GRAPHITE ONE INC.

Consolidated Financial Statements

December 31, 2023

Graphite One

Independent auditor's report

To the Shareholders of Graphite One Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Graphite One Inc. and its subsidiary (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements shareholders' equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation property *Refer to note 4 – Summary of material accounting policies, note 5 – Significant judgments in applying accounting policies and note 11 – Exploration and evaluation property to the consolidated financial statements.* The total book value of exploration and evaluation property amounted to $57.7 million as at December 31, 2023. At each reporting period, management is required to make significant judgments in assessing whether there are any indicators of impairment relating to exploration and evaluation property. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period for which the entity has the right to explore in the specific area has expired during the year or will expire; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs. No impairment indicators were identified by management as at December 31, 2023.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's judgment in assessing the impairment indicators, which included the following: – Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates. – Read the board of directors' minutes and obtained a budget for the year ending December 31, 2024 to evidence continued and planned exploration and evaluation expenditure. • Assessed whether sufficient data existed to support that extracting the resources will not be technically feasible or commercially viable, and development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs, based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significance of the exploration and evaluation property and the judgments by management in its assessment of indicators of impairment related to exploration and evaluation property, and these have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2024

GRAPHITE ONE INC.
Consolidated Statements of Financial Position
(Expressed in United States dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current Assets					
Cash and cash equivalents	6	$	**1,824,331**	$	501,704
Receivables	7		**744,845**		75,241
Prepaids and deposits	8		**110,309**		328,816
Total current assets			**2,679,485**		905,761
Property and equipment	9		**866,853**		1,047,535
Exploration and evaluation property	10		**57,683,886**		50,133,500
Non-current advances and deposits			**118,429**		-
Restricted cash	10		**100,040**		-
Intangible assets			**61,959**		98,444
Total assets			**61,510,652**	$	52,185,240
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	11	$	**2,548,819**	$	4,518,606
Lease obligations			**56,167**		156,536
Total liabilities			**2,604,986**		4,675,142
SHAREHOLDERS' EQUITY					
Share capital	12		**87,765,603**		71,490,803
Reserves			**15,558,464**		12,029,896
Cumulative translation adjustment			**3,513,254**		3,469,087
Deficit			**(47,931,655)**		(39,479,688)
Total shareholders' equity			**58,905,666**		47,510,098
Total liabilities and shareholders' equity		$	**61,510,652**	$	52,185,240
Going concern	2				
Subsequent events	17				

Approved by the Board of Directors:

«Anthony Huston»
Director

«Douglas Smith»
Director

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

GRAPHITE ONE INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

	Note	Years ended December 31, 2023	2022
Expenses			
Research and Development	14	**90,270**	-
Management fees and salaries and benefits	13	**1,808,990**	1,894,657
Marketing and investor relations		**1,585,664**	1,082,233
Consulting and advisory fees		**234,430**	348,159
Office and administration		**491,801**	560,839
Professional fees		**399,697**	109,733
Share-based payments		**3,650,560**	26,400
		8,261,412	**4,022,021**
Other (income) expenses			
Foreign exchange loss (gain)		**(13,207)**	171,037
Loss on settlement of debt		-	1,079,139
Gain on sale of asset		-	(8,076)
Interest income		**(3,225)**	(47,325)
Interest expense		**235,641**	490,238
Other Income		**(28,654)**	(8,500)
		190,555	1,676,513
Net loss for the year		**8,451,967**	**5,698,534**
Other comprehensive loss			
Foreign currency translation		**(44,167)**	(49,748)
Net loss and comprehensive loss for the year		**$ 8,407,800**	$ 5,648,786
Basic and diluted loss per common share		**$ 0.07**	$ 0.06
Weighted average number of common shares outstanding		**125,780,861**	93,058,179

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

GRAPHITE ONE INC.
Consolidated Statements of Shareholders' Equity
(Expressed in United States dollars)

	Common Shares			Cumulative Translation		
		Amount	Reserves	Adjustment	Deficit	Total
	Number	$	$	$	$	$
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	13,106,474	-	-	-	13,106,474
Shares issued pursuant to private placement - Note 13(b)	2,802,690	2,000,000	-	-	-	2,000,000
Shares issued on broker warrant exercises	262,965	341,448	(184,671)	-	-	156,777
Shares issued on buy back of NSR royalty	456,500	446,612	-	-	-	446,612
Shares issued on vesting of restricted share units	694,823	558,718	(558,718)	-	-	-
Shares repurchased on vesting of restricted share units	(262,452)	(162,190)	-	-	-	(162,190)
Share issue costs	-	(16,262)	-	-	-	(16,262)
Share-based payments	-	-	4,271,957	-	-	4,271,957
Changes in cumulative translation adjustment	-	-	-	44,167	-	44,167
Net loss for the period	-	-	-	-	(8,451,967)	(8,451,967)
Balance, December 31, 2023	**132,283,348**	**87,765,603**	**15,558,464**	**3,513,254**	**(47,931,655)**	**58,905,666**

	Common Shares			Cumulative Translation		
		Amount	Reserves	Adjustment	Deficit	Total
	Number	$	$	$	$	$
Balance, January 1, 2022	**85,524,287**	**52,199,470**	**12,225,926**	**3,419,339**	**(33,781,154)**	**34,063,581**
Shares issued on private placement	9,322,986	8,225,222	-	-	-	8,225,222
Shares issued on share for debt settlement	9,296,328	7,835,556	-	-	-	7,835,556
Shares issued on option exercises	945,000	374,371	(130,028)	-	-	244,343
Shares issued on warrant exercises	3,777,528	2,663,199	-	-	-	2,663,199
Shares issued on broker warrant exercises	610,750	731,419	(255,578)	-	-	475,841
Share issue costs	-	(375,258)	-	-	-	(375,258)
Share-based payments	-	-	26,400	-	-	26,400
Broker warrants issued on private placement	-	(163,176)	163,176			-
Changes in cumulative translation adjustment	-	-	-	49,748	-	49,748
Net loss for the year	-	-	-	-	(5,698,534)	(5,698,534)
Balance, December 31, 2022	109,476,879	71,490,803	12,029,896	3,469,087	(39,479,688)	47,510,098

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

GRAPHITE ONE INC.
Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Years ended December 31, 2023	2022
OPERATING ACTIVITIES		
Net loss for the year	$ (8,451,967)	$ (5,698,534)
Items not involving cash:		
Share-based payments	3,650,560	26,400
Loss on settlement of debt	-	1,079,139
Unrealized foreign exchange loss	35,005	24,527
Depreciation and amortization	17,027	6,374
Interest on loan payable	220,274	465,411
Interest on leases payable	15,367	23,665
Gain on sale of assets	-	(8,076)
Changes in non-cash working capital items		
Receivables	(2,179)	(55,542)
Prepaids and deposits	218,507	(249,375)
Accounts payable and accrued liabilities	746,908	1,031,364
Cash used in operating activities	(3,550,498)	(3,354,647)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	15,263,251	11,608,604
Purchased treasury shares	(162,190)	-
Proceeds from loan	5,000,000	-
Share issue costs	(16,262)	(375,258)
Lease payments	(192,600)	(153,400)
Cash provided by financing activities	19,892,199	11,079,946
INVESTING ACTIVITIES		
Exploration and evaluation property expenditures	(23,971,855)	(12,824,903)
Restricted cash	(100,040)	-
Purchase of intangible assets	-	(110,035)
Grant proceeds	9,210,866	-
Purchase of equipment	(169,643)	(677,709)
Cash used in investing activities	(15,030,672)	(13,612,647)
Effect of foreign exchange on cash and cash equivalents	11,597	13,002
Increase (decrease) in cash and cash equivalents during the year	1,322,627	(5,874,346)
Cash and cash equivalents at beginning of year	501,704	6,376,049
Cash and cash equivalents at end of year	$ 1,824,331	$ 501,703
Supplemental cash flow information:		
Non-cash Investing and financing activities		
Depreciation capitalized to property	$ 447,374	$ 283,812
Settlement of debt against NSR	5,220,274	-
Shares issued for buy back of NSR royalty	450,163	-
Shares issued on settlement of debt	-	7,835,556
Right of use assets	76,863	-
Changes to accounts payable related to investing	(2,518,763)	2,882,879
Share-based payments capitalized to property	416,751	-
	$ 4,092,662	$ 11,002,247

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

1. NATURE OF OPERATIONS

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

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

The ability of the Company to proceed with the evaluation and development of the Project depends on a number of factors, the key ones including obtaining the necessary financing to complete the evaluation and development, and ultimately upon future profitable production or proceeds from disposition of the Project.

2. GOING CONCERN

These 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 December 31, 2023, the Company had a cash balance of $1,824,331 (December 31, 2022: $501,704), working capital of $74,499 (December 31, 2022: $3,769,381 working capital deficit), and an accumulated deficit of $47,931,655 (December 31, 2022: $39,479,688). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2023, cash used in operating activities totaled $3,550,498 (December 31, 2022: $3,354,647) and $15,030,673 (December 31, 2022: $13,612,647) were spent on project related expenditures. Subsequent to December 31, 2023, the Company issued 5,130,873 common shares for gross proceeds of approximately $3,800,000 (CA$5,130,873) pursuant to the exercise of outstanding common share purchase warrants at an exercise price of $0.74 (CA$1.00) per share (the "**April 2024 Warrants Exercises**").

The Company's ability to continue to meet its obligations and conduct its planned exploration and development activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. During the year ended December 31, 2023, the Company entered into a loan for $5,000,000 (subsequently settled with a 1% Net Smelter Returns Royalty) and completed a non-brokered private placement. Including the April 2024 Warrant Exercises, the Company has raised gross proceeds of $20,263,251 since January 1, 2023. 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 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. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”), effective as of December 31, 2023.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

The functional currency of the Company is Canadian dollars (CA$) and for its wholly owned subsidiary, Graphite One (Alaska) Inc. (“**G1 Alaska**”) is United States dollars ($). The presentation currency of the Company is the United States dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the period.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

These consolidated financial statements include the accounts of the Company andG1 Alaska Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee’s returns. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

These consolidated financial statements were approved for issuance by the Board of Directors of the Company on April 26, 2024.

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

b) Property and equipment

Property consists of right-of-use assets which is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses and is adjusted for certain remeasurements of lease liability. Equipment is recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. The cost of additions and improvements are capitalized. An item of equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Depreciation Rate	
Right of Use Assets	Term of the lease
Computer equipment	3 years straight line
Analytical equipment	20%
Mobile equipment	5 years straight line
Preparation lab	50%

3. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

b) Property and equipment

The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of individual items over their estimated useful lives, less any residual value. Depreciation on operating assets is included in the statements of net loss as a component of office and administrative expenses. Depreciation of assets utilized in mineral exploration activities is capitalized as a cost of mineral properties.

c) Exploration and Evaluation Properties

i) Pre-license costs

Costs incurred before the Company has obtained the legal right to explore are expensed, as incurred.

ii) Exploration and evaluation costs

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the property is abandoned, sold or considered impaired in value, on a property-by-property basis. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, the related expenditures are assessed for impairment and are then reclassified to mineral property development costs.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- the extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") have been identified through a feasibility study or similar document;
- the results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study; and
- the status of environmental and mining permits and mining leases.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects or changes in applicable law.

The sale of net smelter royalties is generally charged against the exploration and evaluation asset; however, each transaction will be evaluated for the appropriate accounting treatment based on the royalty agreement.

d) Government Grants

The Company recognizes government grants at fair value when there is reasonable assurance the Company will comply with the conditions of any grant assistance, the funding for the government grant will be received, and the expenditures have been incurred. Government grants related to exploration and evaluation assets are recorded against the carrying value of related exploration and evaluation asset. Government grants related to research and development of new products or processes are charged to the statement of loss against the research and development expenses.

3. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

e) Impairment

The carrying values of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "**cash-generating unit**" or "**CGU**"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

3. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

f) Income Taxes

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

g) Share-based Payments

The Company grants share-based awards, including stock options ("**Options**"), restricted share units ("**RSUs**") and performance share units ("**PSUs**") to certain employees, directors and consultants of the Company.

Share-based payment arrangements in which the Company has received goods or services from consultants are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value for all Options granted to directors, employees and consultants. For directors, employees and consultants, the fair value of the Options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the Options is measured on the date the services are received by the Company.

The fair value of share-based payments is charged either to profit or loss, or to the exploration and evaluation property, with the offsetting credit to reserves. The fair value of the Options is recognized over the vesting period based on the best available estimate of the number of Options expected to vest. Estimates are subsequently revised if there is any indication that the number of Options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the Options are granted. Options granted that relate to the receipt of goods or services from certain consultants are recognized over the related service period. When Options are exercised, the amounts previously recognized reserve are transferred to share capital.

In the event Options are forfeited prior to vesting, the associated stock-based compensation recorded to date is reversed in the period of forfeiture. The fair value of any vested Options that expire remain in reserves.

For equity-settled RSUs and PSUs, the fair value is determined based on the quoted market price of the Company's common shares on the TSX Venture Exchange ("**TSX-V**") at the date of grant, and the fair value is recognized as a share-base payment expense or is capitalized to exploration and evaluation property over the vesting period with a corresponding amount recorded in reserves.

3. BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (Cont'd)

h) Share capital

When the Company issues units through a private placement offering, the common shares and common share purchase warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its common shares to be the more easily measurable component and is valued with reference to the market price. The residual value is attributed to the common share purchase warrants, if any, is recorded as a separate component of equity.

i) Loss per Share

Basic loss per share is computed by dividing net loss (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding Options, warrants and other convertible securities. When diluted earnings per share is calculated, on only those Options and other convertible securities with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

In the periods when the Company reports a net loss, the effect of potential issuances of common shares under Options and other convertible securities is anti-dilutive, therefore, basic and diluted loss per share is the same.

j) Financial Instruments - Recognition and Measurement

The Company classifies its financial assets in the following measurement categories:

i) Those to be subsequently measured at amortized cost, or
ii) Those to be subsequently measured at fair value (either through other comprehensive income or through profit or loss ("**FVPL**"))

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics.

The Company classifies cash and cash equivalents, deposits, trade and other payables and loans as subsequently measured at amortized cost.

At initial recognition, financial assets and financial liabilities are measured at fair value less transaction costs except for financial assets classified as FVPL, where transaction costs are expensed directly to profit or loss.

k) Related party transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management personnel of the Company. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

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.

In preparing these consolidated financial statements for the year ended December 31, 2023, the Company applied the critical estimates, assumptions and judgements as disclosed below:

Exploration and evaluation property

The Company is required to make significant judgments in assessing whether there are any indicators of impairment relating to exploration and evaluation property. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period for which the entity has the right to explore in the specific area has expired during the year or will expire; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable; and (iv) development or sale of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property should be impaired. There are no indicators of impairment as at December 31, 2023.

Grant Reimbursement

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

The Company exercises judgement and makes certain assumptions on whether certain research and development expenditures may qualify as expenditures associated with the Defense Logistic Agency "DLA" contract, which may impact income.

Net Smelter Royalties

The Company exercises judgement in the accounting treatment for a sale of a net smelter royalty. There is no specific guidance on the sale of a mineral interest under IFRS, and for the most recent transaction the Company applied the consideration received as a reduction to the exploration and evaluation property.

(Expressed in United States dollars, unless otherwise indicated)

5. NEW STANDARDS ADOPTED ON JANUARY 1, 2023

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2. The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments include clarification on how an entity can determine material accounting policies by applying the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendments effective January 1, 2023, with no material impact to the consolidated financial statements for 2023.

6. CASH AND CASH EQUIVALENTS

		December 31 2023		December 31, 2022
Cash	$	**1,816,770**	$	494,321
Cash equivalents		**7,561**		7,383
	$	**1,824,331**	$	501,704

7. RECEIVABLES

		December 31, 2023		December 31, 2022
GST receivable	$	**70,580**	$	47,110
Government grant receivable		**667,424**		-
Other receivables		**6,841**		28,131
	$	**744,845**	$	75,241

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

During the year ended December 31, 2023, the Company made submissions to the DoD to draw down $9,878,290 from the Grant for reimbursement of DoD's 50% share of the feasibility study costs of which $667,424 was outstanding. Subsequent to December 31, 2023, the outstanding balance was received.

8. PREPAIDS AND DEPOSITS

		December 31, 2023		December 31, 2022
Deposits and advances	$	**7,432**	$	32,044
Prepaid marketing		**29,304**		200,000
Prepaid expenses		**73,573**		96,772
	$	**110,309**	$	328,816

(Expressed in United States dollars, unless otherwise indicated)

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Cost ($)	Field Equipment	Computers	ROU Assets	Total
As at December 31, 2021	693,735	14,877	220,297	928,909
Additions	660,611	17,098	237,750	915,459
Disposals	(144,369)	(5,441)	(174,657)	(324,467)
Effect on changes in foreign exchange rate	-	(623)	-	(623)
As at December 31, 2022	1,209,977	25,911	283,390	1,519,278
Additions	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**

Accumulated depreciation ($)	Field Equipment	Computers	ROU Assets	Total
As at December 31, 2021	341,178	8,301	46,826	396,305
Depreciation	131,607	6,470	140,527	278,604
Disposals	(138,928)	(5,441)	(58,219)	(202,588)
Effect on changes in foreign exchange rate	-	(578)	-	(578)
As at December 31, 2022	333,857	8,752	129,134	471,743
Depreciation	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**

Net book value ($)	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2022	876,120	17,159	154,256	1,047,535
As at December 31, 2023	**785,084**	**28,925**	**52,843**	**866,852**

(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:

	Graphite Creek
Balance, December 31, 2021	**$ 34,089,017**
Land management and advanced royalties	215,595
Assays and metallurgy	243,918
Geological consulting	1,330,471
Drilling and fieldwork	10,414,864
Engineering	10,405
Community consultation and meetings	164,720
Environmental studies	1,131,862
Capitalized depreciation	283,812
Project management and administration	1,000,191
Pre-feasibility study	1,248,645
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**

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.

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

On December 27, 2023, Taiga Mining Company, Inc. ("Taiga") exercised an option to acquire a 1% NSR from the Company in exchange for the settlement of a $5.0 million loan and approximately $0.2 million of accrued interest. The 1% NSR 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. As a result of this transaction, the settlement value has been recorded as a reduction against the carrying value of the exploration and evaluation property.

(Expressed in United States dollars, unless otherwise indicated)

10. EXPLORATION AND EVALUATION PROPERTY (Cont'd)

Two net smelter royalties ("**NSR**") remain 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 a DoD TIA under Title III of the Defense Production Act and funded through the Inflation Reduction Act. The total amount covered under the TIA is up to $75.0 million of which the DoD's share is up to $37.5 million and G1 Alaska's share is up to $37.5 million. The term of the Agreement ends on November 30, 2024, the expenditures are subject to audit, and, if funds are available for drawdown from the grant, the Company may request an extension to the term end date, if required.

During the year ended December 31, 2023, the Company drew down $9,878,290 from the TIA grant of which $667,424 was outstanding as at, and was received subsequent to, December 31, 2023 (Note 7).

On December 18, 2023, the Company established two $50,000 deposits ("**Restricted Cash**") which is 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. The Company has committed to an additional $50,000 per community in 2024.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2023		December 31, 2022
Accounts payable - Trade	$	**348,906**	$	204,085
Accounts payable - Project		**390,197**		3,218,005
Payroll		**1,650,004**		822,362
Other liabilities		**159,712**		274,154
	$	**2,548,819**	$	4,518,606

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Shares Issued

The following share transactions occurred during the year ended December 31, 2023:

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

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

The Company issued 456,500 common shares in connection with the exercise of an option to buy back a 1% NSR on certain mining claims at a price of CA$1.30 or CA$593,450 ($446,612).

(Expressed in United States dollars, unless otherwise indicated)

b) Shares Issued (Cont'd)

On September 14, 2023, the Company received approval from the TSX-V to close a private placement with BSNC for gross proceeds of CA$2,718,609 ($2,000,000) through the issuance of 2,802,690 units at a price of CA$0.97 per unit. Each unit consists of common share and one common share purchase warrant exercisable at CA$1.21 per share and expires on September 14, 2024. The Company granted BSNC an option to invest a further $6.0 million in common shares of the Company at any time within twelve (12) months of the closing of the private placement. The shares will be priced at the minimum price approved by the TSX-V. Based on the residual valuation method, no value was attributed to the common share purchase warrants.

The following share transactions occurred during the year ended December 31, 2022:

On August 30, 2022, the Company closed the first tranche of a non-brokered private placement of 8,762,071 units at a price of CA$1.15 per unit for gross proceeds of CA$10,076,382. Each unit consists of one common share and one transferable, common share purchase warrant entitling the holder to purchase one common share of the Company at a price of CA$1.50 per share for 2 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 TSX-V 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 warrants.

The Company paid finder's fees and other share issuance costs of CA$426,178 and issued 316,758 transferrable broker warrants, each warrant entitling the holder to acquire one common share of the Company at a price of $1.50 per warrant.

On September 19, 2022, the Company issued 9,296,328 common shares to Taiga at a price of CA$1.12 pursuant to a debt settlement agreement.

On November 22, 2022, the Company closed the second tranche of non-brokered private placement of 560,915 units at a price of CA$1.15 per unit for gross proceeds of CA$645,052.

The Company paid finder's fees and other share issuance costs of CA$65,079 and issued 39,264 transferrable broker warrants, each warrant entitling the holder to acquire one common share of the Company at a price of $1.50 per warrant.

c) Share-based compensation

The following table summarizes the amount of share-based compensation recognized during the years ended December 31, 2023 and 2022:

	Year ended December 31, 2023			Year ended December 31, 2022		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	$ 214,599	$ 964,100	$ 1,178,699	$ -	$ -	$ -
Restricted share units	201,714	2,684,387	2,886,101	-	26,400	26,400
Performance share units	438	2,073	2,511	-	-	-
	$ 416,751	**$ 3,650,560**	**$ 4,067,311**	$ -	$ 26,400	$ 26,400

(Expressed in United States dollars, unless otherwise indicated)

c) Share-based compensation (Cont'd)

Stock Options

Pursuant to the Company's stock option plan for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, the exercise price to be determined on the date of issuance of the Options.

The following table summarizes activity related to Options:

	Number of Options		Weighted Average Exercise Price (CA$)
Balance, December 31, 2021	**8,352,429**	**$**	**0.93**
Granted	1,463,157		1.08
Exercised	(945,000)		0.35
Expired and forfeited	(910,000)		0.88
Balance, December 31, 2022	**7,960,586**		**1.03**
Granted	1,564,993		0.99
Balance, December 31, 2023	**9,525,579**	**$**	**1.02**

On January 19, 2023, the Company granted 1,517,743 stock options to its employees and officers with an exercise price of CA$1.00 per share, expiring 5 years from the date of grant. The Options vest one third each year on the first, second and third anniversaries from the date of grant.

On December 27, 2023, the Company granted 47,250 Options with an Officer with an exercise price of CA$0.83 per share, expiring 5 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.

During the year ended December 31, 2023, the Company recognized share-based payment expense of $3,650,560 (December 31, 2022: $26,400) and capitalized $416,751 (December 31, 2022: $nil) to exploration and evaluation property.

The fair value of the Options granted for the years ended December 31, 2023 and 2022 were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2023	December 31, 2022
Exercise price (CA$)	$0.83 - $1.00	$1.08
Share price (CA$)	$0.83 - $1.08	$1.08
Risk-free interest rate	2.8% - 3.3%	3.07%
Expected life	5 years	5 years
Expected stock price volatility	87.99% - 92.72%	93.2%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per option (CA$)	$0.58 - $0.79	$0.78

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

(Expressed in United States dollars, unless otherwise indicated)

c) Share-based compensation (Cont'd)

Stock Options

Options outstanding:

As at December 31, 2023				As at December 31, 2022			
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	1,100,000	1,100,000	0.30	1.4
455,000	455,000	0.35	1.5	455,000	455,000	0.35	2.5
2,005,000	2,005,000	1.02	2.1	2,005,000	2,005,000	1.02	3.1
2,937,429	2,937,429	1.39	3.0	2,937,429	2,937,429	1.39	4.0
1,463,157	-	1.08	4.0	1,463,157	-	1.08	5.0
47,250	-	0.83	5.0	-	-	-	-
1,517,743	-	1.00	4.1	-	-	-	-
9,525,579	6,497,429	1.02	2.8	7,960,586	6,497,429	1.03	3.5

Omnibus Incentive Plan

Security-based awards under the Omnibus Incentive Plan (the "**Omnibus Plan**") consists of RSUs and PSUs for officers and directors. The maximum number of security-based awards to be granted under the Omnibus Plan is 12,500,000 and any adjustments are subject to approval by the TSX-V and the shareholders of the Company.

As at December 31, 2023, the Company has 5,104,994 shares available under the Omnibus Plan for future grants.

The following table summarizes the outstanding RSUs and PSUs:

	Grant Date	Security Based Award	Number of Awards	Vesting Schedule
Officers	December 27, 2023	RSU	906,639	Note 1
Officers	December 27, 2023	PSU	768,880	Note 2
Directors	January 19, 2023	RSU	1,319,101	Note 3
Officers	January 19, 2023	RSU	1,400,000	Note 4
Directors	December 27, 2022	RSU	436,500	Note 5
Officers	December 27, 2022	RSU	2,637,943	Note 6
			7,469,063	

[1] 182,530 RSUs vest on December 27, 2024 and January 19, 2025 and 541,579 RSUs vest on January 19, 2026.

[2] The PSUs vest between 0% and 100% on January 19, 2027, subject to the achievement of certain corporate performance criteria.

[3] 329,775 RSUs vest on the following dates: January 19, 2024, April 6, 2024, and July 6, 2024, and 329,776 RSUs vest on October 6, 2024. On December 27, 2023, all the directors elected to extend the January 19, 2024 vesting date to June 14, 2024.

(Expressed in United States dollars, unless otherwise indicated)

c) Share-based compensation (Cont'd)

Omnibus Incentive Plan

[4] 330,057 RSUs vest on each of the first and second anniversaries and 739,886 RSUs on the third anniversary of grant date. On December 27, 2023, all the Officers elected to extend the January 19, 2024 vesting date to June 14, 2024.
[5] Certain directors have elected to extend the vesting date from December 27, 2023 to June 14, 2024.
[6] 293,104 RSUs, 293,104 RSUs and 2,051,706 RSUs vest on the first, second and third anniversary of grant date, respectively.

On January 19, 2023, the Company granted 2,719,101 RSUs to its officers and directors at a price of CA$1.08 per RSU. The fair value of the RSUs granted on January 19, 2023 was CA$2,936,629 which will be amortized over the vesting period of between one year and three years.

On December 27, 2023, the Company granted 906,639 RSUs and 768,880 PSUs to its employees and officers at a price of CA$0.83 per unit. The fair value of the RSUs and the maximum fair value of the PSUs were CA$1,390,681, which will be amortized over the vesting period of three years.

d) Warrants

The following table summarizes the activity related to Warrants:

	Number of Warrants	Weighted Average Exercise Price (CA$)
Balance, December 31, 2021	30,538,111	$ 1.07
Issued	9,322,986	1.50
Exercised	(3,777,528)	1.13
Expired	(71,498)	1.00
Balance, December 31, 2022	36,012,071	1.20
Issued	2,802,690	1.21
Exercised	(18,851,943)	0.94
Expired	(8,007,141)	1.48
Balance, December 31, 2023	11,955,677	$ 1.43

(Expressed in United States dollars, unless otherwise indicated)

d) Warrants (Cont'd)

Warrants outstanding:

As at December 31, 2023			As at December 31, 2022		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years
-	-	-	2,329,238	1.20	0.4
-	-	-	2,819,030	1.20	0.6
-	-	-	9,498,400	0.61	0.1
-	-	-	1,612,436	0.98	0.1
-	-	-	9,431,981	1.50	0.4
-	-	-	998,000	1.50	0.4
8,762,071	1.50	0.7	8,762,071	1.50	1.7
390,916	1.50	0.9	560,915	1.50	1.9
2,802,690	1.21	0.7	-	-	-
11,955,677	1.43	0.7	36,012,071	1.20	0.7

Broker Warrants

The following table summarizes the activity related to Broker Warrants:

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

(Expressed in United States dollars, unless otherwise indicated)

d) Warrants (Cont'd)

Broker Warrants

No broker warrants were issued during the year ended December 31, 2023. The fair value of the broker warrants granted in the year ended December 31, 2022 was estimated on the date of the grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	December 31, 2023	December 31, 2022
Exercise price (CA$)	-	$1.50
Share price (CA$)	-	$1.26 - $1.29
Risk-free interest rate	-	3.59% - 3.92%
Expected life	-	2 years
Expected stock price volatility	-	85.63% - 93.01%
Dividend payments	-	Nil
Expected forfeiture rate	-	Nil
Fair value per broker warrant (CA$)	-	$0.54 - $0.60

Broker warrants outstanding:

As at December 31, 2023			**As at December 31, 2022**		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)
-	-	-	18,720	1.20	0.4
-	-	-	1,636	1.20	0.5
-	-	-	134,543	0.61	0.1
-	-	-	109,702	0.98	0.1
316,758	1.50	0.7	316,758	1.50	1.7
39,264	1.50	0.9	39,264	1.50	1.9
356,022	1.50	0.7	620,623	1.21	1.0

(Expressed in United States dollars, unless otherwise indicated)

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. The payments relate to management fees.
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. The payments relate to director fees.
ROTAK LLC	ROTAK is one of the providers to the Company of helicopter support services in Alaska and provided these services to the Company in 2022. One of Taiga's principals is also a manager in the entity that controls ROTAK.
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. Payments relate to director fees.
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. Payments in 2023 were related to interest on a $5 million loan that was settled in December 2023.

a) Related party transactions

	Twelve months ended December 31,	
	2023	2022
Huston & Huston Holdings Corp.	**$ 877,500**	$ 617,755
Rockford Resources LLC	**30,000**	30,000
ROTAK LLC	**-**	447,496
SSP Partners LLC	**30,000**	16,401
Taiga Mining Company, Inc.	**220,274**	-
	$ 1,157,774	$ 1,111,652

Amounts owing to other related parties are non-interest bearing and unsecured, primarily for payroll obligations. As at December 31, 2023, the Company owed $690,000 (December 31, 2022 - $25,000) to related parties.

During the year ended December 31, 2023, Taiga completed the following transactions with the Company:

i) exercised 6,059,230 warrants at an average exercise price of $0.99 (CA$1.32) for gross proceeds of $5,977,635 (CA$8,021,550).

(Expressed in United States dollars, unless otherwise indicated)

13. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

a) Related party transactions

ii) on July 19, 2023, G1 Alaska, the Company's wholly owned subsidiary entered into an unsecured loan agreement (the "**Loan**") for advances of up to $5.0 million, which was to mature on July 17, 2024 and carries an interest rate of twelve (12) percent per annum. In connection with the Loan, the Company granted Taiga an option to acquire a 1% NSR on 133 Alaska state claims owned or leased by the Company.

iii) on December 27, 2023, Taiga exercised its option to acquire the 1% NSR from the Company in exchange for the settlement of the $5.0 million loan and approximately $0.2 million of accrued interest. The 1% NSR 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.

b) Key management compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Executive Chair, Chief Financial Officer, three (3) Vice-Presidents and the directors of the Company. During the year ended December 31, 2023, the Company capitalized $0.1 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:

	Years ended December 31,	
	2023	2022
Management fees	**$ 877,500**	$ 617,755
Director fees	**120,000**	91,401
Salaries and benefits	**2,027,277**	1,488,198
Share-based payments	**4,067,310**	26,400
	$ 7,092,087	$ 2,223,754

14. RESEARCH AND 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. 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 research and development expenses, net of receipts from the DLA.

For the year ended December 31, 2023, the Company received $787,593 from the DLA, which was applied against $877,863 of expenses relating to the development of the graphite and graphene-based foam fire suppressant.

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.

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

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 December 31, 2023, the Company had a working capital balance of $74,499 (December 31, 2022: $3,769,381 working capital deficit). On July 17, 2023, the Company was awarded the Grant of up to $37.5 million from the DoD to accelerate the completion of its Graphite Creek feasibility study and entered into an unsecured, $5.0 million loan with Taiga, a related party, which was subsequently settled on December 27, 2023. The Company submits a monthly draw down from the DoD for reimbursement for DoD's share of the feasibility study expenditures. The Grant and the proceeds from any debt or equity financings will be used to fund the ongoing operations and the Graphite Creek project. There can be no assurance that the Company can obtain additional financing on terms acceptable to the Company or at all.

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 $1,824,331 in cash and cash equivalents at December 31, 2023, 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 December 31, 2023, the Company has certain monetary items denominated in United States dollars and British pounds. Based on these net exposures, a 10% appreciation or depreciation of the United States Dollar would result in an increase or decrease the Company's net loss by $24,594 (December 31, 2022: $18,002).

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.

(Expressed in United States dollars, unless otherwise indicated)

16. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

Years ended		**December 31, 2023**		December 31, 2022
Loss before income taxes		**8,451,967**		$5,698,534
Statutory rate		**27%**		27%
Expected tax recovery		**2,282,031**		1,538,604
Effect of tax rate changes and tax rates in foreign jurisdictions		**(30,130)**		(4,595)
Non-deductible expenses		**(1,178,020)**		(11,322)
Tax benefits not recognised		**(1,079,302)**		(2,000,659)
Share issue costs		**162,195**		180,137
Foreign exchange and other		**(156,774)**		297,835
Income tax recovery (expense)	**$**	**-**	$	-

Unrecognized deferred tax asset is comprised of the following tax affected temporary differences:

Years ended		**December 31, 2023**		December 31, 2022
Mineral properties		**96,210**		$126,700
Equipment		**20,948**		3,427
Non-capital losses carried forward		**8,163,508**		7,286,772
Capital loss carried forward		**237,319**		231,747
Share issuance costs		**349,797**		539,747
Unrecognized deferred tax asset	**$**	**8,867,782**	$	8,188,393

As at December 31, 2023, the Company had tax loss carry forwards available:

Canada	$	23,851,554 (expire between 2026 and 2042)
United States	$	8,207,563 (expire between 2030 and 2042)

The ability to use U.S. loss carry-forwards in the future is subject to certain limitations under provisions of the Internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Graphite One Inc. and the U.S. tax losses related to G1 Alaska may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company:

a) On February 13, 2024 announced amendments to the terms of an aggregate 11,955,677 outstanding common share purchase warrants (the "**Warrants**") that are due to expire on August 28, 2024, September 17, 2024, and November 21, 2024 such that the exercise price of all the Warrants is reduced to CA$1.00 per warrant, if exercised between February 20, 2024 and March 21, 2024, which was subsequently extended to March 28, 2024 (the "**Reduced Term**"). The exercise price will revert to the original exercise price for any Warrants that were not exercised during the Reduced Term.

   If the Warrants are exercised during the Reduced Term, the holder of such Warrant will receive for each Warrant exercised, at no additional cost, one common share purchase warrant (the "**Sweetener Warrant**"), whereby the Sweetener Warrant will have an exercise price of CA$1.00 per common share and expire 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 TSX-V Venture Exchange (the "**TSX-V**") equals or exceeds Cdn$1.20 (the "**Warrant Incentive Program**").

   The Sweetener Warrants will be subject to a four month and one day hold period from their date of issuance.

   On April 2, 2024, the Company closed the Warrant Incentive Program receiving aggregate gross proceeds of CA$5,130,873 ($3,780,000) from the exercise of 5,130,873 Warrants. The exercise price on the remaining 6,824,804 Warrants that were not exercised during Reduced Term revert to the original terms as they existed prior to the Warrant Incentive Program.

   In connection with the Warrant Incentive Program, the Company issued an aggregate of 5,130,873 Sweetener Warrants.

b) On March 20, 2024, the Company announced it had selected Ohio's "Voltage Valley" as the site of the Company's graphite anode manufacturing plant by entering into a land lease agreement for a 50-year term, contingent on certain future events.

c) On March 19, 2024, the Company granted 2,905,158 Options, 2,376,956 RSUs and 1,215,778 PSUs to its employees, officers, directors, and advisors pursuant to the terms of the Company's Stock Option Plan and Omnibus Plan.

   The Options were granted at an exercise price of CA$0.93, being the closing price of the Company's shares on the TSX-V on March 18, 2024. The Options vest one-third (1/3) on the first, second and third anniversary from the March 19, 2024 grant date and will expire on March 19, 2029.

   Each RSU will convert into one common share of the Company on each vest date. The Company granted 1,215,778 RSUs its officers which vest one-third (1/3) on the first, second, and third anniversary dates from the date of grant and granted 1,161,178 RSUs to directors. One-quarter (1/4) of the RSUs will vest on the following dates: March 19, 2025, March 31, 2025, June 30, 2025 and September 30, 2025. Each PSU will convert into one common share subject to the achievement of certain corporate performance criteria which will vary from 0% to 100% vesting on the March 19, 2027 vesting date.