

GRAPHITE ONE INC.

Condensed Interim Consolidated Financial Statements

**March 31, 2023
(Unaudited)**

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

| | Note | | March 31, 2023 | December 31, 2022 |
|---|------|----|-------------------|----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 6 | \$ | 1,193,313 | \$ 501,704 |
| Receivables | 7 | | 79,467 | 75,241 |
| Prepays and deposits | 8 | | 623,454 | 328,816 |
| Total current assets | | | 1,896,234 | 905,761 |
| Property and equipment | 9 | | 953,986 | 1,047,535 |
| Exploration and evaluation property | 10 | | 51,016,720 | 50,133,500 |
| Intangible assets | | | 94,637 | 98,444 |
| Total assets | | \$ | 53,961,577 | \$ 52,185,240 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | 11 | \$ | 1,114,432 | \$ 4,518,606 |
| Lease obligations - current portion | | | 116,207 | 156,536 |
| Total current liabilities | | | 1,230,639 | 4,675,142 |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 12 | | 77,990,452 | 71,490,803 |
| Reserves | | | 12,793,686 | 12,029,896 |
| Cumulative translation adjustment | | | 3,462,471 | 3,469,087 |
| Deficit | | | (41,515,671) | (39,479,688) |
| Total shareholders' equity | | | 52,730,938 | 47,510,098 |
| Total liabilities and shareholders' equity | | \$ | 53,961,577 | \$ 52,185,240 |

Going concern 2

Approved by the Board of Directors:

«Anthony Huston»
Director

«Douglas Smith»
Director

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

GRAPHITE ONE INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***(Unaudited - Expressed in United States dollars, except for shares)*

| | Note | Three months ended March 31, | |
|---|------|---------------------------------|-------------------|
| | | 2023 | 2022 |
| Expenses | | | |
| Management fees and salaries and benefits | 13 | \$ 325,643 | \$ 261,232 |
| Marketing and investor relations | | 716,114 | 195,896 |
| Consulting and advisory fees | | 79,769 | 89,725 |
| Office and administration | | 107,714 | 91,676 |
| Professional fees | | 32,113 | 12,270 |
| Share-based payments | | 764,487 | - |
| | | 2,025,840 | 650,799 |
| Other (income) expenses | | | |
| Foreign exchange loss (gain) | | 5,866 | (33,339) |
| Interest income | | (18) | (39,778) |
| Interest expense | | 4,295 | 201,064 |
| | | 10,143 | 127,947 |
| Net loss for the period | | 2,035,983 | 778,746 |
| Other comprehensive loss | | | |
| Foreign currency translation | | (5,182) | (28,569) |
| Net loss and comprehensive loss for the period | | \$ 2,030,801 | \$ 750,177 |
| Basic and diluted loss per common share | | \$ 0.02 | \$ 0.01 |
| Weighted average number of common shares outstanding | | 116,042,514 | 70,368,118 |

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

GRAPHITE ONE INC.**Condensed Interim Consolidated Statements of Shareholders' Equity***(Unaudited - Expressed in United States dollars, except for shares)*

| | Common Shares | | Reserves | Cumulative | Deficit | Total |
|--|--------------------|-------------------|-------------------|------------------|---------------------|-------------------|
| | Number | Amount | | Translation | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, January 1, 2023 | 109,476,879 | 71,490,803 | 12,029,896 | 3,469,087 | (39,479,688) | 47,510,098 |
| Shares issued on warrant exercises | 11,841,553 | 6,186,565 | - | - | - | 6,186,565 |
| Shares issued on broker warrant exercises | 244,245 | 313,084 | (172,135) | - | - | 140,949 |
| Share-based payments | - | - | 935,925 | - | - | 935,925 |
| Changes in cumulative translation adjustment | - | - | - | (6,616) | - | (6,616) |
| Net loss for the period | - | - | - | - | (2,035,983) | (2,035,983) |
| Balance, March 31, 2023 | 121,562,677 | 77,990,452 | 12,793,686 | 3,462,471 | (41,515,671) | 52,730,938 |

| | Common Shares | | Reserves | Cumulative | Deficit | Total |
|--|-------------------|-------------------|-------------------|------------------|---------------------|-------------------|
| | Number | Amount | | Translation | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, January 1, 2021 | 85,524,287 | 52,199,470 | 12,225,926 | 3,419,339 | (33,781,154) | 34,063,581 |
| Shares issued on warrant exercises | 586,882 | 523,162 | - | - | - | 523,162 |
| Changes in cumulative translation adjustment | - | - | - | (28,569) | - | (28,569) |
| Net loss for the period | - | - | - | - | (778,746) | (778,746) |
| Balance, March 31, 2022 | 86,111,169 | 52,722,632 | 12,225,926 | 3,390,770 | (34,559,900) | 33,779,428 |

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

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

| | Three months ended March 31, | |
|---|---------------------------------|---------------------|
| | 2023 | 2022 |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (2,035,983) | \$ (778,746) |
| Items not involving cash: | | |
| Share-based payments | 764,487 | - |
| Unrealized foreign exchange (gain) loss | (4,060) | 26,484 |
| Depreciation | 4,630 | 492 |
| Interest on loan payable | - | 196,080 |
| Interest on leases payable | 4,295 | 4,984 |
| Changes in non-cash working capital items | | |
| Receivables | (4,226) | 7,234 |
| Prepays and deposits | (74,839) | (79,609) |
| Accounts payable and accrued liabilities | (284,604) | (45,330) |
| Cash used in operating activities | (1,630,300) | (668,411) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of common shares | 6,327,514 | 523,162 |
| Lease payments | (44,625) | (25,800) |
| Cash provided by financing activities | 6,282,889 | 497,362 |
| INVESTING ACTIVITIES | | |
| Exploration and evaluation property expenditures | (3,951,828) | (1,023,529) |
| Purchase of equipment | (6,841) | (111,843) |
| Cash used in investing activities | (3,958,669) | (1,135,372) |
| Effect of foreign exchange on cash and cash equivalents | (2,311) | (25,566) |
| Increase (decrease) in cash and cash equivalents during the period | 691,609 | (1,331,987) |
| Cash and cash equivalents at beginning of period | 501,704 | 6,376,049 |
| Cash and cash equivalents at end of period | \$ 1,193,313 | \$ 5,044,062 |
| Supplemental cash flow information: | | |
| Non-cash Investing and financing activities | | |
| Depreciation capitalized to exploration and evaluation property | \$ 99,568 | \$ 22,979 |
| Share-based payments capitalized to exploration and evaluation property | 73,908 | - |
| Changes in accounts payable related to investing activities | 3,022,285 | 121,715 |
| | \$ 3,195,761 | \$ 144,694 |

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

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

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 condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue 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 March 31, 2023, the Company had a cash and cash equivalents of \$1,193,313 (December 31, 2022: \$501,704), working capital of \$665,595 (December 31, 2022: \$3,769,381 working capital deficit), and an accumulated deficit of \$41,503,873 (December 31, 2022: \$39,479,688). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three months ended March 31, 2023, cash used in operating activities was \$1,630,300 (March 31, 2022: \$668,411) and \$3,958,669 (March 31, 2022: 1,135,372) were spent on project related expenditures of which \$3,022,285 were the settlement of accrued but unpaid 2022 project expenditures. Subsequent to March 31, 2023, the Company issued 4,245,602 common shares for gross proceeds of \$4,384,632 (CA\$5,912,697) from the exercise of warrants at an average exercise price of \$1.03 (CA\$1.39) 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. Based on projected administrative and project expenditures for the next twelve months, the Company will require additional financings to continue to operate. 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 condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

3. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to interim financial reports, including International Accounting Standard 34 (Interim Financial Reporting). These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022. The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2022.

These unaudited condensed interim consolidated financial statements were approved for issuance by the Board of Directors of the Company on May 10, 2023.

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 unaudited condensed interim 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 unaudited condensed interim 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ACCOUNTING POLICIES

Critical accounting estimates and judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 5 of the Company’s consolidated financial statements for the year ended December 31, 2022.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

5. 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 complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

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.

6. CASH AND CASH EQUIVALENTS

| | March 31, 2023 | December 31, 2022 |
|------------------|---------------------------|----------------------|
| Cash | \$ 1,185,930 | \$ 494,321 |
| Cash equivalents | 7,383 | 7,383 |
| | \$ 1,193,313 | \$ 501,704 |

7. RECEIVABLES

| | March 31, 2023 | December 31, 2022 |
|-------------------|---------------------------|----------------------|
| GST receivables | \$ 60,935 | \$ 47,110 |
| Other receivables | 18,532 | 28,131 |
| | \$ 79,467 | \$ 75,241 |

8. PREPAIDS AND DEPOSITS

| | March 31, 2023 | December 31, 2022 |
|-----------------------|---------------------------|----------------------|
| Deposits and advances | \$ 251,843 | \$ 32,044 |
| Prepaid marketing | 200,000 | 200,000 |
| Prepaid expenses | 171,611 | 96,772 |
| | \$ 623,454 | \$ 328,816 |

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

9. 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, 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 |
| Additions | 6,840 | - | - | 6,840 |
| As at March 31, 2023 | 1,216,817 | 25,911 | 283,390 | 1,526,118 |

| Accumulated depreciation | Field Equipment \$ | Computers \$ | ROU Assets \$ | Total \$ |
|--|-----------------------|-----------------|------------------|----------------|
| 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 |
| Depreciation | 57,736 | 2,477 | 40,176 | 100,389 |
| As at March 31, 2023 | 391,593 | 11,229 | 169,310 | 572,132 |

| Net book value | Field Equipment \$ | Computers \$ | ROU Assets \$ | Total \$ |
|-----------------------------|-----------------------|-----------------|------------------|----------------|
| As at December 31, 2022 | 876,120 | 17,159 | 154,256 | 1,047,535 |
| As at March 31, 2023 | 825,224 | 14,682 | 114,080 | 953,986 |

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

10. 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, 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 |
| Technical assessments | - |
| Community consultation and meetings | 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 |
| Assays and metallurgy | 17,354 |
| Geological consulting | 53,045 |
| Site Preparation and field work | 98,316 |
| Community consultation and meetings | 13,239 |
| Environmental studies | 38,802 |
| Capitalized depreciation | 99,568 |
| Capitalized share-based payments | 73,908 |
| Project management and administration | 224,104 |
| Feasibility study | 252,809 |
| Other costs | 12,075 |
| Balance, March 31, 2023 | \$ 51,016,720 |

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 require 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.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2023 | December 31, 2022 |
|----------------------------|---------------------|----------------------|
| Accounts payable - Trade | \$ 202,464 | \$ 267,069 |
| Accounts payable - Project | 271,404 | 3,293,689 |
| Payroll | 640,564 | 764,562 |
| Other liabilities | - | 193,286 |
| | \$ 1,114,432 | \$ 4,518,606 |

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Shares Issued

The following share transactions occurred during the three months ended March 31, 2023:

The Company issued 11,841,553 common shares in connection with the exercise of warrants at an average exercise price of \$0.52 (CA\$0.70) per share.

The Company issued 244,245 common shares in connection with the exercise of broker warrants at an average exercise price of \$0.58 (CA\$0.78) per share.

c) Share-based compensation

The following table summarizes the amount of share-based compensation recognized during the three months ended March 31, 2023 and 2022:

| | Three months ended March 31, 2023 | | | Three months ended March 31, 2022 | | |
|------------------------|--------------------------------------|-------------------|-------------------|--------------------------------------|-------------|-------------|
| | Capitalized | Expensed | Total | Capitalized | Expensed | Total |
| Stock options | \$ 41,488 | \$ 185,772 | \$ 227,260 | \$ - | \$ - | \$ - |
| Restricted share units | 32,420 | 578,715 | 611,135 | - | - | - |
| | \$ 73,908 | \$ 764,487 | \$ 838,395 | \$ - | \$ - | \$ - |

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.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

Stock Options (Cont'd)

The following table summarizes activity related to stock options:

| | Number of Options | Weighted Average Exercise Price (CA\$) |
|-----------------------------------|----------------------|--|
| 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 |
| Granted | 1,517,743 | 1.00 |
| Balance, March 31, 2023 | 9,478,329 | 1.03 |

On January 19, 2023, the Company granted 1,517,743 stock options to its employees and officers with an exercise price of CA\$1.00 per share, expiring 5 years from the date of grant. The stock options vest one third each year on the first, second and third anniversary from date of grant.

The fair values of the stock options granted during the three months ended March 31, 2023 and for the year ended December 31, 2022 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

| | March 31, 2023 | December 31, 2022 |
|---------------------------------|-------------------|----------------------|
| Exercise price (CA\$) | \$1.00 | 1.08 |
| Share price | \$1.08 | 1.08 |
| Risk-free interest rate | 2.80% | 3.07% |
| Expected life | 5 years | 5 years |
| Expected stock price volatility | 92.72% | 93.2 |
| Dividend payments | Nil | Nil |
| Expected forfeiture rate | Nil | Nil |
| Fair value per option (CA\$) | \$0.79 | 0.78 |

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.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

Stock Options (Cont'd)

Stock options outstanding:

| As at March 31, 2023 | | | | As at December 31, 2022 | | | |
|-------------------------------|--------------------------|--|---|-------------------------------|--------------------------|--|---|
| 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) |
| 1,100,000 | 1,100,000 | 0.30 | 1.1 | 1,100,000 | 1,100,000 | 0.30 | 1.4 |
| 455,000 | 455,000 | 0.35 | 2.2 | 455,000 | 455,000 | 0.35 | 2.5 |
| 2,005,000 | 2,005,000 | 1.02 | 2.9 | 2,005,000 | 2,005,000 | 1.02 | 3.1 |
| 2,937,429 | 2,937,429 | 1.39 | 3.7 | 2,937,429 | 2,937,429 | 1.39 | 4.0 |
| 1,463,157 | - | 1.08 | 4.7 | 1,463,157 | - | 1.08 | 5.0 |
| 1,517,743 | - | 1.00 | 4.8 | - | - | - | - |
| <u>9,478,329</u> | <u>6,497,429</u> | <u>1.03</u> | <u>3.5</u> | <u>7,960,586</u> | <u>6,497,429</u> | <u>1.03</u> | <u>3.5</u> |

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.

The following table summarizes the issued and outstanding restricted share units:

| | Grant Date | Security Based Award | Number of Awards | Vesting Date |
|-----------|-------------------|----------------------|------------------|-------------------|
| Directors | January 19, 2023 | RSU | 1,319,101 | Note 1 |
| Officers | January 19, 2023 | RSU | 1,400,000 | Note 2 |
| Directors | December 27, 2022 | RSU | 1,131,323 | December 27, 2023 |
| Officers | December 27, 2022 | RSU | 2,637,943 | Note 3 |
| | | | <u>6,488,367</u> | |

¹ One-quarter or 329,775 RSUs vest on January 19, 2024 and 329,775 RSUs on each of April 6, 2024, July 6, 2024, and October 6, 2024.

² One-quarter or 350,000 RSUs vest on the first and second anniversary and 700,000 RSUs on the third anniversary of grant date.

³ One-third or 879,981 RSUs vest on the first, second and third anniversary of grant date

On January 19, 2023, the Company granted 2,719,101 restricted share units to its officers and directors at a price of \$0.80 (CA\$1.08). The fair value of the restricted share units granted on January 19, 2023 was \$2,179,802 (CA\$2,936,629) which will be amortized over the vesting period of between one year and three years.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

d) Warrants

The following table summarizes the activity related to Warrants:

| | Number of Warrants | Weighted Average Exercise Price (CA\$) |
|----------------------------|-----------------------|---|
| Balance, December 31, 2021 | 30,538,111 | \$ 1.07 |
| Issued | 9,322,986 | 1.50 |
| Exercised | (3,777,528) | 1.50 |
| Expired | (71,498) | 1.00 |
| Balance, December 31, 2022 | 36,012,071 | 1.20 |
| Exercised | (11,841,553) | 0.70 |
| Expired | (1,282) | 1.00 |
| Balance, March 31, 2023 | 24,169,236 | \$ 1.44 |

Subsequent to March 31, 2023, the Company issued 4,245,602 common shares for proceeds of \$4,384,632 (CA\$5,912,697) from the exercise of warrants at an average exercise price of \$1.03 (CA\$1.39) (Note 13 (a)).

Warrants outstanding:

| As at March 31, 2023 | | | As at December 31, 2022 | | |
|--------------------------------------|--|--|--------------------------------------|--|--|
| 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 |
| 1,859,238 | 1.20 | 0.2 | 2,329,238 | 1.20 | 0.4 |
| 2,819,030 | 1.20 | 0.3 | 2,819,030 | 1.20 | 0.6 |
| - | - | - | 9,498,400 | 0.61 | 0.1 |
| - | - | - | 1,612,436 | 0.98 | 0.1 |
| 9,431,981 | 1.50 | 0.1 ⁽¹⁾ | 9,431,981 | 1.50 | 0.4 ⁽¹⁾ |
| 998,000 | 1.50 | 0.1 ⁽¹⁾ | 998,000 | 1.50 | 0.4 ⁽¹⁾ |
| 8,500,072 | 1.50 | 1.4 | 8,762,071 | 1.50 | 1.7 |
| 560,915 | 1.50 | 1.6 | 560,915 | 1.50 | 1.9 |
| 24,169,236 | 1.44 | 0.6 | 36,012,071 | 1.20 | 0.7 |

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

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

(Unaudited – All amounts are expressed in US dollars, except for shares and per share amounts)

e) Broker Warrants

The following table summarizes the activity related to Broker Warrants:

| | Number of Warrants | Weighted Average Exercise Price (CA\$) |
|-----------------------------------|-----------------------|---|
| Balance, December 31, 2021 | 875,351 | \$ 1.20 |
| Issued | 356,022 | 0.76 |
| Exercised | (610,750) | 0.64 |
| Balance, December 31, 2022 | 620,623 | 1.07 |
| Exercised | (244,245) | 0.78 |
| Balance, March 31, 2023 | 376,378 | \$ 1.48 |

No brokers warrants were issued during the three months ended March 31, 2023. 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:

| | March 31, 2023 | December 31, 2022 |
|--------------------------------------|-------------------|----------------------|
| Exercise price (CA\$) | - | \$1.50 |
| Share price (CA\$) | - | \$1.26 - \$1.29 |
| Risk-free interest rate | - | 3.59% - 3.92% |
| Expected life | - | 2 years |
| Expected stock price volatility | - | 85.63% - 93.01% |
| Dividend payments | - | Nil |
| Expected forfeiture rate | - | Nil |
| Fair value per broker warrant (CA\$) | - | \$0.54 - \$0.60 |

Broker warrants outstanding:

| As at March 31, 2023 | | | As at December 31, 2022 | | |
|--------------------------------------|--|--|--------------------------------------|--|--|
| 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 | 0.2 | 18,720 | 1.20 | 0.4 |
| 1,636 | 1.20 | 0.3 | 1,636 | 1.20 | 0.5 |
| - | 0.61 | - | 134,543 | 0.61 | 0.1 |
| - | 0.98 | - | 109,702 | 0.98 | 0.1 |
| 316,758 | 1.50 | 1.4 | 316,758 | 1.50 | 1.7 |
| 39,264 | 1.50 | 1.6 | 39,264 | 1.50 | 1.9 |
| 376,378 | 1.48 | 1.4 | 620,623 | 0.94 | 1.0 |

GRAPHITE ONE INC.

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13. 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

| For the three months ended March 31, | Management and Director Fees | |
|---|-------------------------------------|------------------|
| | 2023 | 2022 |
| Huston & Huston Holding Corp. | \$ 112,500 | \$ 75,000 |
| Rockford Resources LLC | 7,500 | 7,500 |
| 0897877 B.C. Ltd. | - | 7,500 |
| SSP Partners LLC | 7,500 | - |
| | \$ 127,500 | \$ 90,000 |

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 March 31, 2023, there were no amounts owed (December 31, 2022 - \$25,000) to related parties.

Subsequent to March 31, 2023, 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).

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13. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

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:

| | Three months ended March 31 | |
|-----------------------|--------------------------------|-------------------|
| | 2023 | 2022 |
| Management fees | \$ 112,500 | \$ 75,000 |
| Director fees | 30,000 | 15,000 |
| Salaries and benefits | 213,000 | 242,109 |
| Share-based payments | 736,023 | - |
| | <u>\$ 1,091,523</u> | <u>\$ 332,109</u> |

14. 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.

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 March 31, 2023, the Company had working capital of \$665,595 (December 31, 2022 - \$3,769,381 working capital deficit). Subsequent to March 31, 2023, the Company received proceeds of \$4,384,632 (CA\$5,912,697) from the exercise of 4,245,602 warrants at an average exercise price of \$1.03 (CA\$1.39). 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.

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.

GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2023 and 2022

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14. FINANCIAL RISK MANAGEMENT (Cont'd)

c) Interest rate risk (Cont'd)

The Company had \$1,193,313 in cash and cash equivalents at March 31, 2023 (December 31, 2022: \$501,704), 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.

At March 31, 2023, the Company has certain monetary items denominated in Canadian dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian Dollar against the United States dollar would result in an increase or decrease the Company's net loss by \$28,554 (December 31, 2022: \$18,002).

Fair Values

The carrying values of cash and cash equivalents, 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.