

**GRAPHITE ONE INC.**

**Condensed Interim Consolidated Financial Statements**

**September 30, 2023**  
**(Unaudited)**

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

	Note	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	\$ 2,458,285	\$ 501,704
Receivables	7	5,634,265	75,241
Prepays and deposits	8	157,184	328,816
<b>Total current assets</b>		<b>8,249,734</b>	<b>905,761</b>
Property and equipment	9	905,348	1,047,535
Exploration and evaluation property	10	61,051,134	50,133,500
Non-current advances and deposits		188,144	-
Intangible assets		70,653	98,444
<b>Total assets</b>		<b>70,465,013</b>	<b>\$ 52,185,240</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 5,050,672	\$ 4,518,606
Loan payable	12	5,111,781	-
Lease obligations		106,806	156,536
<b>Total liabilities</b>		<b>10,269,259</b>	<b>4,675,142</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	87,400,110	71,490,803
Reserves		14,909,034	12,029,896
Cumulative translation adjustment		3,498,107	3,469,087
Deficit		(45,611,497)	(39,479,688)
<b>Total shareholders' equity</b>		<b>60,195,754</b>	<b>47,510,098</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 70,465,013</b>	<b>\$ 52,185,240</b>
Going concern	2		

Approved by the Board of Directors:

«Anthony Huston»

Director

«Douglas Smith»

Director

**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 September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Expenses</b>					
Management fees and salaries and benefits	14	\$ 303,784	\$ 278,587	\$ 911,234	\$ 797,401
Marketing and investor relations		124,489	60,298	1,517,871	474,991
Consulting and advisory fees		106,430	69,484	302,144	248,135
Office and administration		118,495	117,483	409,144	333,228
Professional fees		137,040	21,374	286,347	67,904
Share-based payments		974,698	114,826	2,588,573	114,826
		<b>1,764,936</b>	662,051	<b>6,015,313</b>	2,036,485
<b>Other (income) expenses</b>					
Foreign exchange loss (gain)		12,501	88,540	(5,953)	185,625
Loss on settlement of debt		-	1,281,628	-	1,281,628
Gain on sale of asset		-	-	-	(8,076)
Interest income		(81)	(7)	(112)	(47,315)
Interest expense		115,192	110,393	122,561	484,756
		<b>127,612</b>	1,480,553	<b>116,496</b>	1,896,618
Net loss for the period		<b>1,892,548</b>	2,142,604	<b>6,131,809</b>	3,933,103
<b>Other comprehensive loss</b>					
Foreign currency translation		(9,972)	(35,461)	(29,020)	(34,882)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ 1,882,576</b>	<b>\$ 2,107,143</b>	<b>\$ 6,102,789</b>	<b>\$ 3,898,221</b>
Basic and diluted loss per common share		\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.04
Weighted average number of common shares outstanding		129,767,678	97,499,701	123,729,114	88,251,561

*The accompanying notes are an integral part of these condensed interim 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 Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, January 1, 2023</b>	<b>109,476,879</b>	<b>71,490,803</b>	<b>12,029,896</b>	<b>3,469,087</b>	<b>(39,479,688)</b>	<b>47,510,098</b>
Shares issued on warrant exercises	18,851,943	13,124,401	-	-	-	13,124,401
Shares issued pursuant to private placement - Note 13(b)	2,802,690	2,008,592	-	-	-	2,008,592
Shares issued on broker warrant exercises	262,965	329,702	(172,139)	-	-	157,563
Shares issued on buy back of NSR royalty	456,500	446,612	-	-	-	446,612
Share-based payments	-	-	3,051,277	-	-	3,051,277
Changes in cumulative translation adjustment	-	-	-	29,020	-	29,020
Net loss for the period	-	-	-	-	(6,131,809)	(6,131,809)
<b>Balance, September 30, 2023</b>	<b>131,850,977</b>	<b>87,400,110</b>	<b>14,909,034</b>	<b>3,498,107</b>	<b>(45,611,497)</b>	<b>60,195,754</b>

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, January 1, 2022</b>	<b>85,524,287</b>	<b>52,199,470</b>	<b>12,225,926</b>	<b>3,419,339</b>	<b>(33,781,154)</b>	<b>34,063,581</b>
Shares issued on private placement	8,762,071	7,745,700	-	-	-	7,745,700
Shares issued on warrant exercises	1,755,702	1,481,625	-	-	-	1,481,625
Shares issued on broker warrant exercises	610,750	731,420	(255,579)	-	-	475,841
Shares issued on debt settlement	9,296,328	8,046,611	-	-	-	8,046,611
Share issue costs	-	(466,895)	138,431	-	-	(328,464)
Changes in cumulative translation adjustment	-	-	-	34,882	-	34,882
Net loss for the period	-	-	-	-	(3,933,103)	(3,933,103)
<b>Balance, September 30, 2022</b>	<b>105,949,138</b>	<b>69,737,931</b>	<b>12,108,778</b>	<b>3,454,221</b>	<b>(37,714,257)</b>	<b>47,586,673</b>

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

# GRAPHITE ONE INC.

## Condensed Interim Consolidated Statements of Cash Flow

(Unaudited - Expressed in United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (1,892,548)	\$ (2,142,604)	\$ (6,131,809)	\$ (3,933,103)
Items not involving cash:				
Share-based payments	974,699	114,826	2,588,573	114,826
Loss on settlement of debt	-	1,281,628	-	1,281,628
Unrealized foreign exchange loss (gain)	24,651	(68,869)	22,131	10,938
Depreciation	4,313	1,883	12,781	2,863
Interest on loan payable	111,781	103,050	111,781	465,411
Interest on leases payable	3,411	7,343	10,780	18,184
Gain on disposal of asset	-	-	-	(8,076)
<b>Changes in non-cash working capital items</b>				
Receivables	(17,650)	(6,366)	10,480	(14,598)
Prepays and deposits	28,246	(230,387)	139,588	(294,587)
Accounts payable and accrued liabilities	(7,739)	107,794	(149,268)	25,517
Cash used in operating activities	(770,836)	(831,702)	(3,384,963)	(2,330,997)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	2,080,637	8,187,787	15,290,556	9,703,166
Proceeds from loan	5,000,000	-	5,000,000	-
Share issue costs	-	(328,465)	-	(328,465)
Lease payments	(49,824)	(44,625)	(137,374)	(108,775)
Cash provided by financing activities	7,030,813	7,814,697	20,153,182	9,265,926
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation property expenditures	(10,345,322)	(8,152,984)	(18,056,267)	(11,355,284)
Grant proceeds	3,338,101	-	3,338,101	-
Purchase of equipment	(3,219)	(551,402)	(97,001)	(781,684)
Cash used in investing activities	(7,010,441)	(8,704,386)	(14,815,168)	(12,136,968)
Effect of foreign exchange on cash and cash equivalents	(7,164)	60,754	3,531	14,796
Increase (decrease) in cash and cash equivalents during the period	(757,628)	(1,660,636)	1,956,582	(5,187,243)
Cash and cash equivalents at beginning of period	3,215,914	2,849,442	501,704	6,376,049
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,458,286</b>	<b>\$ 1,188,806</b>	<b>\$ 2,458,286</b>	<b>\$ 1,188,806</b>
<b>Supplemental cash flow information:</b>				
Non-cash Investing and financing activities				
Depreciation capitalized to property	\$ 114,698	\$ 83,186	\$ 331,171	\$ 194,262
Shares issued on settlement of debt	-	8,046,611	-	8,046,611
Changes to accounts payable related to investing	-	1,057,230	-	3,149,952
Shares issued for buy back of NSR royalty	-	-	450,163	-
Share-based payments capitalized to property	155,556	-	345,596	-
	\$ 270,254	\$ 9,187,027	\$ 1,126,930	\$ 11,390,825

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

# GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

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## 1. NATURE OF OPERATIONS

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

The Company is focused on developing its Graphite One Project (the “**Project**”) with a plan to mine graphite from the Company’s Graphite Creek Property, process the graphite into concentrate at a mineral processing plant located adjacent to the proposed mine, and shipped to the Company’s proposed manufacturing plant in Washington State where anode materials and other value-added graphite products would be produced.

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 September 30, 2023, the Company had cash and cash equivalents of \$2,458,285 (December 31, 2022: \$501,704), a working capital deficit of \$2,019,525 (December 31, 2022: \$3,769,381 working capital deficit), and an accumulated deficit of \$45,611,497 (December 31, 2022: \$39,479,688). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the nine months ended September 30, 2023, cash used in operating activities was \$3,384,963 (2022: \$2,330,997) and \$14,815,153 (2022: \$12,136,968) was spent on project related expenditures.

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.

# GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

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## 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). The condensed interim consolidated financial statements should be read in conjunction with the annual 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 November 16, 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.

### d) Significant accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2022 with the addition of:

#### Government Assistance

The Company recognizes government grants at fair value when there is reasonable assurance the Company will comply with the conditions of any grant assistance, the funding for the Grant will be received and the expenditures have been incurred. Government grants related to the purchase of long-lived assets are recorded against the carrying value of the long-lived asset.

# GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

## 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, with the addition of:

### Grant Reimbursement

The Company exercises judgement and makes certain assumptions on whether certain feasibility study expenditures may qualify for reimbursement under the Department of Defense (“DoD”) Technology Investment Agreement Grant, which will impact the carrying value of the exploration and evaluation asset.

## 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

	September 30, 2023	December 31, 2022
Cash	\$ 2,450,889	\$ 494,321
Cash equivalents	7,396	7,383
	\$ 2,458,285	\$ 501,704

## 7. RECEIVABLES

	September 30 2023	December 31, 2022
GST receivable	\$ 50,940	\$ 47,110
Government grant receivable	5,582,818	-
Other receivables	507	28,131
	\$ 5,634,265	\$ 75,241

On July 17, 2023, the Company was awarded a DoD Technology Investment Agreement grant of up to \$37.5 million (the “Grant”) under Title III of the Defense Production Act, funded through the Inflation Reduction Act. The objective of the Grant is for the DoD to fund 50% of the costs to complete of the Graphite Creek feasibility study by November 30, 2024.



## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

### 7. RECEIVABLES (Cont'd)

During the three and nine months ended September 30, 2023, the Company had made submissions to the DoD to draw down \$8,907,605 from the Grant for reimbursement of DoD's 50% share of the feasibility study costs of which \$5,582,818 was outstanding. Subsequent to September 30, 2023, the outstanding balance was received.

### 8. PREPAIDS AND DEPOSITS

	September 30, 2023	December 31, 2022
Deposits and advances	\$ -	\$ 32,044
Prepaid marketing	-	200,000
Prepaid expenses	<b>157,184</b>	96,772
	<b>\$ 157,184</b>	<b>\$ 328,816</b>

### 9. PROPERTY AND EQUIPMENT

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	95,431	25,090	76,863	197,384
Transfer to exploration & evaluation assets	(23,520)	-	-	(23,520)
Effect on changes in foreign exchange rate	-	(15)	-	(15)
<b>As at September 30, 2023</b>	<b>1,281,888</b>	<b>50,986</b>	<b>360,253</b>	<b>1,693,127</b>

  

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	178,575	8,788	128,202	315,565
Effect on changes in foreign exchange rate	-	471	-	471
<b>As at September 30, 2023</b>	<b>512,432</b>	<b>18,011</b>	<b>257,336</b>	<b>787,779</b>

  

Net book value	Field Equipment	Computers	ROU Assets	Total
As at December 31, 2022	876,120	17,159	154,256	1,047,535
<b>As at September 30, 2023</b>	<b>769,455</b>	<b>32,975</b>	<b>102,917</b>	<b>905,348</b>

## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 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:

	<b>Graphite Creek</b>
<b>Balance, December 31, 2021</b>	<b>\$ 34,089,017</b>
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 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
<b>Balance, December 31, 2022</b>	<b>50,133,500</b>
Acquisition of NSR royalty	450,163
Assays and metallurgy	89,770
Geological consulting	635,157
Site preparation, drilling and camp operations	15,193,037
Engineering and technical assessments	111,143
Community consultation and meetings	144,605
Environmental studies	1,592,347
Capitalized depreciation	331,171
Capitalized share-based payments	345,596
Project management and administration	754,202
Secondary treatment plant project and other costs	178,048
Government grants - Note 7	(8,907,605)
<b>Balance, September 30, 2023</b>	<b>\$ 61,051,134</b>

#### 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.

On June 21, 2023, the Company completed the buy back of a 1% net smelter returns (“**NSR**”) payable on certain mining claims by issuing to the vendor 456,500 common shares of the Company at a price of CA\$1.30 or CA\$593,450 (\$450,163).

## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

### 10. EXPLORATION AND EVALUATION PROPERTY (Cont'd)

On July 17, 2023, the Company's wholly owned U.S. subsidiary, Graphite One (Alaska) Inc. ("**G1 Alaska**") was awarded a DoD Technology Investment Agreement grant of up to \$37.5 million under Title III of the Defense Production Act, funded through the Inflation Reduction Act.

The total amount covered under the Technology Investment Agreement is up to \$75.0 million of which the DoD's share is up to \$37.5 million and G1 Alaska's share is up to \$37.5 million. The term of the Agreement ends on November 30, 2024 and, if funds are available for drawdown from the grant, the Company may request an extension to the term end date, if required.

As at September 30, 2023, G1 Alaska made submissions to the DoD for draw downs under the Grant totaling \$8,907,605 for reimbursement of DoD's share of the feasibility study expenditures of which \$5,582,818 was outstanding. Subsequent to September 30, 2023, the outstanding balance was received.

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. The Company has also granted an option to Taiga Mining Company, Inc. ("**Taiga**"), a related party, to acquire up to a one (1) percent NSR on 133 Alaska state claims owned or leased by the Company (Note 12).

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Accounts payable - Trade	\$ 191,395	\$ 267,069
Accounts payable - Project	4,218,652	3,293,689
Payroll	640,625	764,562
Other liabilities	-	193,286
	<u>\$ 5,050,672</u>	<u>\$ 4,518,606</u>

### 12. LOANS PAYABLE

On July 19, 2023, G1 Alaska had entered into an unsecured loan agreement with Taiga Mining Company, Inc. for advances of up to \$5.0 million (the "**Loan**"). The Loan matures on July 24, 2024 and the interest on the Loan will accrue on the outstanding balance at a rate of twelve (12) percent per annum. The Loan can be drawn from time to time or all at once. As consideration for the Loan being accessible to the Company, G1 Alaska granted Taiga an option to acquire a NSR in 0.25% increments for every \$1,250,000 advance up to the maximum of one (1) percent on the 133 Alaska state claims owned or leased by the Company, which the Company bought back on June 21, 2023.

The option may be exercised at any time prior to maturity 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 NSR. The NSR would commence on the first day of the month in which the first concentrate is produced from certain of the mineral claims for a period of twenty (20) years. The full amount of the Loan has been drawn.

For the three and nine-months ended September 30, 2023, the Company had accrued \$111,781 of interest on the Loan.

# GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

## 13. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares with no par value.

### b) Shares Issued

The following share transactions occurred during the nine months ended September 30, 2023:

The Company issued 18,851,943 common shares in connection with the exercise of warrants at an average exercise price of \$0.70 (CA\$0.94) per share.

The Company issued 262,965 common shares in connection with the exercise of broker warrants at an average exercise price of \$0.60 (CA\$0.81) per share.

The Company issued 456,500 common shares in connection with the exercise of an option to buy back a 1% NSR on certain mining claims at a price of CA\$1.30 or CA\$593,450 (\$446,162).

On September 14, 2023, the Company received approval from the TSX-V to close a non-brokered private placement with Bering Straits Native Corporation (“BSNC”) for gross proceeds of CA\$2,718,609 through the issuance of 2,802,690 units at a price of CA\$0.97 per unit. Each unit consists of common share and one common share purchase warrant exercisable at price of CA\$1.21 per share expiring on September 14, 2024. The Company granted BSNC an option to invest a further \$6.0 million in common shares of the Company at any time within twelve (12) months of the closing of the private placement. The shares will be priced at the minimum price approved by the TSX Venture Exchange. Based on the residual valuation method, no value was attributed to the common share purchase warrants.

### c) Share-based compensation

The following table summarizes the amount of share-based compensation recognized during the three and nine months ended September 30, 2023 and 2022:

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 49,691	\$ 200,942	\$ 250,633	\$ -	\$ -	\$ -
Restricted share units	29,042	766,230	795,272	-	114,826	114,826
	<b>\$ 78,733</b>	<b>\$ 967,172</b>	<b>\$ 1,045,905</b>	<b>\$ -</b>	<b>\$ 114,826</b>	<b>\$ 114,826</b>

  

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 142,364	\$ 572,706	\$ 715,070	\$ -	\$ -	\$ -
Restricted share units	126,410	1,973,132	2,099,542	-	114,826	114,826
	<b>\$ 268,774</b>	<b>\$ 2,545,838</b>	<b>\$ 2,814,612</b>	<b>\$ -</b>	<b>\$ 114,826</b>	<b>\$ 114,826</b>

### 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 and nine months ended September 30, 2023 and 2022

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

### c) Share-based compensation (Cont'd)

The following table summarizes activity related to stock options:

	Number of Options	Average Exercise Price (CA\$)
<b>Balance, December 31, 2021</b>	<b>8,352,429</b>	<b>\$ 0.93</b>
Granted	1,463,157	1.08
Exercised	(945,000)	0.35
Expired and forfeited	(910,000)	0.88
<b>Balance, December 31, 2022</b>	<b>7,960,586</b>	<b>1.03</b>
Granted	1,517,743	1.00
<b>Balance, September 30, 2023</b>	<b>9,478,329</b>	<b>\$ 1.03</b>

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 anniversaries from the date of grant.

The fair values of the stock options granted during the nine months ended September 30, 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:

	September 30, 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	92.7%	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 and nine months ended September 30, 2023 and 2022

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

### c) Share-based compensation (Cont'd)

Stock options outstanding:

As at September 30, 2023				As at December 31, 2022			
Number of options outstanding	Number of vested options	Weighted average exercise price (CAS)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CAS)	Weighted average remaining contractual life (years)
1,100,000	1,100,000	0.30	0.6	1,100,000	1,100,000	0.30	1.4
455,000	455,000	0.35	1.7	455,000	455,000	0.35	2.5
2,005,000	2,005,000	1.02	2.4	2,005,000	2,005,000	1.02	3.1
2,937,429	2,937,429	1.39	3.2	2,937,429	2,937,429	1.39	4.0
1,463,157	-	1.08	4.2	1,463,157	-	1.08	5.0
1,517,743	-	1.00	4.3	-	-	-	-
<u>9,478,329</u>	<u>6,497,429</u>	<u>1.03</u>	<u>3.0</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 12,500,000 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>	

<sup>1</sup> 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.

<sup>2</sup> 330,057 RSUs vest on each of the first and second anniversaries and 739,886 RSUs on the third anniversary of grant date.

<sup>3</sup> 293,104 RSUs, 293,104 RSUs and 2,051,706 RSUs vest on the first, second and third anniversary of grant date, respectively.

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) per RSU. 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 and nine months ended September 30, 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)	1.13
Expired	(71,498)	1.00
Balance, December 31, 2022	36,012,071	1.20
Issued	2,802,690	1.21
Exercised	(18,851,943)	0.94
Expired	(8,007,141)	1.48
Balance, September 30, 2023	11,955,677	\$ 1.43

### Warrants outstanding:

As at September 30, 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
-	-	-	2,329,238	1.20	0.4
-	-	-	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	0.4
-	-	-	998,000	1.50	0.4
8,762,071	1.50	0.9	8,762,071	1.50	1.7
390,916	1.50	1.1	560,915	1.50	1.9
2,802,690	1.21	1.0	-	-	-
11,955,677	1.43	0.9	36,012,071	1.20	0.7

## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 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:

Balance, December 31, 2021	875,351	\$	0.94
Issued	356,022		1.50
Exercised	(610,750)		1.00
Balance, December 31, 2022	620,623		1.21
Exercised	(262,965)		0.72
Expired	(1,636)		0.72
Balance, September 30, 2023	356,022	\$	1.50

No broker warrants were issued during the nine months ended September 30, 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:

	September 30, 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 September 30, 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	0.4
-	-	-	1,636	1.20	0.5
-	-	-	134,543	0.61	0.1
-	-	-	109,702	0.98	0.1
316,758	1.50	0.9	316,758	1.50	1.7
39,264	1.50	1.1	39,264	1.50	1.9
356,022	1.50	0.9	620,623	1.21	1.0



## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

### 14. RELATED PARTY TRANSACTIONS AND BALANCES

<b>Relationships</b>	<b>Nature of the relationship</b>
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.

#### a) Related party transactions

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Huston & Huston Holdings Corp.	\$ 112,500	\$ 75,000	\$ 337,500	\$ 150,000
Rockford Resources LLC	7,500	7,500	22,500	15,000
0897877 B.C. Ltd.	-	-	-	15,000
SSP Partners LLC	7,500	-	22,500	-
Taiga Mining Company, Inc.	111,782	-	111,782	-
	<b>\$ 239,282</b>	<b>\$ 82,500</b>	<b>\$ 494,282</b>	<b>\$ 180,000</b>

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. At September 30, 2023, \$111,782s were owed (December 31, 2022 - \$25,000) to related parties.

During the nine months ended September 30, 2023, Taiga completed the following transactions with the Company:

- i) 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).
- ii) On July 19, 2023, G1 Alaska, the Company's wholly owned subsidiary entered into an unsecured loan agreement (the "Loan") for advances of up to \$5 million. The loan matures on July 24, 2023 and the interest on the Loan will accrue on the outstanding balance at a rate of twelve (12) percent per annum (Note 12).

For the three and nine-months ended September 30, 2023, the Company accrued \$111,782 of interest on the Loan.

## GRAPHITE ONE INC.

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Management fees	\$ 225,000	\$ 75,000	\$ 337,500	\$ 225,000
Director fees	60,000	30,000	90,000	61,401
Salaries and benefits	778,333	219,483	991,333	683,284
Share-based payments	1,015,357	114,826	1,751,380	114,826
	\$ 2,078,690	\$ 439,309	\$ 3,170,213	\$ 1,084,511

### 15. 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 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 are held with a chartered bank in Canada and the US government receivable was received subsequent to September 30, 2023.

#### 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 September 30, 2023, the Company had a working capital deficit of \$2,019,525 (December 31, 2022 - \$3,769,381 working capital deficit). On July 17, 2023, the Company was awarded a Technology Investment Grant of up to \$37.5 million from the Department of Defense to accelerate the completion of its Graphite Creek feasibility study and on September 11, 2023 entered into an unsecured, \$5.0 million loan with Taiga Mining Company, LLC, a related party, which matures on July 24, 2024. The Company will submit for a monthly draw down from the DoD for reimbursement of their share of the feasibility study expenditures. The Grant and the 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.

## **GRAPHITE ONE INC.**

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2023 and 2022

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

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### **15. FINANCIAL RISK MANAGEMENT (Cont'd)**

#### **c) Interest rate risk**

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

The Company had \$2,458,285 in cash and cash equivalents at September 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.

#### **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 September 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, loan payable, and trade and other accounts payables approximate their fair values due to their short-term nature or the ability to readily convert to cash.