GRAPHITE ONE RESOURCES INC.

Management's Discussion and Analysis

For the three and six months ended March 31, 2016

GRAPHITE ONE RESOURCES INC.
(the “Company” or “Graphite One”)

Form 51-102F1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2016

The following Management’s Discussion and Analysis (“MD&A”), prepared as of May 27, 2016, should be read together with the condensed interim consolidated financial statements of the Company for the three and six months ended March 31, 2016 and 2015 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial reports, including International Accounting Standard 34 (“Interim Financial Reporting”). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should be aware that historical results are not necessarily indicative of future performance.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words “believes,” “may,” “plans,” “will,” “anticipates,” “intends,” “budgets”, “could”, “should”, “estimates”, “expects”, “forecasts”, “projects” and similar expressions, and the negative of such expressions. Forward-looking information in this MD&A includes statements when discussing exploration and evaluation plans, operational plans and future expenditure expectations; about the Indicated and Inferred mineral resource of the Graphite Creek deposit; and the Company’s objective to complete the testwork and studies required to prepare a Preliminary Economic Assessment (“PEA”) for the Graphite Creek project.

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

Graphite One has made numerous assumptions in connection with the forward-looking information contained in this MD&A, regarding, among other things: the geological, metallurgical, engineering, financial and economic advice and reports that Graphite One has received to date are reliable, and are based upon practices and methodologies which are consistent with industry standards; that TRU Group will produce spherical graphite and complete the PEA in the third quarter of calendar year 2016, as well as the continued financing of Graphite One. While the Company considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Mining Risks" and “Business Risks”. Additionally, there are known and unknown risk factors which could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include: the Company may change its focus; studies and testwork may be inaccurate or may not yield the results hoped for; resource estimates may fall short, or not result in economic mining thereof; further exploration, evaluation and development of the Graphite Creek property may not occur as expected; funding to the Company may not be paid in the quantum or timing expected, or at all; financing commitments may not be sufficient to advance the projects as expected, or at all; a PEA may never be obtained by the Company for the Graphite Creek project; graphite and spherical graphite prices, and currency exchange rates may fluctuate; there may be uncertainties relating to interpretation of drill results and the geology, continuity and grade of the graphite deposits; there may be inaccuracies in the estimates of capital and operating costs, recovery rates, and estimated economic return; the possibility of delay in exploration or development programs; uncertainty of meeting anticipated program milestones; conditions in the financial markets and overall economy may deteriorate; the actual mineralization in the Graphite Creek property may not be as favorable as suggested by the resource estimate; future drilling and geophysical exploration on the Graphite Creek property may not occur on a timely basis, or at all; and there may not be timely availability of permits and other governmental approvals.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of May 27, 2016. All forward-looking information herein is qualified in its entirety by this cautionary statement and the Company assumes no obligation to update or revise any forward-looking statement or to publicly announce the result of any revisions to any of the forward-looking information contained herein, whether as a result of new information, future events or any other reason except as required by law.

The mineral resource estimates reported in this MD&A were prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in the classification of mineralization. In particular, while the terms "measured," "indicated" and "inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "inferred" mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

A more complete discussion of the risks and uncertainties facing Graphite One is disclosed in Graphite One's continuous disclosure filings with Canadian securities regulatory authorities at www.sedar.com.

Nature of Operations and Going Concern

Graphite One was incorporated in Alberta under the name Cedar Mountain Exploration Inc. and commenced operations on March 16, 2006. On October 18, 2007, the Company closed its initial public offering and on October 29, 2007 began trading on the TSX-Venture Exchange under the symbol CED. On March 23, 2012, the Company changed its name to Graphite One Resources Inc. and adopted the symbol GPH on the TSX-Venture Exchange effective March 27, 2012. On June 11, 2012 the Company began trading in the over the counter market in the United States on the OTCQX under the symbol GPHOF. The Company was continued into British Columbia on September 12, 2014. Graphite One is the parent company of its consolidated group. The Company's head office address is Suite 600, 777 Hornby Street Street, Vancouver, British Columbia, V6Z 1S4.

Graphite One is engaged in the acquisition, exploration and evaluation of graphitic mineral properties. The Company has not yet determined whether its property contains mineral reserves that are economically recoverable. The Company is focusing its exploration efforts on the Graphite Creek Property. The recoverability of the invested amounts shown for the exploration and evaluation property is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, obtaining the necessary financing to complete development and, ultimately, generating sufficient profits from future production or sufficient proceeds from the disposition of the exploration and evaluation property.

Exploration and Evaluation Property

Graphite Creek Property Summary

The Graphite Creek Property is located on the Seward Peninsula of Alaska about 59 kilometers ("km") north of the deep sea port at Nome, Alaska. The Graphite Creek Property is situated about 20km from a seasonal road and 4km from tidewater.

The Graphite Creek Property consists of 200 mining claims totaling 9,883 hectares (23,681 acres) and is comprised of:

- Twenty-four federal mining claims (the "GC Option Property");
- Fifty-six Alaska state mining claims (the "GC Purchased Property"); and,
- One hundred and twenty located Alaska state mining claims around the GC Option Property (the "GC Staked Property").

2015 Completion of Graphite Creek Option Agreement

In May 2015, the Company executed a long-term lease agreement with Kougarok LLC, commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease for two successive twenty year periods and ultimately for as long as production continues from the property. An advance royalty in the amount of US$30,000 was paid upon execution of the agreement, with annual payments of US$30,000 due each year until January 2019, and then increasing by US$10,000 each year until production commences. The production royalties are to be calculated as follows: 5% from lands in the 4 federal claims originally located in 1943, 2.5% from lands within the other 20 federal claims, 5% from lands within state claims staked by the Company within the area of interest and 2.5% from state claims acquired by the Company within the area of interest. All advance royalties paid may be recouped from production royalties. The Company has the option to reduce the production royalties by up to 2% by paying US$2 million for each 1% reduction of the Graphite Creek Royalty.

On January 24, 2012, the Company purchased from a private individual (the "Seller") the GC Purchased Property for $20,000 and a 2% production royalty on future production from the GC Purchased Property. The Company had the right to purchase the production royalty for $1 million until January 24, 2015 (the "Royalty Purchase Option"). The Company and the Seller entered into an extension agreement effective January 24, 2015 (the "Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before the earlier of (i) January 24, 2017, or (ii) the date that is six (6) months after the release by the Company of a feasibility study on the Graphite Creek Property. In connection with the Extension Agreement, the Company issued to the Seller 769,231 common shares of the Company at an issue price of $0.13 per share.

The Company located an additional 43 Alaska mining claims in 2015, bringing the total to 200 Alaska state claims, for a total area of 9,883 hectares (23,681 acres) covering the project area. The new claims include eight on Alaska select and transferred lands and 35 on unselected Alaska state land, which will require selection and transfer to be active. These new claims cover the area for potential infrastructure needs adjacent to the Graphite Creek deposit including port facilities.

2015 Resource Update

On March 17, 2015, the Company announced an updated mineral resource estimate of 17.95 million tonnes indicated, grading 6.3% Cg, and 154.36 million tonnes inferred, with 5.7% Cg, using a 3% Cg cut-off grade. The 2014 exploration program decreased the vertical and lateral drill spacing along a 730m strike length of the 4.8 km long Graphite Creek deposit. The drilling results moved a portion of the previously released resource estimate from inferred to indicated resource status. (See Table below "Graphite Creek Resource Estimate – February 2015).

Graphite Creek Resource Estimate – February 2015[c]

Cut-Off Grade	Million Tonnes	Graphite %	In Situ Graphite
	Indicated		
3	**17.95**	**6.3**	**1,133,000**
4	17.31	6.4	1,109,000
5	15.06	6.7	1,007,000
	Inferred		
3	**154.36**	**5.7**	**8,764,000**
4	121.58	6.2	7,586,000
5	105.70	6.5	6,874,000

a: This resource estimate recommends using a 3.0 % Cg cut-off grade with its conservative approach of resource recovery of 80 to 95% Graphite concentrate with average selling price of USD 1400/tonne.

b: The tonnage and in situ graphite (metric tonnes) have been rounded off to the nearest thousand, and therefore may not tally due to rounding.

c: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

TRU Graphite Reports

In 2014, TRU Group was commissioned by the Company to identify options for the Graphite Creek Project with a focus on matching the resources to up-market functionalized end uses for graphite (Stage A). In 2015, TRU Group undertook a second stage of study (Stage B) to conduct testwork and determine the characteristics of the graphite. On April 15, 2015, the Company announced receipt of TRU Group's Stage B Report (see the Company's press release dated April 15, 2015) which revealed that Graphite Creek graphite has unique characteristics, including spheroidal shaped graphite, high proportions of coarse flake graphite with high aspect ratios and naturally expanded/exfoliated flake graphite. TRU Group also identified the need for additional research and development to more fully understand these characteristics and the impact on processing and finished products. As a result of the importance of this development, the Company suspended work on its PEA in order to incorporate the findings from the Stage B Report into the PEA.

In November 2015, the Company engaged TRU Group to produce trial spherical graphite lab samples for internal assessment of electrochemical performance and for potential end-user evaluation. In May 2016, the Company announced the successful production of premium grade spheroidized graphite ("SPG") from 99.98% Cg purified graphite (see the Company's press release dated May 5, 2016), with yield in these first trial runs averaging 74.6%. The results of Phase 5 of the Company's Exploratory Product Development have shown that first discharge capacity of the samples approached, and in one case equaled the theoretical maximum capacity of natural graphite and results from repeat charge/discharge cycles confirm high performance, repeatability and stability of GPH STAX graphite (see the Company's press release dated May 20, 2016). These findings will be incorporated in the PEA which is expected to be completed in the third quarter of calendar year 2016.

Quality Assurance/Quality Control

Graphite One conducted laboratory quality assurance and quality control ("QA/QC") tests, where 99 duplicate samples from the 2013 drill program were analyzed at two separate, independent laboratories (Actlabs and Acme Analytical Laboratories Inc.). The results yielded good correlation of graphitic carbon between data from the two laboratories with the majority of samples plotting near the 1:1 line, and provides confidence in the graphite concentration data used in the Expanded Graphite Creek Inferred Resource.

Graphite One has its own core logging and sample preparation laboratory facility in Nome, Alaska. The sample preparation laboratory was installed, and is being managed by Actlabs. This will ensure Graphite One maintains the highest level of QA/QC and ensures timely receipt of analytical results.

Overall Performance

The Company has no operating revenue to date. The Company relies on the issuance of common shares to finance acquisitions, exploration on its exploration and evaluation properties, and to provide general operating working capital. The majority of the Company's expenditures relate to the acquisition and exploration of the Graphite Creek property.

Summary of Quarterly Results

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

Period ended	Mar 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014
Net loss ($)	1,156,936	553,634	374,052	514,875	499,400	1,039,424	617,483	457,436
Basic and diluted loss per common share ($)	0.01	0.00	0.00	0.00	0.00	0.01	0.01	0.00

Over the past eight quarters, the Company continued its focus on exploration and evaluation of the Graphite Creek property and begun a product development program, evaluating samples of graphitic material to assess the material's performance data related to graphite concentration purification, milling, spheroidizing, and coating, as well as establishing the electrochemistry of the coated spherical graphite finished product. There are no significant cash inflows resulting from operations. Changes in the net losses during the eight quarters above are the result of the following;

For the quarter ended September 30, 2014, the increase was primarily due to the impact of the addition of the Executive Chairman and severance paid to a former director and officer.

For the quarter ended December 31, 2014 the increase was primarily due to the vesting of a grant of stock options and increased marketing efforts and associated costs.

The decrease in the quarter ended September 30, 2015 reflects reduced costs primarily related to legal fees management fees and salaries and office and administration expenses, offset in part by an increase in marketing and investor relations expenses.

The increase in the net loss in the quarter ended December 31, 2015 is due primarily to investor relations costs related to the continued effort to raise the profile of the Company.

For the quarter ended March 31, 2016 the increase was primarily due to the vesting of a grant of stock options and an increase in marketing efforts and associated costs.

Results of Operations

Three months ended March 31, 2016

During the three months ended March 31, 2016 (the "second quarter of 2016"), the Company incurred a net loss of $1,156,936 compared to a net loss of $499,400 during the three months ended March 31, 2015 (the "second quarter of 2015").

General and administrative expenses consist of management fees and salaries, marketing and investor relations, office and administration and professional fees.

Three months ended March 31,	2016	2015	Increase/ (decrease)
Management fees and salaries	$ 133,846	$ 158,455	$ (24,609)
Marketing and investor relations	267,552	212,710	54,842
Office and administration	73,519	86,027	(12,508)
Professional fees	34,420	42,934	(8,514)
	$ 509,337	$ 500,126	$ (9,211)

- Management fees and salaries decreased during the second quarter of 2016 compared to the second quarter of 2015 due to a change in the allocation of management-related consulting fees to marketing.
- Marketing and investor relations costs increased in the second quarter of 2016 compared to the second quarter of 2015 due to an increase in marketing efforts to increase the visibility of the Company in the investor marketplace, a change in allocation of management-related consulting fees to marketing-related fees, offset in part by a reduction in travel and conference costs.
- Office and administrative expenses decreased in the second quarter of 2016 as compared to the second quarter of 2015 primarily due to reduced rent and travel and filing fees offset in part due to increased securities listing-related costs.
- Professional fees decreased in the second quarter of 2016 compared to the second quarter of 2015 due to reduced legal work and incurring tax- related costs in the second quarter of 2016.

Share based payments expense, a non-cash expense was $658,350 (2015 – nil) in the second quarter ended March 31, 2016 and 2015, respectively. During the second quarter of 2016, 9,050,000 share purchase options were granted, whereas no share purchase options granted during the second quarter of 2015. Share based payments amounts were determined based on the fair value of share options that vested and approved in the quarter.

Six months ended March 31, 2016

During the six months ended March 31, 2016 (the "first half of 2016"), the Company incurred a net loss of \$1,700,570 compared to a net loss of \$1,538,824 during the six months ended March 31, 2015 (the "first half of 2015").

General and administrative expenses consist of management fees and salaries, marketing and investor relations, office and administration and professional fees.

Six months ended March 31,	2016	2015	Increase/ (decrease)
Management fees and salaries	\$ 274,828	\$ 298,228	\$ (23,400)
Marketing and investor relations	601,347	476,119	125,228
Office and administration	113,594	132,514	(18,920)
Professional fees	77,181	88,503	(11,322)
	\$ 1,066,950	\$ 995,364	\$ 71,586

- Management fees and salaries decreased during the first half of 2016 compared to the first half of 2015 due to a change in the allocation of management-related consulting fees to marketing.
- Marketing and investor relations costs increased in the first half of 2016 compared to the first half of 2015 due to the continued increase in marketing efforts undertaken to increase the visibility of the Company in the investor marketplace, a change in allocation of management-related consulting fees to marketing, offset in part by a reduction in travel costs.
- Office and administrative expenses decreased in the first half of 2016 primarily due to reduced travel, rent and subscription fees, offset in part by increases in security listing costs, when compared to the first half of 2015.
- Professional fees decreased in the first half of 2016 compared to the first half of 2015 due primarily to reduced legal offset in part by increases in tax-related professional fees.

Share based payments expense, a non-cash expense was \$658,350 (2015 – \$535,672) in the first half ended March 31, 2016 and 2015, respectively. During the first half of 2016, 9,050,000 share purchase options were granted, compared to 5,350,000 share purchase options granted during the first half of 2015. Share based payments amounts were determined based on the fair value of share options that vested and approved in each quarter.

Liquidity, Capital Resources and Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon the Company's ability to arrange adequate financing in the near term. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operations. The Company will seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

As at March 31, 2016, the company had a cash balance of $183,856 (September 30, 2015 - $998,937), cash in trust of $nil (September 30, 2015 - $279,225) and working capital of $255,407 (September 30, 2015 - $593,438). Current liabilities as at March 31, 2016 totaled $125,109 (September 30, 2015 - $806,516). The Company has incurred losses since inception and does not generate any cash inflows from operations.

During the six month periods ended March 31, 2016 and March 31, 2015, cash used in operating activities totaled $1,479,941 compared to $1,038,733, and cash received from financing activities was $1,547,342 compared to $847,707. Cash used in investing activities was $882,482 compared to $2,095,922 in the six month periods ended March 31, 2016 and 2015, respectively.

As discussed in the "TRU Graphite Reports" section previously, the Company has engaged TRU Group for the production of trial spherical graphite samples for internal assessment of performance and potential end-user evaluation. The cost of this program is expected to be approximately $600,000.

The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company's consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet 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.

Subsequent to March 31, 2016, the Company raised gross proceeds of $400,275 and issued 3,546,500 shares through the exercise of 3,546,500 warrants at exercise prices of $0.10 to $0.125 per share (see Financial Statement Note 8 and Outstanding Share Data).

Financial Instruments and risk management

Financial instrument classification

The Company`s financial instruments recognized on the balance sheet consist of cash, cash in trust, deposits, amounts receivable and trade and other accounts payable.

The estimated fair market values of the Company`s financial instruments approximate their carrying values due to their short-term nature.

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.

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's cash balances held at financial institutions earn interest at rates which vary according to prevailing rates. The Company does not deem the associated interest rate risk to be material.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any material credit risk.

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. Graphite One maintains the majority of its cash reserves in Canadian dollars. A portion of the Company's funds are held in United States dollars and are, therefore, subject to fluctuations in foreign exchange rates.

At March 31, 2016, the Company has certain monetary items denominated in United States Dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of $6,900 in the Company's net loss.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. See "Liquidity, Capital Resources and Going Concern" section.

Related party transactions and balances

Relationships	**Nature of the relationship**
Huston Financial Corp. ("Huston")	Huston Financial Corp. is a private company controlled by Anthony Huston, an officer and director of the Company which provides management services and investor relations consulting to the Company.
DH Smith Resource Advisory Corp. ("Smith")	Smith is a private company controlled by Douglas Smith, a director of the Company which provides management services to the Company.
Ahlgren Consulting Inc. ("Ahlgren")	Ahlgren is a private company controlled by Alan Ahlgren, an officer of the Company which provides management services to the Company.

Relationships	**Nature of the relationship**
Anacortes Management Ltd. ("Anacortes")	Anacortes is a private company controlled by James Currie, a director of the Company which provides director 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.
0897877 BC Ltd. ("0897877 BC")	0897877 BC is a private company controlled by Brian Budd, a director of the Company which provides director services to the Company.
878160 Alberta Ltd. ("878160")	878160 is a private company controlled by Dean Besserer, a former officer and director of the Company which provided geological consulting to the Company.

Related party transactions

	Management Consulting and Directors' Fees	Management Consulting and Directors' Fees	Geological Services
For the three months ended March 31,	**2016**	**2015**	
Ahlgren Consulting Inc.	$ -	$ 49,000	$ -
DH Smith Resource Advisory Corp.	-	49,998	-
Huston Financial Corp.	62,500	62,499	-
Anacortes Management Ltd.	6,000	7,500	-
Rockford Resources, LLC	6,000	15,000	-
0897877 BC Ltd.	12,000	-	-
For the six months ended March 31,	**2016**	**2015**	
Ahlgren Consulting Inc.	$ 57,033	$ 57,000	$ -
DH Smith Resource Advisory Corp.	49,999	99,996	-
Huston Financial Corp.	125,000	124,998	-
Anacortes Management Ltd.	12,500	15,000	-
Rockford Resources, LLC	12,500	16,705	-
0897877 BC Ltd.	12,000	-	-
878160 Alberta Ltd.	-	-	25,000

The above transactions relate to consulting and directors' fees incurred by the Company. Management services expenses are included in Management fees and salaries and Marketing and investor relations expenses in the consolidated statements of financial position. Geological services are capitalized to Exploration and evaluation properties in the consolidated statements of financial position.

The Company pays a company with a common director for monthly office rent and general operating costs for an office in one of the Company's locations. The office rental and operating costs are shared between several companies, and the Company only pays its pro rata share of the total cost of the office rental and related costs. The Company's share of office rent and basic operating costs was $5,752 for the six months ended March 31, 2016 (2015 - $7,620).

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At March 31, 2016, the Company owed $45,122 (September 30, 2015 - $161,181) to related parties.

Key management compensation

For the six months ended March 31,		**2016**		**2015**
Consulting and directors' fees	$	269,032	$	338,699
Salaries and benefits		177,085		137,699
Stock-based compensation		458,850		340,000
	$	904,967	$	816,398

For the three months ended March 31,		**2016**		**2015**
Consulting and directors' fees	$	86,500	$	183,997
Salaries and benefits		135,103		53,538
Stock-based compensation		458,850		-
	$	680,453	$	237,535

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Executive Chairman, President & Chief Executive Officer, Directors, Chief Financial Officer, and General Manager Operations.

Management contracts

The Company entered into an agreement effective February 1, 2014 with a private company controlled by the President and CEO which provides management services to the Company. Under this agreement, the Company will pay an annual fee for services of $250,000 and, in the event of change of control of the Company, an amount equal to three times the annual fee. The agreement also provides for the payment of an amount equal to 2.5% of proceeds on any non-brokered financings with aggregate proceeds not to exceed $20 million.

Effective February 1, 2014, the Company entered into an agreement with a private company controlled by the Executive Chairman which provides management services. Under this agreement, the Company will pay an annual fee for services of $200,000 and, in the event of change of control of the Company, an amount equal to two times the annual fee. Commencing January 1, 2016, the Executive Chairman has been engaged as an employee of the Company. Employment terms are not yet finalized.

Effective December 12, 2014, the Company entered into an agreement with a private company controlled by the Chief Financial Officer which provides management services. Under this agreement, the Company will pay a monthly fee for services of $8,000. Effective November 1, 2015, the agreement was amended whereby the Company will pay a monthly fee for services of $11,667. In the event of change of control of the Company, the Company will pay an amount equal to six times the monthly fee. Commencing January 1, 2016, the Chief Financial Officer has been engaged as an employee of the Company. Employment terms are not yet finalized.

Outstanding Share Data

The following table summarizes the Company's outstanding share capital:

May 27, 2016	
Common shares issued and outstanding	211,225,335
Stock options outstanding (weighted average exercise price $0.13)	19,875,000
Warrants outstanding (weighed average exercise price $0.16)	92,105,691
Broker`s warrants outstanding (weighted average exercise price $0.16)	3,810,447
Fully diluted common shares outstanding	327,016,473

Private Placement – October 2015

On October 30, 2015, the Company completed a private placement for total gross proceeds of $634,161. Pursuant to this private placement, the Company issued a total of 9,059,449 units (the "2015-2 Units") at a price of C$0.07 per 2015-2 Unit. Each 2015-2 Unit consists of one common share and one transferable common share purchase warrant (a "2015-2 Warrant"). Each 2015-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of $0.10 per share during the 36 months from the date of issuance. The Company paid finders' fees in the aggregate amount of $20,384 and issued 291,200 transferrable broker warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2015-2 Warrants described above.

Private Placement – January 2016

On January 18, 2016, the Company completed a private placement for total gross proceeds of $434,090. Pursuant to this private placement, the Company issued a total of 4,823,222 units (the "2016-1 Units") at a price of C$0.09 per 2016-1 Unit. Each 2016-1 Unit consists of one common share and one transferable common share purchase warrant (a "2016-1 Warrant"). Each 2016-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of $0.12 per share during the 36 months from the date of issuance. The Company paid finders' fees in the aggregate amount of $324 and issued 3,600 transferrable broker warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2016-1 Warrants described above.

Private Placement – March 2016

On March 2, 2016, the Company completed a private placement for total gross proceeds of $270,001. Pursuant to this private placement, the Company issued a total of 3,000,008 units (the "2016-2 Units") at a price of C$0.09 per 2016-2 Unit. Each 2016-2 Unit consists of one common share and one transferable common share purchase warrant (a "2016-2 Warrant"). Each 2016-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of $0.12 per share during the 36 months from the date of issuance. The Company paid finders' fees in the aggregate amount of $6,400 and issued 71,111 transferrable broker warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2016-2 Warrants described above.

Use of Proceeds

Of the funds that were raised in the private placements that closed during the first half of 2016, the table below summarizes the estimated use of proceeds compared to the actual use of proceeds, other than working capital. This has enabled the Company to proceed with evaluating the material and progress some of the environmental studies.

Item	Estimated Use of Proceeds	Actual Use of Proceeds	Variance
Project operations	209,000	126,400	$ (82,600)
	$ 209,000	$ 126,400	$ (82,600)

The variances are primarily due to reduced project operations activities as the Company's efforts have been focused on evaluation and testing of graphite material samples, which will be paid near completion of the testing and evaluation in the second half of 2016.

Additional Disclosure for Venture Issuers without Significant Revenue

Details of the Company's general and administrative expenses for the three and six months ended March 31, 2016 and 2015 are included in the results of operations section of this MD&A. Details of the Company's expenditures relating to exploration and evaluation properties are presented in Note 7 to the consolidated financial statements.

Mining Risks

The Company is subject to the risks typical in the mining business including uncertainty of success in exploration and development; operational risks including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Commodity prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Business Risks

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

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

• Operational risks also include the timing and successful completion of the PEA, the industry projections regarding the future demand for graphite and the results of the TRU Group's study being accurate regarding the characteristics of the Graphite Creek mineralization.

• Financial risks include fluctuations in commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.

• Regulatory risks include possible delays in getting regulatory approval for transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings, and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.

Outlook

The Company's primary focus is the exploration, evaluation and development of the Graphite Creek Project, and progressing the PEA which the Company expects to release in calendar Q3 2016. In addition to the exploration at this Property, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the risk capital necessary to advance such prospects.

Approval

The Board of Directors of the Company have approved the disclosure contained in this MD&A.

Other Information

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