

Subsequent to December 31, 2022, Taiga exercised 3,798,602 common share purchase warrants at an average exercise price of $1.05 (CA$1.40) for gross proceeds of $3,973,055 (CA$5,308,797) (Note 18(a)).

(Expressed in United States dollars, unless otherwise indicated)

a) Related party transactions (Cont'd)

On August 29, 2022, Taiga subscribed for 2,258,957 units of the Company's non-brokered private placement at a price of CA$1.15 per unit for gross proceeds of CA$2,597,801. Each unit consists of one common share and one 2-year common share purchase warrant exercisable at CA$1.50 per warrant (Note 14(b)).

On December 29, 2022, Taiga exercised 450,000 common share purchase warrants at an exercise price of CA$1.20 for gross proceeds of CA$540,000.

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, 2022, the Company owed $25,000 (December 31, 2021 - $1,237) to related parties.

b) 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, Executive Chair, Chief Financial Officer, Vice-President, Mining and directors. Compensation paid to key personnel, which include the fees referenced in the above related party transactions table is as follows:

	Twelve months ended December 31, **2022**	2021
Management fees	**$ 617,755**	$ 624,720
Director fees	**91,401**	150,601
Salaries and benefits	**1,488,198**	1,091,030
Share-based payments	**24,346**	4,916,876
	$ 2,221,701	$ 6,783,227

16. 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.

16. FINANCIAL RISK MANAGEMENT (Cont'd)

b) Liquidity risk (Note 2)

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2022, the Company had a working capital deficit of $3,769,381 (December 31, 2021 - $472,129 working capital deficit). Subsequent to December 31, 2022, the Company received proceeds of $10,327,511 (CA$13,864,329) from the exercise of 15,914,400 warrants. The Company will need to complete additional equity offerings and to pursue government grants to fund the ongoing operations and Graphite Creek project. There can be no assurance that the Company can obtain additional financing on terms acceptable to the Company or at all. As at December 31, 2022, 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 $501,704 in cash and cash equivalents at December 31, 2022, 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.

During 2021, the Company entered into dual currency swap contracts to provide for a better interest rate yield in exchange for 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 which will result 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.

The Company did not enter into any dual currency swap contracts during the year ended December 31, 2022.

At December 31, 2022, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures at December 31, 2022, 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 $18,002 (December 31, 2021: $296,928).

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)

17. 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 2022**	December 31 2021
Loss before income taxes	**$ 5,698,534**	$ 8,264,771
Statutory rate	**27%**	27%
Expected tax recovery	**1,538,604**	2,231,488
Effect of tax rate changes and tax rates in foreign jurisdictions	**(4,595)**	(80,594)
Non-deductible expenses	**(11,322)**	(1,380,625)
Tax benefits not recognised	**(2,000,659)**	(837,227)
Share issue costs	**180,137**	83,744
Foreign exchange and other	**297,835**	(16,786)
Income tax recovery (expense)	**$ -**	$ -

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

Year ended	**December 31 2022**	December 31 2021
Mineral properties	**$ 126,700**	$ 151,525
Equipment	**3,427**	18,107
Non-capital losses carried forward	**7,286,772**	5,992,552
Capital loss carried forward	**231,747**	97,546
Share issuance costs	**539,747**	304,713
Unrecognized deferred tax asset	**$ 8,188,393**	$ 6,564,443

As at December 31, 2022, the Company had tax loss carry forwards available:

Canada	$ 20,972,650 (expire between 2026 and 2042)
United States	$ 7,734,079 (expire between 2030 and 2042)

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.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company:

a) received proceeds of $10,327,511 (CA$13,864,329) from the exercised of 15,914,400 warrants at an average price of $0.65 (CA$0.87) per warrant.

b) granted 1,517,743 stock options and 2,719,101 restricted share units ("RSUs") to its employees, officers and directors which were approved by the Board of Directors on January 19, 2023. The stock options vest one-third on the first, second and third anniversary from grant date and are exercisable into common shares at a price of $1.00 per share, expiring on January 19, 2028.

   The 2,719,101 RSUs were granted at a price of $1.00 per RSU of which 1,319,101 RSUs vest quarterly starting from January 19, 2024 and 1,400,000 RSUs vest one-third on the first, second and third anniversary from grant date.