

# **GRAPHITE ONE INC.**

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2022 and 2021**

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

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

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

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

	Note	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 1,188,806	\$ 6,376,049
Receivables	4	34,297	19,699
Prepays and deposits	5	380,940	132,329
<b>Total current assets</b>		<b>1,604,043</b>	<b>6,528,077</b>
Property and equipment	6	1,238,474	532,604
Exploration and evaluation property	7	48,834,490	34,089,017
<b>Total assets</b>		<b>\$ 51,677,007</b>	<b>\$ 41,149,698</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 3,894,656	\$ 604,362
Loans payable	9	-	6,308,720
Lease obligations - current portion		156,932	87,124
<b>Total current liabilities</b>		<b>4,051,588</b>	<b>7,000,206</b>
Lease obligations		38,747	85,911
<b>Total liabilities</b>		<b>4,090,335</b>	<b>7,086,117</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	69,737,931	52,199,470
Reserves		12,108,777	12,225,926
Cumulative translation adjustment		3,454,221	3,419,339
Deficit		(37,714,257)	(33,781,154)
<b>Total shareholders' equity</b>		<b>47,586,672</b>	<b>34,063,581</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 51,677,007</b>	<b>\$ 41,149,698</b>
Going concern	2		
Subsequent events	13		

Approved by the Board of Directors

«Anthony Huston»

Director

«Doug Smith»

Director

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Expenses</b>				
Management fees and salaries	\$ 278,587	\$ 199,157	\$ 797,401	\$ 935,286
Marketing, advisory and investor relations	129,782	279,882	723,127	501,051
Office and administration	117,483	39,353	333,228	166,652
Professional fees	21,373	200	67,904	39,238
Share-based payments	114,826	(51,027)	114,826	1,969,538
	<b>662,050</b>	467,565	<b>2,036,485</b>	3,611,765
<b>Other (income) expenses</b>				
Foreign exchange loss	88,540	230,245	185,625	110,960
Loss on settlement of debt	1,281,628	-	1,281,628	-
Gain on sale of asset	-	(49,000)	(8,076)	(49,000)
Interest income	(7)	(103,224)	(47,315)	(103,224)
Interest expense	110,393	175,423	484,756	524,176
	<b>1,480,554</b>	253,444	<b>1,896,618</b>	482,912
Net loss for the period	<b>2,142,604</b>	721,009	<b>3,933,103</b>	4,094,677
<b>Other comprehensive loss</b>				
Foreign currency translation	(35,461)	(243,475)	(34,882)	80,455
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 2,107,143</b>	\$ 477,534	<b>\$ 3,898,221</b>	\$ 4,175,132
Basic and diluted loss per common share	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.06
Weighted average number of common shares outstanding	97,499,701	77,569,612	88,251,561	65,597,886

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)*

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount \$				
<b>Balance, December 31, 2021</b>	85,524,287	52,199,470	12,225,926	3,419,339	(33,781,154)	34,063,581
Shares issued on 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	-	-	(328,465)
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>12,108,777</b>	<b>3,454,221</b>	<b>(37,714,257)</b>	<b>47,586,672</b>

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount \$				
Balance, December 31, 2020	43,109,143	27,934,781	7,844,306	3,500,581	(25,516,383)	13,763,285
Shares issued on private placement	29,790,685	16,940,716	-	-	-	16,940,716
Shares issued on option exercises	1,015,000	328,968	(89,163)	-	-	239,805
Shares issued on warrant exercises	9,440,892	5,601,923	-	-	-	5,601,923
Shares issued on broker warrant exercises	8,764	5,350	(5,059)	-	-	291
Share issue costs	-	(2,772,949)	1,367,124	-	-	(1,405,825)
Share-based payments	-	-	2,017,458	-	-	2,017,458
Changes in cumulative translation adjustment	-	-	-	(80,455)	-	(80,455)
Net loss for the period	-	-	-	-	(4,094,677)	(4,094,677)
Balance, September 30, 2021	83,364,484	48,038,789	11,134,666	3,420,126	(29,611,060)	32,982,521

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (2,142,604)	\$ (721,009)	\$ (3,933,103)	\$ (4,094,677)
Items not involving cash:				-
Share-based payments	114,826	(52,270)	114,826	2,017,458
Loss on settlement of debt	1,281,628	-	1,281,628	
Unrealized foreign exchange loss (gain)	(68,869)	5,297	10,938	(20)
Depreciation	1,883	469	2,863	1,507
Interest on loan payable	103,050	166,818	465,411	513,332
Interest on leases payable	7,343	9,563	18,184	11,150
Gain on disposal of asset	-	-	(8,076)	-
Changes in non-cash working capital items				
Receivables	(6,365)	(18,134)	(14,598)	(11,370)
Prepays and deposits	(230,386)	(392,241)	(294,587)	(413,342)
Accounts payable and accrued liabilities	107,794	99,406	25,517	(721,966)
Cash used in operating activities	<b>(831,702)</b>	(902,101)	<b>(2,330,998)</b>	(2,697,928)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	8,187,787	8,666,416	9,703,166	22,782,735
Share issue costs	(328,465)	(713,645)	(328,465)	(1,405,825)
Lease payments	(44,625)	(39,675)	(108,775)	(47,150)
Cash provided by financing activities	<b>7,814,697</b>	7,913,096	<b>9,265,926</b>	21,329,760
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation property expenditures	(8,152,984)	(5,850,420)	(11,355,284)	(8,147,327)
Purchase of equipment	(551,402)	(30,342)	(781,684)	(254,669)
Cash used in investing activities	<b>(8,704,386)</b>	(5,880,762)	<b>(12,136,968)</b>	(8,401,996)
Effect of foreign exchange on cash and cash (Decrease) increase in cash and cash equivalents during the period	60,754	243,433	14,796	(80,505)
	<b>(1,660,636)</b>	1,130,233	<b>(5,187,243)</b>	10,229,836
Cash and cash equivalents at beginning of period	2,849,442	8,790,251	6,376,049	14,586
Cash and cash equivalents at end of period	<b>\$ 1,188,806</b>	\$ 10,163,917	<b>\$ 1,188,806</b>	\$ 10,163,917
Supplemental cash flow information:				
Non-cash Investing and financing activities				
Depreciation capitalized to exploration and evaluation property	83,186	57,449	194,262	76,519
Shares issued on settlement of debt	8,046,611	-	8,046,611	-
Changes in accounts payable related to investing	1,057,230	1,483,514	3,149,952	1,197,790
	<b>\$ 9,187,026</b>	\$ 1,540,963	<b>\$ 11,390,824</b>	\$ 1,274,309

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

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021

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

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### **1. NATURE OF OPERATIONS**

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

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. The plan is for graphite to be mined from the Company’s Graphite Creek Property, situated on the Seward Peninsula about 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.

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

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

#### **Statement of Compliance**

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

The condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 have been prepared by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on November 25, 2022.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021

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

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### **Going Concern**

These condensed interim consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at September 30, 2022, the Company had a cash balance of \$1,188,806 (December 31, 2021: \$6,376,049), a working capital deficit of \$2,447,545 (December 31, 2021: \$472,129 working capital deficit), and an accumulated deficit of \$37,714,257 (December 31, 2021 - \$33,781,154). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three and nine months ended September 30, 2022, cash used in operating activities totaled \$830,638 (2021: \$902,101) and \$2,329,934 (2021: \$2,697,928), respectively.

The Company's ability to continue to meet its obligations and carry out its planned exploration and development activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financings. During the nine months ended September 30, 2022, the Company raised gross proceeds of \$9,703,166 (CA\$12,546,870) from completing the sale of 8,762,071 units at a price of CA\$1.15 per unit and the exercise of 2,366,452 warrants at an average exercise price of CA\$1.04 per warrant. On September 19, 2022, the Company issued 9,296,328 common shares at a deemed price of CA\$0.95 per share in full settlement of an outstanding debt of \$6,775,230 owed pursuant to an unsecured loan facility between Taiga Mining Company, Inc. and the Company (Note 9).

Based on projected administrative and project expenditures for the next twelve months, the Company will require additional financings to complete the feasibility study for the Project and to continue operating at current activity levels. There can be no assurance that the Company will be successful in securing additional financings, which give rise to material uncertainties that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

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

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

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

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

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021

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

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

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

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

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

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

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

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

##### Exploration and evaluation assets

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

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Key Sources of Estimation Uncertainty and Critical Judgments (Cont'd)**

Share-based payments

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

**4. RECEIVABLES**

Receivables are comprised of the following:

	September 30, 2022	December 31 2021
Goods and services taxes receivable	\$ 33,649	\$ 19,699
Other receivables	648	-
	<u>\$ 34,297</u>	<u>\$ 19,699</u>

**5. PREPAIDS AND DEPOSITS**

Prepays and deposits are comprised of the following:

	September 30, 2022	December 31, 2021
Subscriptions	\$ 36,216	\$ 4,835
Insurance	66,479	16,991
Prepaid marketing	158,505	-
Deposits and other	119,739	31,248
Project advances	-	79,255
	<u>\$ 380,940</u>	<u>\$ 132,329</u>

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

Property and equipment are comprised of the following:

	Field			Total
<b>Cost</b>	Equipment	Computers	ROU Assets	
	\$	\$	\$	\$
As at December 31, 2020	243,548	3,412	-	246,960
Additions	305,447	11,465	220,297	537,209
As at December 31, 2021	548,995	14,877	220,297	784,169
Additions	764,436	17,246	-	781,682
Acquisition of lease	-	-	237,750	237,750
Lease cancellation	-	-	(174,657)	(174,657)
As at September 30, 2022	1,313,431	32,123	283,390	1,628,944

	Field			Total
<b>Accumulated depreciation</b>	Equipment	Computers	ROU Assets	
	\$	\$	\$	\$
As at December 31, 2020	118,893	2,849	-	121,742
Depreciation	77,546	5,452	46,825	129,823
As at December 31, 2021	196,439	8,301	46,825	251,565
Depreciation	93,911	2,863	100,350	197,124
Lease cancellation	-	-	(58,219)	(58,219)
As at September 30, 2022	290,350	11,164	88,956	390,470

	Field			Total
<b>Net book value</b>	Equipment	Computers	ROU Assets	
	\$	\$	\$	\$
As at December 31, 2021	352,556	6,576	173,472	532,604
As at September 30, 2022	1,023,081	20,959	194,433	1,238,474

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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

	<b>Graphite Creek</b>
Balance, December 31, 2020	\$ 20,646,057
Land management	128,713
Assays and metallurgy	132,991
Geological consulting	165,789
Drilling and fieldwork	1,247,924
Engineering	36,609
Technical assessments	1,443,190
Community consultation	90,095
Environmental studies	414,260
Capitalized depreciation	131,658
Capitalized share-based payments	293,752
Pre-feasibility study	9,357,979
<b>Balance, December 31, 2021</b>	<b>34,089,017</b>
Land management	61,940
Assays and metallurgy	239,882
Geological consulting	1,254,274
Drilling and fieldwork	9,858,955
Engineering	10,405
Community consultation	134,713
Environmental studies	958,055
Capitalized depreciation	194,262
Project management and administration	678,114
Pre-feasibility study	1,354,874
<b>Balance, September 30, 2022</b>	<b>\$ 48,834,490</b>

Certain comparatives figures were reclassified to conform to current presentation.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2022	December 31, 2021
Accounts payable - trade	\$ 161,210	143,552
Accounts payable - projects	3,610,761	367,552
Payroll	122,685	93,258
	<b>\$ 3,894,656</b>	<b>\$ 604,362</b>

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***9. LOANS PAYABLE**

	Taiga Loan	Accrued Interest	Taiga Loan and Accrued Interest	CEBA Loan	Total
Balance, December 31, 2020	\$ 4,956,000	\$ 666,398	\$ 5,622,398	\$ 31,417	\$ 5,653,815
Repayments	-	-	-	(31,417)	(31,417)
Accrued interest	-	686,322	686,322	-	686,322
Balance, December 31, 2021	4,956,000	1,352,720	6,308,720	-	6,308,720
Accrued interest	-	466,510	466,510	-	466,510
Repayment in common shares	(4,956,000)	(1,819,230)	(6,775,230)	-	(6,775,230)
Balance, September 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

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

On June 8, 2020, the Company entered into a two-year unsecured loan agreement with Taiga to borrow up to \$156,000 (“Taiga Loan 2”). The Taiga Loan bore an interest rate of 12% per annum, compounded annually and matured on June 8, 2022. On June 7, 2022, the Company received written confirmation from Taiga to extend the maturity date to September 6, 2022.

On August 23, 2022, the Company entered into a Debt Settlement Transaction with Taiga whereby the Company would issue 9,812,791 common shares at a deemed price of CA\$0.90 per share to Taiga in full settlement of Taiga Loan 1, Taiga Loan 2, and \$1,819,230 of accrued interest, subject to final approval by the TSX Venture Exchange.

On September 19, 2022, the Company completed the Debt Settlement Transaction by issuing 9,296,328 common shares (“Settlement Shares”) to Taiga at a revised deemed price of CA\$0.95 per share resulting in the Company recognizing a \$1,281,628 loss on the settlement of the debt. The Settlement Shares are subject to four months and one day hold period pursuant to applicable securities laws.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021

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

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### **10. SHARE CAPITAL**

#### **10.1 Authorized**

Unlimited number of common shares with no par value.

#### **10.2 Shares Issued (Note 13(a))**

The following transactions occurred during the nine months ended September 30, 2022:

On September 19, 2022, the Company issued 9,296,328 common shares at a deemed price of CA\$0.95 to settle the maturity of Taiga Loan 1 and Taiga Loan 2 in the amount of \$4,956,000 and \$1,819,230 of accrued interest (Note 9).

On August 29, 2022, the Company completed the first tranche of a non-brokered private placement for gross proceeds of \$7,745,700 (CA\$10,076,38). Pursuant to this private placement, the Company issued 8,762,071 units at a price of CA\$1.15 per unit. Each unit consists of one common share and one transferable, share purchase warrant entitling the warrant holder to acquire one common share at a price of CA\$1.50 per share for a two-year period from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a price of CA\$2.00 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release date and the warrant holder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the warrants.

The Company paid finder's fees in the amount of \$269,448 (CA\$348,071) and issued 316,758 transferrable, broker warrants, each warrant entitling the holder to acquire one additional share of the Company at a price of CA\$1.50 per broker warrant with under the same the terms, as described above.

The Company issued 1,755,702 common shares for proceeds of \$1,481,625 (CA\$1,859,739) pursuant to the exercise of share purchase warrants at an average exercise price of \$0.84 (CA\$1.06) per warrant.

The Company issued 610,750 common shares for proceeds of \$475,840 (CA\$610,750) pursuant to the exercise of broker warrants at an average exercise price of \$0.78 (CA\$1.00) per broker warrant.

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Notes to the Condensed Interim Consolidated Financial Statements  
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*(Unaudited - Expressed in United States dollars unless otherwise indicated)*

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

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

During the year ended December 31, 2021, the Company completed three financings, raising total gross proceeds of CA\$21.3 million. These financings were undertaken under the following terms.

On February 23, 2021, the Company completed a private placement for total gross proceeds of CA\$8,000,000. Pursuant to this private placement, the Company issued a total of 16,000,000 units (the "2021-1 Units") at a price of CA\$0.50 per 2021-1 Unit. Each 2021-1 Unit consists of one common share and one transferable common share purchase warrant (a "2021-1 Warrant"). Each 2021-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of CA\$0.61 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA\$0.90 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release date and notice and the warrant holder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-1 Warrants.

The Company paid finder's fees in the amount of CA\$614,400 and issued 1,228,800 transferrable broker warrants, each warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2021-1 Warrants, described above.

Also on February 23, 2021, the Company completed a private placement for total gross proceeds of CA\$2,000,000. Pursuant to this private placement, the Company issued a total of 2,564,104 units (the "2021-2 Units") at a price of CA\$0.78 per 2021-2 Unit. Each 2021-2 Unit consists of one common share and one transferable, common share purchase warrant (a "2021-2 Warrant"). Each 2021-2 Warrant entitles the holder to purchase one additional common share of the Company at a price of CA\$0.98 per share during the 2 years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a volume of CA\$1.45 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release and notice and the warrant holder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the 2021-2 Warrants.

The Company paid finder's fees in the amount of CA\$153,600 and issued 196,924 transferrable broker warrants entitling the holder to acquire one additional common share of the Company at CA\$0.98 per share.

On April 22, 2021, the 2,500,000 warrants issued pursuant to the Royalty Purchase Option Agreement to acquire a 2% production royalty were exercised for proceeds of CA\$1,525,000.

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2022 and 2021

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

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### 10.2 Shares Issued (Cont'd)

On August 12, 2021, the Company completed the first tranche of a brokered private placement (“2021-3 First Tranche Financing”), raising gross proceeds of CA\$7,727,000 through the issuance of 7,727,000 units (“2021-3 Units”) at a price of CA\$1.00 per 2021-3 Unit consisting of one common share and one share purchase warrant (“2021-3 Warrant”). Each 2021-3 Warrant entitles the holder to acquire one common share of the Company at a price of CA\$1.50 per warrant for a period of 12 months from the closing date of the closing of the 2021-3 First Tranche Financing. The 2021-3 First tranche Financing was conducted pursuant to the terms of an agency agreement entered between the Company and Canaccord Genuity Corp. (the “Agent”). The Company has paid the Agent a cash fee of CA\$540,890 equal to 7% of the gross proceeds of the 2021-3 First Tranche Financing and issued 540,890 compensation warrants (“Compensation Warrants”). The exercise price of the Compensation Warrants is CA\$1.50 per share and expires 12 months from the date of the closing, subject to adjustment in certain circumstances.

Concurrent with the 2021-3 First Tranche Financing, Taiga Mining Company, Inc. purchased 2,501,581 2021-3 Units for gross proceeds of CA\$2,501,581. On September 24, 2021, the Company completed the second tranche of the brokered private placement (“2021-3 Second Tranche Financing”), raising gross proceeds of CA\$998,000 through the issuance of 998,000 units (“2021-3 Units”). Total gross proceeds raised from the 2021-3 First Tranche Financing, the 2021-3 Second Tranche Financing and the Taiga investment amounts to CA\$11,226,581.

### 10.3 Stock Options

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

The following table summarizes the activities related to stock options:

	Number of Options	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2020	4,060,000	\$ 0.34
Granted	5,492,429	1.25
Exercised	(1,185,000)	0.40
Expired	(15,000)	1.00
Balance, December 31, 2021 and September 30, 2022	8,352,429	\$ 0.93

No stock options were granted or exercised during the nine months ended September 30, 2022.

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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

	September 30, 2022	December 31, 2021
Exercise price (CA\$)	-	\$1.02 - \$1.39
Share price	-	\$1.28 - \$1.74
Risk-free interest rate	-	\$0.64% - 0.93%
Expected life	-	5 years
Expected stock price volatility	-	134.0% - 136.0%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per option (CA\$)	-	\$1.34 - \$1.54

**Outstanding Stock Options**

The following table summarizes the outstanding stock options

<b>As at September 30, 2022</b>				<b>As at December 31, 2021</b>			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average contractual life (years)
30,000	30,000	0.60	0.2	30,000	30,000	0.60	1.0
505,000	505,000	0.30	0.2	505,000	505,000	0.30	1.0
100,000	100,000	0.30	0.7	100,000	100,000	0.30	1.4
1,700,000	1,700,000	0.30	1.6	1,700,000	1,700,000	0.30	2.4
525,000	525,000	0.35	2.7	525,000	525,000	0.35	3.5
2,105,000	2,105,000	1.02	3.4	2,105,000	2,105,000	1.02	4.2
3,387,429	3,387,429	1.39	4.2	3,387,429	3,387,429	1.39	5.0
<b>8,352,429</b>	<b>8,352,429</b>	<b>0.93</b>	<b>3.1</b>	<b>8,352,429</b>	<b>8,352,429</b>	<b>0.93</b>	<b>3.8</b>

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

*(Unaudited - Expressed in United States dollars unless otherwise indicated)***10.4 Warrants (Notes 13 (a) and (b))**

The following table summarizes the activities related to warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
<b>Warrants continuity schedule</b>		
Balance, December 31, 2020	11,118,430	\$ 1.04
Issued	29,790,685	0.98
Exercised	(10,255,618)	0.76
Expired	(115,386)	1.30
Balance, December 31, 2021	30,538,111	1.07
Issued	8,762,071	1.50
Exercised	(1,755,702)	1.13
Expired	(71,499)	1.00
Balance, September 30, 2022	37,472,981	\$ 1.17

The following table summarizes the outstanding warrants:

<b>As at September 30, 2022</b>			<b>As at December 31, 2021</b>		
Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life years
-	-	-	71,499	1.20	0.6
127,943	1.00	0.2	127,943	1.00	0.9
2,779,237	1.20	0.6	2,779,237	1.20	1.4
2,819,031	1.20	0.8	2,819,031	1.20	1.6
10,802,400	0.61	0.4	11,545,861	0.61	1.1
1,752,318	0.98	0.4	1,967,959	0.98	1.1
9,431,981	1.50	0.6 <sup>(1)</sup>	10,228,581	1.50	0.6
998,000	1.50	0.6 <sup>(1)</sup>	998,000	1.50	0.6
8,762,071	1.50	1.9	-	-	-
37,472,981	1.17	0.9	30,538,111	1.07	1.0

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

On August 29, 2022, the Company issued 8,762,071 warrants with an exercise price of CA\$1.50 per warrant pursuant to the closing of a non-brokered private placement. The warrants expire on August 29, 2024 and were assigned a \$Nil value.

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

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*(Unaudited - Expressed in United States dollars unless otherwise indicated)***10.5 Broker Warrants (Note 13(a))**

The following table summarizes the activities related to broker warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2020	22,720	\$ 1.04
Issued	2,036,474	0.98
Exercised	(1,183,843)	0.76
Balance, December 31, 2021	875,351	1.07
Issued	316,758	1.50
Exercised	(610,750)	1.13
Balance, September 30, 2022	581,359	\$ 1.19

On August 29, 2022, the Company issued 316,758 broker warrants with an exercise price of CA\$1.50 per broker warrant pursuant to the closing of a non-brokered private placement (Note 10.2). The broker warrants expire on August 29, 2024 and were ascribed a fair value of \$138,431 (CA\$178,876) using the Black Scholes Option Pricing Model under the following assumptions:

	September 30, 2022	December 31, 2021
Exercise price (CA\$)	\$1.50	\$0.61 - \$1.00
Share price (CA\$)	\$1.29	\$1.28 - \$1.56
Risk-free interest rate	3.59%	0.41% - 0.64%
Expected life	1.75 years	1 - 2 years
Expected stock price volatility	93.01%	117.0% - 133.0%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per broker warrant (CA\$)	\$0.56	\$0.50 - \$0.99

**GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements

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

The following table summarizes the outstanding broker warrants:

As at September 30, 2022			As at December 31, 2021		
Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
18,720	1.20	0.6	18,720	1.20	1.4
1,636	1.20	0.8	1,636	1.20	1.5
134,543	0.61	0.4	134,543	0.61	1.1
109,702	0.98	0.4	109,702	0.98	1.1
-	1.00	-	540,890	1.00	0.6
-	1.00	-	69,860	1.00	0.6
316,758	1.50	1.9	-	-	-
581,359	1.19	1.2	875,351	0.94	0.8

**11. RELATED PARTY TRANSACTIONS AND BALANCES****Relationships**

Huston and Huston Holdings Corp. ("Huston")

**Nature of the relationship**

Huston and Huston Holdings Corp. is a private company controlled by Anthony Huston, an Officer and Director of the Company, which provides management services to the Company.

Rockford Resources, LLC ("Rockford")

Rockford is a private company controlled by Pat Smith, a Director of the Company, which provides Director Services to the Company.

SSP Partners LLC ("SSP Partners")

SSP Partners is a private company controlled by Scott Packman, a Director of the Company, which provides Director Services to the Company.

Taiga Mining Company, Inc. ("Taiga")

Taiga is a private company and a Control Person of the Company in accordance with Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual.

ROTAK LLC ("ROTAK")

ROTAK is a provider of helicopter support services to the Company in Alaska. One of Taiga's principals is also a manager in the entity that controls ROTAK.

## GRAPHITE ONE INC.

Notes to the Condensed Interim Consolidated Financial Statements

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### 11. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

During the three and nine months ended September 30, 2022, the Company accrued interest of \$64,220 (2021 - \$175,423) and \$466,510 (2021 - \$524,176), respectively, related to the Taiga Loan (Note 9).

On August 23, 2022, the Company entered into a Debt Settlement Transaction with Taiga whereby the Company would issue 9,812,791 common shares at a deemed price of CA\$0.90 per share to Taiga in full settlement of Taiga Loan 1 and Taiga Loan 2 totaling \$4,956,000, and \$1,819,230 of accrued interest, subject to final approval by the TSX Venture Exchange.

On August 29, 2022, Taiga participated in the closing of the first tranche of a non-brokered private placement of 8,762,071 units at a price of CA\$1.15 per unit and acquired 2,258,957 units at a purchase price of \$2,000,000 (CA\$2,597,801) (Note 10.2).

On September 19, 2022, the Company completed the Debt Settlement Transaction by issuing 9,296,328 common shares ("Settlement Shares") to Taiga at a revised deemed price of CA\$0.95 per share and recognized a \$1,281,628 loss on the settlement of the debt. The Settlement Shares are subject to four months and one day hold period.

During the three and nine months ended September 30, 2022, ROTAK Helicopter Services, whose owners are significant shareholders of the Company, charged the Company \$6,596 (2021 - \$903,843) and \$446,372 (2021 - \$1,205,191), respectively, for helicopter services during this summer's drilling program.

#### Key management compensation

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

Compensation paid to key personnel was as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Management fees	\$ 75,000	\$ 74,964	\$ 225,000	\$ 374,897
Director fees	30,000	15,088	61,401	96,013
Salaries and benefits	219,483	186,498	683,284	692,582
Share-based payments	114,826	-	114,826	1,912,435
	\$ 439,309	\$ 276,550	\$ 1,084,511	\$ 3,075,927

Salaries and benefits and share-based payments related to the Graphite Creek project are capitalized to exploration and evaluation assets. For the three and nine months ended September 30, 2022, the total amount capitalized to the exploration and evaluation property were \$88,233 and \$216,233 (three and nine months ended September 30, 2021 - \$64,000 and \$217,000), respectively.

Amounts owing to other related parties are non-interest bearing, unsecured, and due on demand. The transactions were in the normal course of operations. As at September 30, 2022, the Company owed \$36,395 (December 31, 2021 - \$1,237) to related parties, which were paid subsequent to September 30, 2022.

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### **12. RISK MANAGEMENT**

#### **12.1 Financial Risk Management**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks.

The principal risks to which the Company is exposed are described below.

##### **a. Credit risk**

Credit risk is a risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents.

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

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

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As of September 30, 2022, the Company had a working capital deficit of \$2,447,545 (December 31, 2021 - \$472,129 working capital deficit) and will require additional financings to complete the feasibility study for the Project and to continue operating at current activity level.

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). There can be no assurance that the Company can obtain additional financings on terms acceptable to the Company or at all.

##### **c. Interest rate risk**

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

The Company had \$1,188,806 in cash and cash equivalents as of September 30, 2022 (December 31, 2021 - \$6,376,049), on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered immaterial.

## **GRAPHITE ONE INC.**

Notes to the Condensed Interim Consolidated Financial Statements  
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### **12.1 Financial Risk Management (Cont'd)**

#### **d. Foreign currency risk**

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains a significant portion of its cash reserves in Canadian dollars and therefore subject to fluctuations in foreign exchange rates.

As at September 30, 2022, the Company has certain monetary items denominated in Canadian dollars. 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 \$142,693 (December 31, 2021 - \$296,928).

### **12.2 Fair Values**

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

## **13. SUBSEQUENT EVENTS**

Subsequent to September 30, 2022, the Company:

- (a) On November 21, 2022, closed the final tranche of 560,915 units of the non-brokered private placement at a price of CA\$1.15 per unit for gross proceeds of CA\$645,052. Each unit consists of one common share and one common share purchase warrant entitling the warrant holder to purchase one additional common share at a price of CA\$1.50 per share for a period of two years from the date of issuance. The warrants include an accelerated exercise clause whereby, in the event the common shares trade at a price of CA\$2.00 or more on the TSXV or the Toronto Stock Exchange (if so listed at such time) for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the warrant holders for the expiry of the warrants on the date that is 45 days from the press release date and the warrant holder may exercise the warrants during this 45 day period but no later than the expiry date. Based on the residual valuation method, no value was attributed to the warrants.

The Company paid finder fees of CA\$45,154 and issued 39,264 non-transferrable broker warrants entitling the holder to acquire one additional share of the Company at a price of CA\$1.50 per broker warrant under the same the terms as described in Note 10.2.

- (b) Issued 1,056,608 common shares for gross proceeds of CA\$717,060 pursuant to the exercise of share purchase warrants at an average exercise price of CA\$0.68 per warrant.