GRAPHITE ONE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2023

As of August 20, 2023

Graphite One

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The Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for Graphite One Inc. (the "Company" or "Graphite One") (TSXV: GPH and OTCQX: GPHOF) should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023, and the related notes thereto. These financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. For further information on the Company, reference should be made to its public filings on SEDAR+ at www.sedarplus.ca.

This MD&A is prepared by management and approved by the Board of Directors as of August 20, 2023. The information and discussion provided in this MD&A is for the three and six months ended June 30, 2023, and where applicable, the subsequent period up to the date of this MD&A. All dollar amounts in this MD&A are expressed in United States dollars. Reference to "$" in this MD&A is the US dollar and reference to "CA$" is the Canadian dollar.

Cautionary Statement on Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this MD&A. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information.

It is important to note that:

- unless otherwise indicated, forward-looking information in this MD&A describes the Company's expectations as of the date of this MD&A;
- readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other facts affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by applicable law.

Investors are urged to read the Company's filings with the Canadian securities regulatory agencies which unless specifically incorporated herein are not part of this MD&A; these filings can be viewed online at www.sedarplus.ca.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Mining Risks" and "Business Risks."

Nature of Operations

The Company is focused on developing its Graphite One Project (the "Project"), aimed at making the Company the dominant American producer of battery anode materials integrated with a graphite resource. The Project is envisioned as a vertically integrated enterprise to mine, process, and manufacture anode materials for the electric vehicle lithium-ion battery market. Management's current plan is for graphite to be mined from the Company's Graphite Creek Property (the "Proposed Mine"), situated on the Seward Peninsula about fifty-five (55) kilometers (37 miles) north of Nome, Alaska, to be processed into concentrate at a mineral processing plant located adjacent to the mine. The resulting graphite concentrate would be shipped to the second link in the Company's proposed supply chain solution: a manufacturing plant where anode materials and other value-added graphite products would be manufactured. With the Company's commitment to locate the manufacturing plant in the U.S., the Company would provide a 100% U.S.-based advanced graphite materials supply chain. On October 14, 2022, the Company filed a Preliminary Feasibility Study ("PFS") for the Project on SEDAR+ and began work on a feasibility study. The Company was awarded a $37.5 million Department of Defense ("DoD") Technology Investment Agreement grant (the "Grant") to accelerate the completion of the feasibility study on the Proposed Mine, which is expected to be in the fourth quarter of 2024 at which time a production decision will be made.

Highlights

- On July 30, 2023, the Company entered into a marketing services agreement with Northern Venture Group Inc. to provide marketing services to enhance visibility with the institutional and retail investment community. The Company terminated its previously existing marketing services agreements with TD Media and Outside the Box Capital.

- On July 19, 2023, the Company entered into an unsecured loan agreement of up to $5.0 million with Taiga Mining Company, Inc. ("Taiga") which matures in one-year and the interest on the Loan will accrue on the outstanding balance at a rate of twelve percent (12%) per annum.

- On July 17, 2023, Graphite One (Alaska) Inc. ("G1 Alaska"), the Company's wholly owned subsidiary was awarded the Grant of $37.5 million under Title III of the Defense Production Act ("DPA"), funded through the Inflation Reduction Act.

- On June 21, 2023, the Company closed the buy back of a 1% net smelter production royalty (the "Sheardown NSR") from Ronald C. Sheardown ("Sheardown") by issuing to Sheardown 456,500 common shares of the Company for total consideration of $450,163.

- On June 19, 2023, the Company entered into a teaming agreement with Vorbeck Materials Corp. ("Vorbeck") of Jessup, Maryland to develop new graphite and graphene applications for both the commercial and defense sectors.

- On April 26, 2023, the Company received from Sunrise (Guizhou) New Energy Material Co. Ltd. ("Sunrise") certain active anode material samples produced from Graphite One's Project.

- On April 3, 2023, the Company appointed Kevin Torpy as Vice President, Operations of G1 Alaska and promoted Andrew Tan as Vice-President, Advance Graphite Materials of the Company.

On July 19, 2023, the Company and G1 Alaska entered into an unsecured loan agreement (the "Loan") for up to $5.0 million with Taiga, which matures one year from the date of the first draw down. The interest on the Loan will accrue on the outstanding balance at a rate of twelve percent (12%) per annum. As consideration for the Loan being accessible to the Company, G1 Alaska granted Taiga an option to purchase a net smelter returns royalty (the "Taiga NSR") in increments of 0.25% for every $1.25 million advanced up to a maximum of one precent (1.0%) on the 133 Alaska state claims owned or leased by G1 Alaska. The option may be exercised at any time prior to the maturity date and, if exercised, the outstanding balance of the Loan and any accrued interest will be deemed to be the consideration paid for the purchase of the Taiga NSR. The full amount of the Loan has been drawn. The proceeds will be used for the feasibility study on the Proposed Mine.

On July 17, 2023, G1 Alaska was awarded a grant of $37.5 million under the DoD Technology Investment Agreement (the "Agreement") under Title III of the DPA, funded through the Inflation Reduction Act. The funding objective pursuant to the Agreement is to perform an accelerated Feasibility Study to modernize and expand domestic production capacity and a domestic supply chain for graphite battery anodes for electric vehicles and alternative energy batteries. The total amount covered under the Agreement is approximately $75.0 million of which the DoD's share is $37.5 million and G1 Alaska's share is $37.5 million. The term of the Agreement ends on November 30, 2024 and, if funds then are available for drawdown from the grant, the Company may request an extension to the term end date.

On June 21, 2023, the Company reached a definitive agreement to buy back the 1% Sheardown NSR, which Sheardown acquired as part of the June 11, 2015 sale of mining claims to the Company. The buy back cancels the Sheardown NSR which was attached to 133 Alaska state claims owned or leased by the G1 Alaska. In consideration for the purchase and cancellation of the Sheardown NSR, the Company issued 456,500 common shares of the Company at a price of $0.99 (CA$1.30) per share.

Following the purchase and the cancellation of the Sheardown NSR, two NSRs remain outstanding on the Graphite Creek Property: a 5% and a 2.5% NSR on certain Alaska state claims, of which 2% of each NSR can be purchased for a total of $4.0 million, leaving a 3.0% and a 0.5% NSR on their respective claims and the Taiga option to acquire a one percent (1%) NSR on 133 Alaska state claims owned or leased by the Company.

On April 26, 2023, the Company received from Sunrise active anode material samples produced from Graphite One's Alaska graphite. The sample materials and the sample specification data have been provided to the U.S. Department of Energy's Pacific Northwest National Laboratory for additional testing. Sample material has also been sent to a leading EV manufacturer for evaluation. Sunrise produced two different anode material samples from the Company's graphite concentrate - coated spherical natural graphite and secondary particle natural graphite. A third fast-charging artificial graphite anode material sample was also produced for evaluation by the North American EV battery companies.

The natural graphite was purified using the advanced fluorine-free purification process as proposed by Graphite One in its PFS. All three samples were produced in Sunrise's commercial scale anode material manufacturing plant. The specific capacity of the first natural graphite sample was 366.4 mAh/g and the second sample was 364.9 mAh/g – both exceeding 98% and within 2% of graphite's theoretical maximum of 372 mAh/g. The ratio of graphite concentrate input to spherical graphite output was optimized in the spheroidization process, achieving utilization rates greater than the 75% targets assumed in the PFS.

Graphite Creek Project

The 2023 Drilling Program will continue to delineate the scope and size of the resource, as the Graphite Creek deposit remains open to the West, East, and down dip. The budget for the 2023 field program is for up to $37 million, which may be adjusted based on funding availability.

<u>Preparation for the 2023 Field Program</u>

Heavy equipment was delivered to the site by winter trail in March and has been used to build drill trails for the project. With the establishment of these drill trails, the program is able to reduce its reliance on helicopters by maximizing the number of drill holes completed using skid mounted rigs instead of flown rigs. Not only does this reduce helicopter costs, but it also provides additional productivity during marginal weather days when helicopters are unable to fly.

The summer drilling program commenced in early June 2023 with the opening of the two camps in Nome and Graphite Creek, hiring of seasonal workers, setting up radio and internet communication at the sites, construction of drill trails, and building the drill pads. Currently, there are forty-eight (48) people at the camps. Drilling started on June 25, 2023, and a total of 2,185 meters of drilling have been completed to date. A third drill commenced on August 5, 2023 and the Company is currently working with a contractor to staff a fourth drill in August.

The following table summarizes the Project expenditures for the six months ended June 30, 2023:

Site Preparation, drilling and camp operations	$ 2,571,323
Assays and metallurgy	68,072
Geological consulting	145,464
Community consultation and meetings	80,175
Environmental studies	417,085
Capitalized depreciation	216,473
Capitalized share-based payments	190,040
Project management and administration	564,459
Graphite Creek expenditures	**4,253,091**
Acquisition of NSR royalty	450,163
Secondary treatment plant project costs	413,613
Other costs	12,076
Total Graphite Creek and other capitalized expenditures	$ 5,128,943

For the six months ended June 30, 2023, a total of $4,253,091 has been spent on the Project, including $406,513 of non-cash depreciation and share-based payments charged to the project. In addition, the Company bought back the 1% Sheardown NSR on certain mining claims for $450,163 by issuing to Sheardown 456,500 common shares of the Company at a price of $0.99 (CA$1.30) per share. A total of $413,613 was also spent on secondary treatment plant start up costs primarily on project salaries, legal fees incurred to prepare various agreements, and costs to prepare active anode material samples for additional laboratory testing and sent to electric vehicle manufacturers for evaluation.

In the third quarter of 2023, the Company expects to submit under the terms of the Grant for reimbursement approximately $1.86 million, representing 50% of DoD's share of the feasibility study expenditures for the four months ended June 30, 2023.

Overall Performance and Results of Operations

The Company has generated no operating revenue to date. The Company relies on equity financings as well as the issuance of debt to finance Project expenditures and to provide general operating working capital. Most of the Company's expenditures relate to the acquisition and exploration of its exploration and evaluation property is reflected in the Company's consolidated financial statements as exploration and evaluation property.

Selected Financial Information

	June 30, 2023	December 31, 2022
Current assets ($)	$ 3,801,279	$ 905,761
Exploration and evaluation property ($)	55,262,443	50,133,500
Total assets ($)	61,529,417	52,185,240
Current liabilities ($)	2,587,811	4,675,142
Net loss ($) for the six months ended June 30, 2023 and full year December 31, 2022	4,239,262	5,698,534
Basic and diluted loss per share ($)	0.04	0.06
Weight average number of common shares outstanding	120,664,315	93,058,179
Exploration and evaluation expenditures ($)	$ 5,128,943	$ 12,824,903

Results of Operations

The net loss for the three months ended June 30, 2023 was $2,203,279, an increase of $1,191,526 compared to a net loss of $1,011,753 for the same period in 2022. The increase in the net loss was due primarily to higher marketing costs, legal fees and share-based payments, which was partially offset by lower interest expense.

The net loss for the six months ended June 30, 2023 was $4,239,262, an increase of $2,448,763 compared to a net loss of $1,790,499 for the same period in 2022. The increase in the net loss was due to higher marketing and investor relations and share-based payment expenses and was partially offset by foreign exchange gains and lower interest expense. The decrease in interest expense was due to the settlement of the two outstanding loans to Taiga in September 2022 through a shares for debt settlement transaction.

Operating Expenses

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Net Increase	2023	2022	Net Increase
Expenses						
Management fees and salaries	$ 281,807	$ 257,582	$ 24,225	$ 607,450	$ 518,814	$ 88,636
Marketing and investor relations	677,268	217,999	459,269	1,393,382	414,693	978,689
Consulting and advisory fees	115,945	89,725	26,220	195,714	178,652	17,062
Office and administration	182,935	124,069	58,866	290,649	215,745	74,904
Professional fees	117,194	34,261	82,933	149,307	46,531	102,776
Share-based payments	849,388	-	849,388	1,613,875	-	1,613,875
	$ 2,224,537	$ 723,636	$ 1,500,901	$ 4,250,377	$ 1,374,435	$ 2,875,942

Management fees and salaries

Management fees and salaries for the three months ended June 30, 2023 increased $24,225 to $281,807 compared to $257,582 for the same period in 2022. The increase was due primarily to costs associated with the implementation of a new compensation program and increased director fees.

Management fees and salaries for the six months ended June 30, 2023 increased $88,636 to $607,450 compared to $518,814 for the same period in 2022. The increase was due primarily to costs associated with the implementation of a new compensation program, increased director fees, and higher salaries.

Marketing and investor relations

Marketing and investor relations for the three months ended June 30, 2023 increased $459,269 to $677,268 compared to $217,999 for the same period in 2022. The increase was due primarily to three months of digital marketing campaigns compared to one month of digital marketing campaigns for the same period in 2022. Digital marketing campaign spending totaled $623,625 for the quarter compared to $199,444 spent in the same period in 2022. The increased spending in digital marketing was part of the Company's ongoing marketing strategy to raise the profile of the Company and its Project to the investment community. News dissemination costs also increased marginally due to an increased number of disseminated press releases compared to the same period in 2022.

Marketing and investor relations for the six months ended June 30, 2023 increased $978,689 to $1,393,382 compared to $414,693 for the same period in 2022. The increase was due to six months of digital marketing campaigns compared to one month of digital marketing campaigns for the same period in 2022.

Office and administration

Office and administration for the three months ended June 30, 2023 increased $58,866 to $182,935 compared to $124,069 for the same period in 2022. The increase was due primarily to higher directors and officers liability insurance, increased travel, and ERP maintenance and support costs relating to an ERP implementation in the third quarter of 2022.

Office and administration for the six months ended June 30, 2023 increased $74,904 to $290,649 compared to $215,745 for the same period in 2022. The increase was due primarily to higher directors and officers liability insurance, increased travel, annual general meeting, and ERP maintenance and support costs.

Professional fees

Professional fees for the three months ended June 30, 2023 increased $82,933 to $117,194 compared to $34,261 for the same period in 2022. The increase was due primarily to higher legal fees on general corporate matters and to a lesser extent, increased accounting fees related to the review of quarterly financial statements, which commenced in the first quarter of 2023.

Professional fees for the six months ended June 30, 2023 increased $102,776 to $149,307 compared to $46,531 for the same period in 2022. The increase in professional fees was primarily due to higher legal fees and to a lesser extent, increased accounting fees, as explained above.

Share-based payments

Share-based payments for the three months ended June 30, 2023 were $849,388 compared to $Nil for the same period in 2022. The increase was due to the Company recognizing the amortization of the fair value of 2022 and 2023 equity-based awards granted to employees, officers, directors and advisors. The equity-based awards for calendar year 2022 were not granted until December 27, 2022 resulting in no share-based payments for the first three quarters of 2022.

Share based payments for the six months ended June 30, 2023 were $1,613,875 compared to $Nil for the same period in 2022. The increase was due to the same reason as explained above.

Summary of Quarterly Results

The following table is a summary of quarterly results for the Company for the eight most recently completed quarters:

Quarter ended	June 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022
Net loss ($)	2,203,279	2,035,983	1,765,431	2,142,604
Basic and diluted loss per share ($)	0.02	0.02	0.02	0.02

Quarter ended	June 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021
Net loss ($)	1,011,753	778,746	4,170,094	721,009
Basic and diluted loss per share ($)	0.01	0.01	0.05	0.01

The net loss for the second quarter of 2023 increased $167,296 to $2,203,279 compared to a $2,035,983 net loss for the first quarter of 2023. The increase in the net loss quarter-over-quarter was due primarily to higher digital marketing expenses, legal fees and share-based payments. The Company expects digital marketing expenses to decrease for the remainder of the year.

The net loss for the first quarter increased $270,552 to $2,035,983 compared to a net loss of $1,765,431 for the fourth quarter of 2022 due primarily to a $738,087 increase in share-based payments as the Company recognized the vesting of both the annual equity-based awards for calendar year 2022 which were granted on December 27, 2022, and the grant of 2023 equity-based awards.

The net loss for the fourth quarter of 2022 decreased $2,404,663 to $1,765,431 compared to a net loss of $4,170,094 for the same quarter in 2021. The decrease was due primarily to the adoption of a new compensation program where the equity awards granted on December 27, 2022 have a vesting period of either one-year or three-year compared to the equity awards granted in 2021 which have immediate vesting. The change in the vesting of equity awards resulted in a $3,085,633 decrease in share-based payments which was partially offset by higher management fees and salaries and higher marketing and investor relations expense.

The net loss for the third quarter of 2022 increased $1,421,595 to $2,142,604 compared to a net loss of $721,009 for the same quarter in 2021. The increase was due primarily to the Company recognizing a $1,281,628 loss on the settlement of debt arising from the difference between the fair value of 9,296,328 shares over the carrying value of the Taiga loans at the date of settlement and higher marketing costs.

Liquidity, Capital Resources and Going Concern

The Company's condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for at least twelve months from June 30, 2023.

As at June 30, 2023, the Company had cash and cash equivalents of $3,215,914 (December 31, 2022 - $501,704), and a working capital of $1,213,468 (December 31, 2022 – working capital deficit of $3,769,381). The increase in cash and cash equivalents and working was due to $13,209,919 of proceeds received from the exercise of common share purchase warrants and broker warrants, and partially offset by $7,804,727 spent on the Project, including $1,450,000 of deposits and advances for the summer drilling program and $1,770,780 decrease in Project related working capital items, and $2,614,127 of cash used in operating activities.

The Company has incurred losses since inception and has not generated any cash inflows from the operations. Cash used in operating activities for the six months ended June 30, 2023 increased $1,114,831 to $2,614,127 from $1,499,296 for the same period in 2022. The increase in cash used in operating activities was due primarily to $860,373 of increased spending on marketing and investor relations and higher corporate expenses. The Company expects marketing and investor relations expenses to decrease in subsequent quarters.

During the six months ended June 30, 2023, the Company issued 19,014,908 common shares for proceeds of $13,209,919 (CA$17,741,587) in connection with the exercise of common share purchase warrants and broker warrants at an average exercise price of $0.69 (CA$0.93) per warrant. In addition, the Company issued 456,500 common shares at a price of $0.98 (CA$1.30) for total consideration of $450,163 (CA$593,450) in connection with the buyback of the Sheardown NSR.

On July 19, 2023, the Company and G1 Alaska entered into a Loan of up to $5.0 million with Taiga, which matures one year from the date of the first draw down. The interest on the Loan will accrue on the outstanding balance at a rate of twelve percent (12%) per annum. As consideration for the Loan being accessible to the Company, G1 Alaska granted Taiga an option to purchase the Taiga NSR in increments of 0.25% for every $1.25 million advanced up to a maximum of one percent (1.0%). The option may be exercised at any time prior to the maturity date and, if exercised, the outstanding balance of the Loan and accrued interest will be deemed to be the consideration paid for the purchase of the Taiga NSR. The full amount of the Loan has been drawn.

On July 17, 2023, G1 Alaska was awarded the Grant of $37.5 million under Title III of the DPA, funded through the Inflation Reduction Act. The funding objective pursuant to the Agreement is to perform an accelerated Feasibility Study to modernize and expand domestic production capacity and a domestic supply chain for graphite battery anodes for electric vehicles and alternative energy batteries. The total amount covered under the Agreement is approximately $75.0 million of which the DoD's share is $37.5 million and G1 Alaska's share is $37.5 million. The expenditures are subject to audit by the DoD. The Company expects to draw down approximately $1.9 million from the Grant, representing DoD's share of feasibility study expenditures covering the four (4) month period ending June 30, 2023. The Company expects to submit statements to the DoD for reimbursement of their share of the feasibility study expenditures.

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, which vest one-third on the first, second and third anniversaries from grant date and expires in 5 years. The Company also granted 2,719,101 restricted shares units of which 1,319,101 restricted share units were granted to its directors and one-quarter of the restricted share units will vest one-year from grant date and one quarter of the restricted share units will vest on each of the following dates – April 6, 2024, July 6, 2024 and October 6, 2024. The remaining 1,400,000 restricted share units were granted to its officers and one-third of the restricted share units will vest on the first, second and third anniversaries from grant date.

Going Concern

As at June 30, 2023, the Company had a cash and cash equivalents of $3,215,914 (December 31, 2022: $501,704), working capital of $1,213,468 (December 31, 2022: $3,769,381 working capital deficit), and an accumulated deficit of $43,718,950 (December 31, 2022: $39,479,688). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the six months ended June 30, 2023, cash used in operating activities was $2,614,127 (2022: $1,499,296) and $7,804,727 (2022: $3,432,582) was spent on Project related expenditures of which $1,667,898 were for the settlement of accrued but unpaid 2022 Project expenditures and $1,770,780 of Project deposits and advances in preparation for the 2023 drilling program. Subsequent to June 30, 2023, the Company was awarded the Grant of $37.5 million to fund 50% of the estimated cost to complete its Graphite Creek feasibility study and has entered into an unsecured, $5.0 million loan agreement with Taiga, a related party, which is due in one-year. If, and when, Taiga elects to exercise the option prior to the maturity date to acquire the Taiga NSR, the $5.0 million principal amount of the loan and any accrued interest to date will be the deemed to be consideration paid for the purchase of the Taiga NSR.

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. The 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.

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 mining company that owns more than 20% of the common shares of Graphite One, the owners are Jerry Birch and Kevin Greenfield.

Related party transactions

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Huston & Huston Holding Corp.	**$ 112,500**	$ 75,000	**$ 225,000**	$ 150,000
Rockford Resources LLC	**7,500**	7,500	**15,000**	15,000
0897877 B.C. Ltd.	**-**	-	**-**	15,000
SSP Partners LLC	**7,500**	-	**15,000**	-
	$ 127,500	$ 82,500	**$ 255,000**	$ 180,000

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. At June 30, 2023, no amounts were owed (December 31, 2022 - $25,000) to related parties.

During the six months ended June 30, 2023 Taiga exercised 6,059,230 warrants at an average exercise price of $0.99 (CA$1.32) for gross proceeds of $5,977,635 (CA$8,021,550).

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, three (3) Vice-Presidents and the directors. Compensation paid to key personnel, which includes the fees referenced in the above related party transactions table is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Management fees	**$ 112,500**	$ 75,000	**$ 225,000**	$ 150,000
Director fees	**30,000**	15,000	**60,000**	30,000
Salaries and benefits	**415,833**	196,391	**628,833**	438,500
Share-based payments	**1,015,357**	-	**1,751,380**	-
	$ 1,573,690	$ 286,391	**$ 2,665,213**	$ 618,500

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.

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 and receivables.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and receivable from the US Government and has determined that such risk is minimal. The majority of the Company's cash is held with a chartered bank in Canada.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2023, the Company had working capital of $1,213,468 (December 31, 2022 - $3,769,381 working capital deficit). Subsequent to June 30, 2023, the Company was awarded the $37.5 million Grant to accelerate the completion of its Graphite Creek feasibility study and has entered into an unsecured, $5.0 million loan agreement with Taiga, a related party, which matures on July 24, 2024. The Company will submit for reimbursements for DoD's share of the feasibility study expenditures. The Grant and proceeds from any debt or equity financings will be used to fund the ongoing operations and the Graphite Creek project. There can be no assurance that the Company can obtain additional financing on terms acceptable to the Company or at all.

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 has $3,215,914 in cash and cash equivalents at June 30, 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.

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 June 30, 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 $9,198 (December 31, 2022: $18,002).

Fair Values

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

Critical Accounting Estimates and Judgments in Applying 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 with the addition of:

Grant Reimbursement

The Company exercises judgement and make certain assumptions on whether certain feasibility study expenditures may qualify for reimbursement under the DoD's Technology Investment Agreement Grant, which will impact the carrying value of the exploration and evaluation asset.

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.

<u>Presentation of Financial Statements (Amendment to IAS 1)</u>
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 are 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.

Outlook

The Company's primary focus is to complete the feasibility study on the Graphite One Project which includes the Proposed Mine and primary processing facilities on the Seward Peninsula in Alaska and the secondary treatment plant ("STP") is expected to be located in Washington State. The Company's goal is to become a vertically integrated producer of premium anode materials and other advanced graphite products by creating an integrated American domestic supply chain. The ability of the Company to achieve this is contingent upon its ongoing ability to raise the risk capital necessary to advance its plans.

The Company continues discussions with several entities to secure a site for the STP.

Negotiations are ongoing to finalize the terms of definitive agreements with:

- Sunrise (Guizhou) New Energy Material Co. Ltd., on technology licensing, consulting and supply agreements to share expertise and technology for the design, construction of the STP; and
- Lab 4 Inc. on a technology licensing agreement involving the design, construction, and operation of a battery materials recycling facility.

The Company is planning to complete a debt or equity financing in the third quarter of 2023 to fund its share of the 2023 summer drilling program which is expected to end in October 2023. The objective of the drilling program is to delineate the scope and size of the resource, as the Graphite Creek deposit remains open to the West, East, and down dip.

Risk Factors

The operations of the Company are speculative due to the high-risk nature of its business, which is the exploration of its mining properties. The following are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Mining Risks

The Company is subject to risks typical in the mining business including uncertainty of success in exploration and development; unusual and unexpected geological formations, possible flooding and other conditions involved in drilling and removal of material, mitigation of possible environmental impacts, and the occurrence of other unexpected hazards. Risks also include the possibility that intended drilling schedules or estimated costs will not be achieved and unexpected fluctuations in the price of materials, supplies and currency exchange rates. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Mineral Processing Risks

The Company is subject to the risks typical in the mineral processing business including uncertainty that intended schedules, timelines, process performance criteria or estimated capital and operating costs will be achieved. There are risks beyond the Company's control, including: currency exchange rates; inflation; levels of interest rates; costs and availability of skilled workers, materials and supplies; global or regional political, economic and banking crises; and transportation and distribution disruptions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Uninsurable Risks

Mining processing operations involve a high degree of risk. Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, seismic activity, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, and political and social instability, any of which could result in damage to, or destruction of life or property, environmental damage and possible legal liability. Although the Company believes that appropriate precautions to mitigate these risks are being taken, operations are subject to hazards such as equipment failure or failure of structures, which may result in environmental pollution and consequent liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the Company's future profitability and result in increasing costs and a decline in the value of the Common Shares. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or be excluded from coverage. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, thereby adversely affecting the Company's business and financial condition.

Business Risks

Natural resources exploration, project development, processing, and transportation; and, product development, processing, production, and marketing all involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, market, financial and regulatory risks.

- Operational risks include finding and developing reserves economically; processing minerals competitively into successful products; product deliverability uncertainties; changing governmental law and regulation; hiring and retaining skilled employees and contractors; and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks; however, the Company is not fully insured against all risks nor are all such risks insurable.

- Operational risks also include the timing and successful completion of the Feasibility Study, permitting, construction and start-up.

- Market risks include the demand and prices for graphite and graphite products not achieving expectations and disruptions in transportation and distribution. These and other factors are beyond the Company's control, including levels of inflation and interest rates, the demand for commodities, global or regional political, economic, and banking crises and production rates in competitive producing regions.

- Financial risks include the timely availability of capital and changes in commodity prices, interest rates, inflation, wages and salaries, taxation, and foreign exchange rates, all of which are beyond the Company's control.
- Regulatory risks include delays in regulatory approvals for developments and transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings, and

the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.

- Supply chain risk includes the sourcing of graphite concentrate in the open market as feed stock for the secondary treatment plant ("STP") while the Company completes the construction of the Graphite Creek Mine to produce graphite concentrate for the STP.
- Supply chain risk also includes a risk the STP does not produce the quantity and/or quality of the graphite products in the time anticipated.

Negative Operating Cash Flow and Dependence on Third Party Financing

The Company has no source of operating cash flow and there can be no assurance that the Company will ever achieve profitability. Accordingly, the Company is dependent on third party financings to continue exploration activities on the Company's properties, maintain capacity and satisfy contractual obligations. Accordingly, the amount and timing of expenditures depends on the Company's cash reserves and access to third party financings. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Graphite Creek Project or require the Company to sell one or more of its properties (or an interest therein).

Uncertainty of Additional Financing

As stated above, the Company is dependent on third party financings, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining the required financing in the future or that such financing will be available on terms acceptable to the Company. The Company's access to third party financing depends on a number of factors including the price of graphite, the results of ongoing exploration, the results of the Feasibility Study and any other economic or other analysis, a claim against the Company, a significant event disrupting the Company's business or graphite industry generally, or other factors may make it difficult or impossible to obtain financing through debt, equity, or other means on favorable terms, or at all. As previously stated, failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Graphite Creek Project or require the Company to sell one or more of its properties (or an interest therein).

Reliance upon Key Management and Other Personnel

The Company relies on specialized skills of management in the areas of mineral exploration, geology and business negotiations and management. The loss of any of these individuals could have an adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of its key employees. In addition, as the Company's business activity continues to grow, it will require additional key financial, administrative, and qualified technical personnel. Although the Company believes that it will be successful in attracting, retaining, and training qualified personnel, there can be no assurance of such success. If it is not successful in attracting, retaining, and training qualified personnel, the efficiency of the Company's business could be affected, which could have an adverse impact on its future cash flows, earnings, results of operation and financial condition.

Imprecision of Preliminary Feasibility Study and Mineral Resource Estimates

The results of the preliminary feasibility study and the mineral resource figures are estimates, and such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that its mineral resource estimate is well established and reflects management's best estimates, by their nature, mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may prove unreliable. Should the Company encounter mineralization or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted.

These are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Outstanding Share Data

The following table summarizes the Company's outstanding share capital as at August 17, 2023:

Common shares issued and outstanding	129,048,287
Restriced share units	6,488,367
Stock options outstanding (weighted average exercise price CA$1.03)	9,478,329
Warrants outstanding (weighted average exercise price CA$1.50)	9,152,987
Broker warrants outstanding (weighted average exercise price CA$1.50)	356,022
Fully diluted	**154,523,992**

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedarplus.ca and on the Company's website at www.graphiteoneinc.com.