

GRAPHITE ONE INC.

Condensed Interim Consolidated Financial Statements

September 30, 2024
(Unaudited)

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

	Note	September 30, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash and cash equivalents	6	\$ 4,801,779	\$ 1,824,331
Receivables	7	1,336,673	744,845
Prepays and deposits	8	85,283	110,309
Total current assets		6,223,735	2,679,485
Property and equipment	9	595,897	866,853
Exploration and evaluation property	10	59,417,405	57,683,886
Non-current advances and deposits		73,769	118,429
Restricted cash	10	200,930	100,040
Intangible assets		33,525	61,959
Total assets		66,545,261	\$ 61,510,652
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 5,715,895	\$ 2,548,819
Lease obligations		12,217	56,167
Total liabilities		5,728,112	2,604,986
SHAREHOLDERS' EQUITY			
Share capital	12	92,105,392	87,765,603
Reserves		17,489,260	15,558,464
Cumulative translation adjustment		3,500,405	3,513,254
Deficit		(52,277,909)	(47,931,655)
Total shareholders' equity		60,817,149	58,905,666
Total liabilities and shareholders' equity		\$ 66,545,261	\$ 61,510,652
Going concern	2		
Subsequent events	16		

Approved by the Board of Directors:

«Anthony Huston»

Director

«Douglas 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)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Expenses					
Project development, net of grant	14	\$ 225,315	-	225,315	-
Management fees, salaries and benefits	13	\$ 71,493	\$ 303,784	\$ 495,967	\$ 911,234
Marketing and investor relations		111,777	124,489	446,727	1,517,871
Consulting and advisory fees		63,000	106,430	190,498	302,144
Office and administration		93,715	118,495	332,134	409,144
Professional fees		70,247	137,040	327,922	286,347
Share-based payments		872,980	974,698	2,328,262	2,588,573
		1,508,527	1,764,936	4,346,825	6,015,313
Other (income) expenses					
Foreign exchange loss (gain)		(15,622)	12,501	3,439	(5,953)
Interest income		(2,541)	(81)	(7,165)	(112)
Interest expense		612	115,192	3,155	122,561
		(17,551)	127,612	(571)	116,496
Net loss for the period		1,490,976	1,892,548	4,346,254	6,131,809
Other comprehensive loss					
Foreign currency translation		14,707	(9,972)	12,849	(29,020)
Net loss and comprehensive loss for the period		\$ 1,505,683	\$ 1,882,576	\$ 4,359,103	\$ 6,102,789
Basic and diluted loss per common share		\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.05
Weighted average number of common shares outstanding		138,761,574	129,767,678	136,296,691	123,729,114

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 \$				
Balance, January 1, 2024	132,283,348	87,765,603	15,558,464	3,513,254	(47,931,655)	58,905,666
Shares issued on warrant exercises	5,130,873	3,193,973	600,375	-	-	3,794,348
Shares issued on option exercises	200,000	79,759	(35,874)	-	-	43,885
Shares issued on vesting of share units, net of taxes paid (Note 12C)	1,160,069	1,091,679	(1,557,203)	-	-	(465,524)
Share issue costs	-	(25,622)	-	-	-	(25,622)
Share-based payments	-	-	2,923,497	-	-	2,923,497
Changes in cumulative translation adjustment	-	-	-	(12,849)	-	(12,849)
Net loss for the period	-	-	-	-	(4,346,254)	(4,346,254)
Balance, September 30, 2024	138,774,290	92,105,392	17,489,260	3,500,405	(52,277,909)	60,817,149

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount \$				
Balance, January 1, 2023	109,476,879	71,490,803	12,029,896	3,469,087	(39,479,688)	47,510,098
Shares issued on warrant exercises	18,851,943	13,124,401	-	-	-	13,124,401
Shares issued pursuant to private placement	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)
Balance, September 30, 2023	131,850,977	87,400,110	14,909,034	3,498,107	(45,611,497)	60,195,754

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,	
	2024	2023	2024	2023
OPERATING ACTIVITIES				
Net loss for the period	\$ (1,490,976)	\$ (1,892,548)	\$ (4,346,254)	\$ (6,131,809)
Items not involving cash:				
Share-based payments	872,980	974,699	2,328,262	2,588,573
Unrealized foreign exchange loss	(30,483)	24,651	(11,340)	22,131
Depreciation and amortization	3,884	4,313	12,401	12,781
Interest on loan payable	-	111,781	-	111,781
Interest on leases payable	612	3,411	3,155	10,780
Changes in non-cash working capital items				
Receivables	135,389	(17,650)	(87,108)	10,480
Prepays and deposits	5,698	28,246	25,026	139,588
Accounts payable and accrued liabilities	(121,933)	(7,739)	(35,678)	(149,268)
Withholding tax payments on vested share units	(66,873)	-	(465,524)	-
Cash used in operating activities	(691,702)	(770,836)	(2,577,062)	(3,384,963)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	-	2,080,637	-	15,290,556
Proceeds from loan	-	5,000,000	-	5,000,000
Proceeds from warrant exercises	-	-	3,794,348	-
Proceeds from option exercises	-	-	43,885	-
Share issue costs	-	-	(25,622)	-
Lease payments	(15,701)	(49,824)	(47,104)	(137,374)
Cash provided by (used in) financing activities	(15,701)	7,030,813	3,765,507	20,153,182
INVESTING ACTIVITIES				
Exploration and evaluation property expenditures	(12,698,838)	(10,345,322)	(19,444,211)	(18,056,267)
Changes in restricted cash	(100,417)	-	(100,890)	-
Purchase of intangible assets	-	-	-	-
Grant proceeds	11,343,844	3,338,101	21,340,919	3,338,101
Purchase of equipment	-	(3,219)	(5,756)	(97,001)
Cash provided by (used in) investing activities	(1,455,411)	(7,010,441)	1,790,062	(14,815,168)
Effect of foreign exchange on cash and cash equivalents	14,310	(7,164)	(1,059)	3,531
(Decrease) increase in cash and cash equivalents during the period	(2,148,504)	(757,628)	2,977,448	1,956,582
Cash and cash equivalents at beginning of the period	6,950,284	3,215,914	1,824,331	501,704
Cash and cash equivalents at end of the period	\$ 4,801,779	\$ 2,458,286	\$ 4,801,779	\$ 2,458,286
Supplemental cash flow information:				
Non-cash Investing and financing activities				
Depreciation capitalized to property	\$ 78,004	\$ 114,698	\$ 234,458	\$ 331,171
Change in grant proceeds in accounts receivable	2,372,350	(5,569,504)	(481,526)	(5,569,504)
Shares issued for buy back of NSR royalty	-	-	-	450,163
Changes to accounts payable related to investing activities	(779,364)	2,542,861	3,202,754	874,963
Share-based payments capitalized to property	245,800	155,556	595,486	345,596
	\$ 1,916,790	\$ (2,756,390)	\$ 3,551,171	\$ (3,567,611)

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, 2024 and 2023

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

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 ("**TSXV**") 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 ship the concentrate to the Company's proposed manufacturing plant in Ohio 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 for the evaluation to demonstrate a positive financial outlook.

2. GOING CONCERN

These unaudited 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, 2024, the Company had a cash balance of \$4,801,779 (December 31, 2023: \$1,824,331), a working capital balance of \$495,623 (December 31, 2023: \$74,499), and an accumulated deficit of \$52,277,909 (December 31, 2023: \$47,931,655). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the nine months ended September 30, 2024, cash used in operating activities totaled \$2,577,062 (September 30, 2023: \$3,384,963) and \$19,550,857 (September 30, 2023: \$18,153,268) were spent on project related expenditures, excluding grant proceeds.

The Company's ability to continue to meet its administrative expenses and complete the feasibility study 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 2024, the Company will require additional financings to continue to operate. There can be no assurance that the Company will be successful in securing adequate funding through additional financings, which gives rise to material uncertainty that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These unaudited condensed interim 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 the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

3. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) applicable to the preparation of interim financial statements, under International Accounting Standards (“**IAS**”) 34 – Interim Financial Reporting and were approved for issuance by the Board of Directors of the Company on November 7, 2024. These financial statements have been condensed with certain disclosures omitted from the Company’s audited consolidated financial statements for the year ended December 31, 2023. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the 2023 annual financial statements.

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements, with the exception of those described in Note 5, are consistent with those applied and disclosed in the 2023 annual financial statements.

4. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

The impact of such judgements and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management’s experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively. Critical accounting estimates and judgement that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2023 with the addition of:

Leases

The Company follows IFRS 16 in accounting for leases. A lessee recognises a right-of-use asset and a corresponding lease liability for almost all lease contracts greater than 12 months and the contract is enforceable. A lease contract is the acquisition of a right to use an underlying asset, with the purchase price paid in installments. The lessee recognises the right-of-use asset and the lease liability initially at the commencement date or at the start of the non-cancellable period of the lease.

The Company exercised judgement in defining the lease term for a 50-year lease signed on March 15, 2024 that includes termination rights. The Company has a right to terminate the lease during the first 18 months of the lease term, in addition to termination rights for certain triggering events.

As at September 30, 2024, management is reasonably uncertain whether the Company will not terminate the lease due to the risk of certain triggering events that may result in the Company exercising its right to terminate the lease. As a result of these uncertainties, management will recognize the lease on a month-to-month basis. Management will reassess the accounting for the lease as circumstances change.

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

5. NEW STANDARD ADOPTED ON JANUARY 1, 2024

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 did not have a material impact on the Company.

6. CASH AND CASH EQUIVALENTS

	September 30 2024	December 31, 2023
Cash	\$ 4,794,371	\$ 1,816,770
Cash equivalents	7,408	7,561
	<u>\$ 4,801,779</u>	<u>\$ 1,824,331</u>

7. RECEIVABLES

	September 30, 2024	December 31, 2023
GST receivable	\$ 13,418	\$ 70,580
Government grant receivable	1,292,374	667,424
Other receivables	30,882	6,841
	<u>\$ 1,336,673</u>	<u>\$ 744,845</u>

On July 17, 2023, the Company was awarded a Department of Defense ("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, to fund 50% of the costs to complete the Graphite Creek feasibility study.

On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is now \$37.3 million.

During the nine months ended September 30, 2024, the Company drew down \$21,854,320 (Cumulative to date: \$31,732,610) from the Grant. As at September 30, 2024 \$1,148,951 was outstanding from the DoD and \$143,423 was outstanding from the Defense Logistics Agency (Note 14). Subsequent to September 30, 2024, the outstanding balance was received.

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

*(Unaudited - Expressed in United States dollars, unless otherwise indicated)***8. PREPAIDS AND DEPOSITS**

	September 30, 2024	December 31, 2023
Deposits and advances	\$ -	\$ 7,432
Prepaid marketing	-	29,304
Prepaid expenses	85,283	73,573
	\$ 85,283	\$ 110,309

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Cost (\$)	Field Equipment	Computers	ROU Assets	Total
As at December 31, 2022	1,209,977	25,911	283,390	1,519,278
Additions	168,073	25,090	76,863	270,026
Disposals	-	-	(237,750)	(237,750)
Transfer to exploration & evaluation assets	(23,520)			(23,520)
Effect on changes in foreign exchange rate	-	159	-	159
As at December 31, 2023	1,354,530	51,160	122,503	1,528,193
Additions	5,756	-	-	5,756
Disposals	-	(2,538)	-	(2,538)
Transfer to exploration & evaluation assets	(57,589)	-	-	(57,589)
Effect on changes in foreign exchange rate	-	(191)	-	(191)
As at September 30, 2024	1,302,697	48,431	122,503	1,473,632

Accumulated depreciation (\$)	Field Equipment	Computers	ROU Assets	Total
As at December 31, 2022	333,857	8,752	129,134	471,743
Depreciation	235,589	13,361	35,626	284,576
Disposals	-	-	(95,100)	(95,100)
Effect on changes in foreign exchange rate	-	122	-	122
As at December 31, 2023	569,446	22,235	69,660	661,341
Depreciation	177,435	11,543	43,227	232,205
Disposals	-	(2,538)	-	(2,538)
Transfer to exploration & evaluation assets	(13,162)	-	-	(13,162)
Effect on changes in foreign exchange rate	-	(110)	-	(110)
As at September 30, 2024	733,718	31,130	112,887	877,735

Net book value (\$)	Field Equipment	Computers	ROU Assets	Total
	\$	\$	\$	\$
As at December 31, 2023	785,084	28,925	52,844	866,853
As at September 30, 2024	568,979	17,301	9,617	595,897

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

10. EXPLORATION AND EVALUATION PROPERTY

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation property:

Balance, December 31, 2022	50,133,500
Land management and advanced royalties	613,818
Assays and metallurgy	431,848
Geological consulting	590,552
Site preparation, drilling and camp operations	14,682,910
Engineering and technical assessments	734,852
Community consultation and meetings	168,356
Environmental studies	1,898,260
Capitalized depreciation	447,374
Capitalized share-based payments	416,751
Project management and administration	1,934,137
Secondary treatment plant project and other costs	730,094
Settlement of debt against NSR	(5,220,274)
Government grant - Note 7	(9,878,290)
Balance, December 31, 2023	57,683,886
Land management and advanced royalties	16,963
Assays and metallurgy	2,139,191
Geological consulting	614,878
Site preparation, drilling and camp operations	10,504,408
Engineering and technical assessments	3,047,011
Community consultation and meetings	136,816
Environmental studies	3,178,948
Capitalized depreciation	234,458
Capitalized share-based payments	595,486
Project management and administration	2,667,590
Secondary treatment plant project and other costs	420,215
Government grant - Note 7	(21,822,445)
Balance, September 30, 2024	\$ 59,417,405

Property Summary

The Graphite Creek Property consists of 135 State of Alaska mining claims ("State Claims") and forty-one 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.

Taiga Mining Company, Inc. ("Taiga") has a 1% net smelter royalty ("NSR") on the Graphite Creek Property that commences 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.

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

10. EXPLORATION AND EVALUATION PROPERTY (Cont'd)

There are two other NSR's outstanding on the Graphite Creek Property: a 5% NSR 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.

On July 17, 2023, G1 Alaska was awarded the DoD Grant to cover up to \$75.0 million to accelerate the completion of its Graphite Creek feasibility study, of which the DoD's share was up to \$37.5 million and G1 Alaska's share is up to \$37.5 million. On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures associated with the feasibility study from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is \$37.3 million. The technical work on the Graphite Creek feasibility study through to December 2, 2024 is eligible for reimbursement under the contract and the expenditures are subject to audit. If any funds remain available for drawdown from the Grant, the Company may request an extension to the term end date, if required. During the nine months ended September 30, 2024, the Company drew down \$21,854,320, of which \$31,875 is included in project development expenses.

On December 18, 2023, the Company established two \$50,000 deposits ("**Restricted Cash**") which are reserved for the communities of Brevig Mission, Alaska and Teller, Alaska, through an agreement with Bering Straits Native Corporation ("**BSNC**"). The purpose of the funds is to provide financial assistance for projects that benefit the communities as a whole and provide ongoing training in those communities. On August 20, 2024, the Company contributed an additional \$50,000 to each community.

Subsequent to September 30, 2024, the Company signed a technology license agreement and a consulting agreement with Hunan Chenyu Fuji New Energy Technology Co., Ltd. for the design of an anode active material manufacturing facility (Note 16).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2024	December 31, 2023
Accounts payable - Trade	\$ 228,978	\$ 348,906
Accounts payable - Project	2,966,074	390,197
Payroll	1,649,745	1,650,004
Accruals - Project	707,139	79,996
Accruals - Other	163,958	79,716
	<u>\$ 5,715,895</u>	<u>\$ 2,548,819</u>

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Shares Issued

On April 1, 2024, the Company issued 5,130,873 common shares for gross proceeds of \$3,794,348 (CA\$5,130,873) received prior to April 1, 2024 pursuant to the exercise of outstanding common share purchase warrants at a reduced exercise price of \$0.74 (CA\$1.00) per share (Note 12d).

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

c) Share Based Compensation

The following table summarizes the amount of share-based compensation recognized during the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 144,905	\$ 231,288	\$ 376,193	\$ 49,691	\$ 200,942	\$ 250,633
Restricted share units	88,885	600,294	689,179	\$ 29,042	\$ 766,230	795,272
Performance share units	12,009	41,398	53,407	-	-	-
	\$ 245,800	\$ 872,980	\$ 1,118,780	\$ 78,733	\$ 967,172	\$ 1,045,905

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 331,732	\$ 525,755	\$ 857,487	\$ 142,364	\$ 572,706	\$ 715,070
Restricted share units	236,038	1,703,245	1,939,283	126,410	1,973,132	2,099,542
Performance share units	27,716	99,262	126,978	-	-	-
	\$ 595,486	\$ 2,328,262	\$ 2,923,748	\$ 268,774	\$ 2,545,838	\$ 2,814,612

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 stock options ("**Options**").

The following table summarizes activity related to Options:

	Number of Options	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2022	7,960,586	\$ 1.03
Granted	1,564,994	0.99
Balance, December 31, 2023	9,525,580	1.02
Granted	3,805,158	0.91
Exercised	(200,000)	0.30
Forfeited	(900,000)	0.30
Balance, September 30, 2024	12,230,738	\$ 1.06

On March 19, 2024, the Company granted 2,905,158 Options to its employees, officers, and consultants with an exercise price of CA\$0.93 per common share which expire five years from the date of grant. The Options vest one third each year on the first, second and third anniversaries from the date of grant.

On May 17, 2024, the Company granted 900,000 Options to two individuals, who are both directors and officers of the Company (the "**Optionees**"). Each Option is exercisable into one common share of the Company at an exercise price of CA\$0.85 and expires five years from the date of grant. The Options are subject to a three-year vesting period with 300,000 Options vesting on the first, second and third anniversary from the grant date.

These Options were granted to replace 900,000 Options, exercisable at CA\$0.30 per common share, which expired on May 16, 2024 (the "**Expired Options**"). The Optionees have agreed to forego the exercise of the Expired Options due to the cash impact to both the Optionees and the Company on a cashless exercise of the Expired Options.

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

c) Share Based Compensation (Cont'd)

On May 31, 2024, the Company repriced 1,269,379 outstanding Options issued to certain officers on January 19, 2023. The exercise price for these Options was repriced from CA\$1.00 to CA\$1.08 per common share to reflect the market price on the date of the grant and to qualify the exercise of the Options for a deduction under paragraph 110(1)(d) of the Income Tax Act (Canada). There were no amendments to the other terms of the Options and no incremental fair value to amortize over the remaining vesting period.

No Options were granted for the three-month period ending September 30, 2024.

The fair value of the Options granted for the nine months ended September 30, 2024 and for the year ended December 31, 2023 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	September 30, 2024	December 31, 2023
Exercise price (CA\$)	\$0.85 - \$0.93	\$0.83 - \$1.08
Share price (CA\$)	\$0.85 - \$0.93	\$0.83 - \$1.08
Risk-free interest rate	3.5% - 3.64%	2.8% - 3.3%
Expected life	5 years	5 years
Expected stock price volatility	86.1% - 86.44%	87.99% - 92.72%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per option (CA\$)	\$0.59 - \$0.64	\$0.58 - \$0.79

The expected life of the Options is based on current expectations. The expected volatility reflects the assumption that the historical volatility will be similar to the future volatility.

Options outstanding:

As at September 30, 2024				As at December 31, 2023			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
-	-	-	-	1,100,000	1,100,000	0.30	0.4
455,000	455,000	0.35	0.7	455,000	455,000	0.35	1.5
2,005,000	2,005,000	1.02	1.4	2,005,000	2,005,000	1.02	2.1
2,937,429	2,937,429	1.39	2.2	2,937,429	2,937,429	1.39	3.0
1,463,157	487,719	1.08	3.2	1,463,157	-	1.08	4.0
248,365	82,788	1.00	3.3	1,517,743	-	1.00	4.1
1,269,379	423,126	1.08	3.3	-	-	-	-
47,250	-	0.83	4.2	47,250	-	0.83	5.0
2,905,158	-	0.93	4.5	-	-	-	-
900,000	-	0.85	4.6	-	-	-	-
12,230,738	6,391,062	1.06	3.0	9,525,579	6,497,429	1.02	2.8

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

Omnibus Incentive Plan

Security-based awards under the Omnibus Incentive Plan (the “**Omnibus Plan**”) consist of restricted share units (“**RSUs**”) and performance share units (“**PSUs**”). On June 28, 2024, at the Company’s annual general and special meeting of the shareholders, the shareholders approved an increase of 1,300,000 common shares issuable under the Omnibus Plan. The maximum number of security-based awards to be granted under the Omnibus Plan is 13,800,000 and any adjustments are subject to approval by the TSXV and the shareholders of the Company.

As of September 30, 2024, the Company has 2,043,380 common shares available under the Omnibus Plan for future grants.

The following table summarizes the activity related to the Omnibus Plan:

Grants	RSU	PSU	Total Outstanding
Balance, December 31, 2022	3,769,266	-	3,769,266
Issued	3,625,740	768,880	4,394,620
Vested	(694,823)	-	(694,823)
Balance, December 31, 2023	6,700,183	768,880	7,469,063
Issued	2,376,956	1,215,778	3,592,734
Vested	(2,048,984)	-	(2,048,984)
Balance, September 30, 2024	7,028,155	1,984,658	9,012,813

When the RSUs and PSUs vest, the Company calculates the tax liability owed by the recipients and withholds the equivalent number of common shares to cover the tax liability. During the nine months ended September 30, 2024, 2,048,984 RSUs vested of which the Company withheld 888,915 common shares to pay the recipient’s tax liability.

Subsequent to September 30, 2024, the Company granted 1,215,778 performance share units to senior management (Note 16).

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

Omnibus Incentive Plan (Cont'd)

<u>Awarded to:</u>	<u>Grant Date</u>	<u>Security Based</u>	<u>Number of Awards</u>	<u>Vesting Schedule</u>
		<u>Award</u>		
Officers	March 19, 2024	PSU	1,215,778	Note 1
Officers	March 19, 2024	RSU	1,215,778	Note 2
Directors	March 19, 2024	RSU	1,161,178	Note 3
Officers	December 27, 2023	RSU	906,639	Note 4
Officers	December 27, 2023	PSU	768,880	Note 5
Directors	January 19, 2023	RSU	329,778	Note 6
Officers	January 19, 2023	RSU	1,069,943	Note 7
Officers	December 27, 2022	RSU	2,344,839	Note 8
			<u>9,012,813</u>	

¹ The PSUs vest between 0% to 100% on March 19, 2027, subject to the share price performance of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date.

² The 1,215,778 RSUs vest one-third on the first, second and third anniversary dates.

³ The 1,161,178 RSUs vest one-quarter on the following dates: March 29, 2025, March 31, 2025, June 30, 2025 and September 30, 2025.

⁴ 182,530 RSUs vest on December 27, 2024 and January 19, 2025 and 541,579 RSUs vest on January 19, 2026.

⁵ The PSUs vest between 0% to 100% on January 19, 2026, subject to the share price performance of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date.

⁶ 329,778 RSUs vest on October 6, 2024.

⁷ 330,057 RSUs and 739,886 RSUs vest on the second and third anniversary of grant date, respectively.

⁸ 293,104 RSUs and 2,051,735 RSUs vest on the second and third anniversary of grant date, respectively.

c) Warrants

The following table summarizes the activity related to Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
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, December 31, 2023	11,955,677	1.43
Exercised	(5,130,873)	1.00
Expired	(3,845,114)	1.50
Issued	5,130,873	1.00
Balance, September 30, 2024	8,110,563	\$ 1.08

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

Warrants outstanding:

As at September 30, 2024			As at December 31, 2023		
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
-	-	-	8,762,071	1.50	0.7
177,000	1.50	0.1	390,916	1.50	0.9
2,802,690	1.21	1.0	2,802,690	1.21	0.7
5,130,873	1.00	2.5	-	-	-
8,110,563	1.08	1.9	11,955,677	1.43	0.7

On February 20, 2024, the Company commenced the amendment of an aggregate 11,955,677 outstanding common share purchase warrants (the “**Warrants**”) under a warrant incentive program (the “**Warrant Incentive Program**”) whereby the exercise prices of the Warrants were reduced to CA\$1.00 per common share commencing on the date of TSXV approval for 30 days (the “**Reduced Term**”). The exercise price for any Warrants not exercised during the Reduced Term reverted to the original exercise price.

For each Warrant exercised during the Reduced Term, the Company offered to issue, at no additional cost, one common share purchase warrant (the “**Sweetener Warrant**”) with an exercise price of CA\$1.00 per common share. The Sweetener Warrant has an exercise price of CA\$1.00 per common share and expires at the earlier of: (i) three (3) years from the date of issuance; and (ii) 30 days, at the Company’s option, if for any ten (10) consecutive trading days the closing price of the Company’s common shares on the TSXV equals or exceeds CA\$1.20.

On April 1, 2024, the Company closed its Warrant Incentive Program receiving aggregate gross proceeds of \$3,794,348 (CA\$5,130,873), from the exercise of 5,130,873 outstanding Warrants, and included Taiga’s exercise of 2,258,873 Warrants (Note 13a). The exercise price on the remaining 6,824,804 Warrants that were not exercised during the Reduced Term reverted to the original terms as they existed prior to the Warrant Incentive Program. The fair value of the Sweetener Warrants was \$600,375 (CA\$820,940).

On September 16, 2024, the Company extended the expiry date of an aggregate 2,802,690 outstanding common share purchase warrants due to expire on September 17, 2024 for one additional year to September 17, 2025. These warrants were issued in connection with a private placement with Bering Straits Native Corporation, that closed on September 17, 2023 with each warrant exercisable into one common share of the Company at a price of CA\$1.21 per common share. All other terms of the warrants remain the same.

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

No broker warrants were issued during the nine months ended September 30, 2024.

The following table summarizes the activity related to Broker Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA\$)
Balance, December 31, 2022	620,623	\$ 1.21
Exercised	(262,965)	0.72
Expired	(1,636)	0.72
Balance, December 31, 2023	356,022	1.50
Expired	(316,758)	1.50
Balance, September 30, 2024	39,264	\$ 1.50

Broker warrants outstanding:

As at September 30, 2024			As at December 31, 2023		
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)
-	-	-	316,758	1.50	0.7
39,264	1.50	0.1	39,264	1.50	0.9
39,264	1.50	0.1	356,022	1.50	0.7

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

*(Unaudited - Expressed in United States dollars, unless otherwise indicated)***13. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)****a) Related party transactions**

		Three months ended September 30,		Nine months ended September 30,	
	Nature of Transaction	2024	2023	2024	2023
Huston & Huston Holdings Corp.	Management fees	\$ 112,500	\$ 112,500	\$ 337,500	\$ 337,500
Rockford Resources LLC	Director fees	7,500	7,500	22,500	22,500
SSP Partners LLC	Director fees	7,500	7,500	22,500	22,500
Taiga Mining Company, Inc.		-	111,782	-	111,782
		\$ 127,500	\$ 239,282	\$ 382,500	\$ 494,282

Amounts owing to other related parties are non-interest bearing and unsecured, primarily for payroll obligations. As at September 30, 2024, the Company owed \$690,000 (December 31, 2023 - \$690,000) to related parties.

On April 1, 2024, Taiga exercised all of its 2,258,957 Warrants under the Warrant Incentive Program at a reduced exercise price of \$0.74 (CA\$1.00) for gross proceeds of \$1,673,203 (CA\$2,258,957) and received 2,258,957 Sweetener Warrants. Each Sweetener Warrant is exercisable at CA\$1.00 per share and expires three years from date of issue. As at September 30, 2024, Taiga holds approximately 28% of the Company's outstanding common shares.

b) Key management and director compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and includes the President and Chief Executive Officer, Executive Chair, Chief Financial Officer, four (4) Vice-Presidents and the directors of the Company. During the three and nine months ended September 30, 2024, the Company charged \$0.5 million and \$1.2 million of key management compensation to exploration and evaluation property and the fire-fighting foam suppressant project.

Compensation paid to key personnel, which include the fees referenced in the above related party transactions table is as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Management fees	\$	112,500	\$ 112,500	\$ 337,500	\$ 337,500
Director fees		30,000	30,000	90,000	90,000
Salaries		417,500	362,500	1,272,500	991,333
Share-based payments		1,029,780	794,458	2,722,890	2,545,838
	\$	1,589,780	\$ 1,299,458	\$ 4,422,890	\$ 3,964,671

GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

14. PROJECT DEVELOPMENT

On September 11, 2023, the Company was awarded an 18-month, \$4.7 million contract from the U.S. Department of Defense's Defense Logistics Agency ("DLA") to develop a graphite and graphene-based foam fire suppressant as an alternative to incumbent per- and polyfluorinated substances fire-suppressant materials. This is being accounted for as a government grant and is anticipated to be cost neutral to the Company. The \$4.7 million contract was based on an estimate of all costs the Company will incur. The project is executed in partnership with Vorbeck Materials Corp. to meet the requirements of the DLA agreement. Costs incurred by the Company, including contractual payments to Vorbeck, are recorded as development expenses, net of receipts from the DLA. Any difference in receipts and expenses is adjusted to working capital for the reporting period and will be reflected in the income statement at the end of the contract in 2025.

For the nine months ended September 30, 2024, the Company invoiced the DLA \$2,626,081 which was applied against the expenditures for the development of the graphite and graphene-based foam fire suppressant.

Development costs associated with the Company's proposed anode active manufacturing plant are expensed when they don't meet the definition of an intangible or exploration and evaluation asset. For the three and nine months ended September 30, 2024, the Company recognized \$225,315 of consulting fees and the amortization of free rent and upfront termination rights payment for the Ohio lease.

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 government grant receivables.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and government grant receivables and has determined that such risk is minimal. To minimize counterparty risk, the Company holds a majority of its cash with financial institutions that have a long-term credit rating of at least A from Standard & Poor's or an equivalent rating agency.

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, 2024, the Company had a working capital deficit of \$495,623 (December 31, 2023: \$74,499). On July 17, 2023, the Company was awarded a Grant of up to \$37.5 million from the DoD to accelerate the completion of its Feasibility Study. On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures associated with the Feasibility Study from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is now \$37.3 million and as of September 30, 2024, the Company had received \$30.6 million of this amount.

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 the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2024 and 2023

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

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 \$4,801,779 in cash and cash equivalents at September 30, 2024, 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.

At September 30, 2024, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the United States Dollar would result in an increase or decrease in the Company's net loss by \$17,446 (December 31, 2023: \$24,594).

e) Fair Values

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

16. Subsequent Events

- a) On October 21, 2024, the Company announced the execution of a technology license agreement and consulting agreement (collectively, the "Agreements") with Hunan Chenyu Fuji New Energy Technology Co. Ltd. The Agreements are strictly fee-for-services arrangements and provide no direct or indirect equity in the Company, no representation in the management or Boards of Directors of the Company or any of its affiliates, and no direct or indirect rights to control the projects of the Company or any of its affiliates. The first milestone payment of \$400,000 was made in November 2024.
- b) On October 21, 2024, the Company granted 1,215,778 performance share units to senior management. Each performance share unit will convert into one common share of the Company on the March 19, 2027 vest date subject to the achievement of certain corporate share price performance criteria.