GRAPHITE ONE INC.

Condensed Interim Consolidated Financial Statements

March 31, 2024
(Unaudited)

Graphite One

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

	Note	March 31, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash and cash equivalents	6	**$ 3,528,186**	$ 1,824,331
Receivables	7	**1,361,155**	744,845
Prepaids and deposits	8	**151,665**	110,309
Total current assets		**5,041,006**	2,679,485
Property and equipment	9	**801,398**	866,853
Exploration and evaluation property	10	**58,713,027**	57,683,886
Non-current advances and deposits		**361,622**	118,429
Restricted cash	10	**100,275**	100,040
Intangible assets		**52,027**	61,959
Total assets		**65,069,355**	$ 61,510,652
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	**$ 2,820,880**	$ 2,548,819
Lease obligations		**41,952**	56,167
Total liabilities		**2,862,832**	2,604,986
SHAREHOLDERS' EQUITY			
Share capital	12	**87,765,603**	87,765,603
Shares to be issued		**3,794,348**	-
Reserves		**16,247,519**	15,558,464
Cumulative translation adjustment		**3,526,155**	3,513,254
Deficit		**(49,127,102)**	(47,931,655)
Total shareholders' equity		**62,206,523**	58,905,666
Total liabilities and shareholders' equity		**$ 65,069,355**	$ 61,510,652
Going concern	2		

Approved by the Board of Directors:

«Anthony Huston»
Director

«Douglas Smith»
Director

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

GRAPHITE ONE INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in United States dollars)

	Note	Three months ended March 31, 2024		2023
Expenses				
Management fees and salaries and benefits	13	**202,996**	$	325,643
Marketing and investor relations		**106,318**		716,114
Consulting and advisory fees		**64,498**		79,769
Office and administration		**77,044**		107,714
Professional fees		**144,552**		32,113
Share-based payments		**585,515**		764,487
		1,180,923		**2,025,840**
Other (income) expenses				
Foreign exchange loss		**16,247**		5,866
Interest income		**(3,210)**		(18)
Interest expense		**1,487**		4,295
		14,524		10,143
Net loss for the period		**1,195,447**		**2,035,983**
Other comprehensive loss				
Foreign currency translation		**(12,901)**		6,616
Net loss and comprehensive loss for the period		**$ 1,182,546**	$	2,042,599
Basic and diluted loss per common share		**$ 0.01**	$	0.02
Weighted average number of common shares outstanding		**132,283,348**		116,042,514

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

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

	Common Shares		Shares		Cumulative Translation		
		Amount	to be Issued	Reserves	Adjustment	Deficit	Total
	Number	$	$	$	$	$	$
Balance, January 1, 2024	**132,283,348**	**87,765,603**	**-**	**15,558,464**	**3,513,254**	**(47,931,655)**	**58,905,666**
Shares to be issued on warrant exercises	-		3,794,348	-	-	-	3,794,348
Share-based payments	-	-	-	689,055	-	-	689,055
Changes in cumulative translation adjustment	-	-	-	-	12,901	-	12,901
Net loss for the period	-	-	-	-	-	(1,195,447)	(1,195,447)
Balance, March 31, 2024	**132,283,348**	**87,765,603**	**3,794,348**	**16,247,519**	**3,526,155**	**(49,127,102)**	**62,206,523**

	Common Shares		Shares		Cumulative Translation		
		Amount	to be Issued	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	11,841,553	6,186,565	-	-	-	-	6,186,565
Shares issued on broker warrant exercises	244,245	313,084	-	(172,135)	-	-	140,949
Share-based payments	-	-	-	935,925	-	-	935,925
Changes in cumulative translation adjustment	-	-	-	-	(6,616)	-	(6,616)
Net loss for the period	-	-	-	-	-	(2,035,983)	(2,035,983)
Balance, March 31, 2023	121,562,677	77,990,452	-	12,793,686	3,462,471	(41,515,671)	52,730,938

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

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

	Three months ended March 31, 2024	2023
OPERATING ACTIVITIES		
Net loss for the period	**$ (1,195,447)**	$ (2,035,983)
Items not involving cash:		
Share-based payments	**585,515**	764,487
Unrealized foreign exchange loss	**28,272**	(4,060)
Depreciation and amortization	**4,289**	4,630
Interest on leases payable	**1,487**	4,295
Changes in non-cash working capital items		
Receivables	**(55,838)**	(4,226)
Prepaids and deposits	**(41,356)**	(74,839)
Accounts payable and accrued liabilities	**24,003**	(284,604)
Cash used in operating activities	**(649,075)**	(1,630,300)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**-**	6,327,514
Proceeds from warrant exercises	**3,794,348**	-
Lease payments	**(15,701)**	(44,625)
Cash provided by financing activities	**3,778,647**	6,282,889
INVESTING ACTIVITIES		
Exploration and evaluation property expenditures	**(2,265,504)**	(3,951,828)
Changes in restricted cash	**(235)**	-
Grant proceeds	**860,436**	-
Purchase of equipment	**(5,756)**	(6,841)
Cash used in investing activities	**(1,411,059)**	(3,958,669)
Effect of foreign exchange on cash and cash equivalents	**(14,658)**	(2,311)
Increase in cash and cash equivalents during the period	**1,703,855**	691,609
Cash and cash equivalents at beginning of the period	**1,824,331**	501,704
Cash and cash equivalents at end of the period	**$ 3,528,186**	$ 1,193,313
Supplemental cash flow information:		
Non-cash Investing and financing activities		
Depreciation capitalized to property	**$ 76,160**	$ 99,568
Grant proceeds in accounts receivable	**944,906**	-
Changes to accounts payable related to investing	**278,125**	3,022,285
Share-based payments capitalized to property	**103,520**	73,908
	$ 1,402,711	$ 3,195,761

The accompanying notes are an integral part of these condensed interim 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 ("**TSXV"**) under the symbol GPH and the over-the-counter market exchange ("**OTCQX"**) in the United States under the symbol GPHOF. The Company's registered office is located at Suite 600 – 777 Street Hornby, Vancouver, B.C. V6Z 1S4.

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

The ability of the Company to proceed with the evaluation and development of the Project depends on a number of factors, the key ones including obtaining the necessary financing to complete the evaluation and development, and ultimately for the evaluation to demonstrate a positive financial outlook.

2. GOING CONCERN

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

As at March 31, 2024, the Company had a cash balance of $3,528,186 (December 31, 2023: $1,824,331), working capital of $2,178,174 (December 31, 2023: $74,499), and an accumulated deficit of $49,127,102 (December 31, 2023: $47,931,655). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three months ended March 31, 2024, cash used in operating activities totaled $649,075 (March 31, 2023: $1,630,300) and $1,411,059 (March 31, 2023: $3,958,669) were spent on project related expenditures. Subsequent to March 31, 2024, the Company issued 5,130,873 common shares for gross proceeds of $3,794,348 (CA$5,130,873) received in the quarter from the exercise of common share purchase warrants at a reduced exercise price of $0.74 (CA$1.00) per common share pursuant to the Warrant Incentive Program, as such term is defined in Note 12d, and signed a revised cost share agreement with the Department of Defense ("**DoD**") to adjust the DoD's share of expenditures associated with the feasibility study from 50% to 75% based on a revised contract value of $49.8 million. The DoD's maximum share of the expenditures is now $37.3 million.

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. Based on projected administrative and project expenditures for 2024, the Company will require additional financings to continue to operate. There can be no assurance that the Company will be successful in securing adequate funding through additional financings, which gives rise to material uncertainty that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

3. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) applicable to the preparation of interim financial statements, under International Accounting Standards (“**IAS**”) 34 – Interim Financial Reporting and were approved for issuance by the Board of Directors of the Company on May 29, 2024. These financial statements have been condensed with certain disclosures omitted from the Company’s audited consolidated financial statements for the year ended December 31, 2023. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the 2023 annual financial statements.

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

4. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

<u>Leases</u>

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

The Company exercised judgement in defining the lease term for a 50-year lease signed on March 15, 2024 that includes termination rights. The Company has a right to terminate the lease during the first 18 months of the lease term (the “**Termination Rights Period**”).

As at March 31, 2024, management is reasonably uncertain whether the Company will not terminate the lease due to the risk of certain triggering events that may result in the Company exercising its right to terminate the lease. As a result of these uncertainties, management will recognize the lease on a month-to-month basis. Management will reassess the accounting as the circumstances change.

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

5. NEW STANDARD ADOPTED ON JANUARY 1, 2024

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment did not have a material impact on the Company.

6. CASH AND CASH EQUIVALENTS

	March 31 2024	December 31, 2023
Cash	$ 3,520,806	$ 1,816,770
Cash equivalents	7,380	7,561
	$ 3,528,186	$ 1,824,331

7. RECEIVABLES

	March 31, 2024	December 31, 2023
GST receivable	$ 88,197	$ 70,580
Government grant receivable	1,207,496	667,424
Other receivables	65,462	6,841
	$ 1,361,155	$ 744,845

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

During the three months ended March 31, 2024, the Company made submissions to the DoD to draw down $1,137,917 from the Grant for reimbursement of DoD's 50% share of the feasibility study costs of which $944,906 was outstanding at March 31, 2024. In addition, $262,590 was outstanding from the Defense Logistics Agency (Note 15). Subsequent to March 31, 2024, the outstanding balances were received.

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

8. PREPAIDS AND DEPOSITS

		March 31, 2024		December 31, 2023
Deposits and advances	$	**28,501**	$	7,432
Prepaid marketing		**19,180**		29,304
Prepaid expenses		**103,984**		73,573
	$	**151,665**	$	110,309

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Cost	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2022	1,209,977	25,911	283,390	1,519,278
Additions	168,073	25,090	76,863	270,026
Disposals	-	-	(237,750)	(237,750)
Transfer to exploration & evaluation assets	(23,520)			(23,520)
Effect on changes in foreign exchange rate	-	159	-	159
As at December 31, 2023	1,354,530	51,160	122,503	1,528,193
Additions	5,756	-	-	5,756
Effect on changes in foreign exchange rate	-	(193)	-	(193)
As at March 31, 2024	**1,360,286**	**50,968**	**122,503**	**1,533,757**

Accumulated depreciation	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2022	333,857	8,752	129,134	471,743
Depreciation	235,589	13,361	35,626	284,576
Disposals	-	-	(95,100)	(95,100)
Effect on changes in foreign exchange rate	-	122	-	122
As at December 31, 2023	569,446	22,235	69,660	661,341
Depreciation	67,045	4,107	-	71,152
Effect on changes in foreign exchange rate	-	(133)	-	(133)
As at March 31, 2024	**636,491**	**26,210**	**69,660**	**732,360**

Net book value ($)	Field Equipment $	Computers $	ROU Assets $	Total $
As at December 31, 2023	785,084	28,925	52,844	866,853
As at March 31, 2024	**723,795**	**24,758**	**52,844**	**801,398**

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

10. EXPLORATION AND EVALUATION PROPERTY

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

	Graphite Creek
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**
Assays and metallurgy	191,551
Geological consulting	15,619
Site preparation, drilling and camp operations	220,354
Engineering and technical assessments	466,870
Community consultation and meetings	35,126
Environmental studies	290,096
Capitalized depreciation	76,160
Capitalized share-based payments	103,520
Project management and administration	587,566
Secondary treatment plant project and other costs	180,196
Government grant - Note 7	(1,137,917)
Balance, March 31, 2024	**$ 58,713,027**

Property Summary

The Graphite Creek Property consists of 135 State of Alaska mining claims ("**State Claims**") and forty-one state selected claims ("**SS Claims**"). The Company maintains the State Claims by performing the required annual assessment work on or for the benefit of the State Claims; timely recording of the Affidavits of Annual Labor attesting to the performance of the required assessment work and by making timely annual rental payments to the Alaska Department of Natural Resources. The SS Claims only require an initial deposit and do not require any annual labor obligations or rental payments.

Taiga Mining Company, Inc. ("**Taiga**") has a 1% net smelter royalty ("**NSR**") on the Graphite Creek Property that commences on the first day of the month in which the first concentrate is produced from certain of the mineral claims for a period of twenty (20) years.

There are two NSR's outstanding on the Graphite Creek Property: a 5% NSR and a 2.5% NSR on certain Alaska state claims, of which 2% of each NSR can be purchased for a total of $4.0 million, leaving a 3.0% and a 0.5% NSR on their respective claims.

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

10. EXPLORATION AND EVALUATION PROPERTY (Cont'd)

On July 17, 2023, G1 Alaska was awarded the DoD Grant to cover up to $75.0 million to accelerate the completion of its Graphite Creek feasibility study, of which the DoD's share was up to $37.5 million and G1 Alaska's share is up to $37.5 million. 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.

Subsequent to March 31, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures associated with the feasibility study from 50% to 75% based on a revised contract value of $49.8 million. The DoD's maximum share of the expenditures is $37.3 million.

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
Accounts payable - Trade	$ **250,583**	$ 348,906
Accounts payable - Project	**910,403**	390,197
Payroll	**1,649,737**	1,650,004
Other liabilities	**10,157**	159,712
	$ **2,820,880**	$ 2,548,819

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Shares Issued

There were no shares issued during the three months ended March 31, 2024.

Subsequent to March 31, 2024, the Company issued 5,130,873 common shares for gross proceeds of $3,794,348 (CA$5,130,873) received prior to March 31, 2024 pursuant to the exercise of outstanding common share purchase warrants at a reduced exercise price of $0.74 (CA$1.00) per share (Note 12d).

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

c) Share Based Compensation

The following table summarizes the amount of share-based compensation recognized during the three months ended March 31, 2024 and 2023:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	$ 43,583	$ 99,312	$ 142,895	$ 41,488	$ 185,772	$ 227,260
Restriced share units	58,962	481,801	540,763	32,420	578,715	611,135
Performance share units	974	4,402	5,376	-	-	-
	$ 103,519	**$ 585,515**	**$ 689,034**	**$ 73,908**	**$ 764,487**	**$ 838,395**

Stock Options

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

The following table summarizes activity related to Options:

	Number of Options	Weighted Average Exercise Price (CA$)
Balance, December 31, 2022	**7,960,586**	**$ 1.03**
Granted	1,564,993	0.99
Balance, December 31, 2023	**9,525,579**	**1.02**
Granted	2,905,158	0.93
Balance, March 31, 2024	**12,430,737**	**$ 1.00**

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

Subsequent to March 31, 2024, the Company granted 900,000 Options to two individuals, who are both directors and officers of the Company (the "**Optionees**"). Each Option is exercisable into one common share of the Company at an exercise price of CA$0.85 and expires five years from the date of grant. The Options are subject to a three-year vesting period with 300,000 options vesting on the first, second and third anniversary from the grant date.

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

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

c) Share Based Compensation (Cont'd)

Stock Options (Cont'd)

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

	March 31, 2024	December 31, 2023
Exercise price (CA$)	$0.93	$0.83 - $1.00
Share price (CA$)	$0.93	$0.83 - $1.08
Risk-free interest rate	3.50%	2.8% - 3.3%
Expected life	5 years	5 years
Expected stock price volatility	86.1%	87.99% - 92.72%
Dividend payments	Nil	Nil
Expected forfeiture rate	Nil	Nil
Fair value per option (CA$)	$0.64	$0.58 - $0.79

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

Options outstanding:

As at March 31, 2024				As at December 31, 2023			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)
1,100,000	1,100,000	0.30	0.1	1,100,000	1,100,000	0.30	0.4
455,000	455,000	0.35	1.2	455,000	455,000	0.35	1.5
2,005,000	2,005,000	1.02	1.9	2,005,000	2,005,000	1.02	2.1
2,937,429	2,937,429	1.39	2.7	2,937,429	2,937,429	1.39	3.0
1,463,157	487,719	1.08	3.7	1,463,157	-	1.08	4.0
1,517,743	505,914	1.00	3.8	1,517,743	-	1.00	4.1
47,250	-	0.83	4.7	47,250	-	0.83	5.0
2,905,158	-	0.93	5.0	-	-	-	-
12,430,737	7,491,062	1.00	3.1	9,525,579	6,497,429	1.02	2.8

Omnibus Incentive Plan

Security-based awards under the Omnibus Incentive Plan (the "**Omnibus Plan**") consist of restricted share units ("**RSUs**") and performance share units ("**PSUs**"). The maximum number of security-based awards to be granted under the Omnibus Plan is 12,500,000 and any adjustments are subject to approval by the TSXV and the shareholders of the Company.

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

c) Share Based Compensation (Cont'd)

Omnibus Incentive Plan (Cont'd)

As of March 31, 2024, the Company has 743,380 common shares available under the Omnibus Plan for future grants.

On March 19, 2024, the Company granted 2,376,956 RSUs to its officers and directors at a price of CA$0.93 per RSU. The fair value of the RSUs granted on March 19, 2024 was CA$2,210,569, which will be amortized over its vesting period from one year to three years from date of grant.

On March 19, 2024, the Company granted 1,215,778 PSUs to its officers at a price of CA$0.93 per unit and vest on March 19, 2027 ranging from 0% to 100% subject to the share price performance of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date. The estimated fair value of the PSUs was $584,148, which will be amortized over its vesting period.

The following table summarizes the outstanding RSUs and PSUs:

	Grant Date	Security Based Award	Number of Awards	Vesting Schedule
Officers	March 19, 2024	PSU	1,215,778	Note 1
Officers	March 19, 2024	RSU	1,215,778	Note 2
Directors	March 19, 2024	RSU	1,161,178	Note 3
Officers	December 27, 2023	RSU	906,639	Note 4
Officers	December 27, 2023	PSU	768,880	Note 5
Directors	January 19, 2023	RSU	1,319,101	Note 6
Officers	January 19, 2023	RSU	1,400,000	Note 7
Directors	December 27, 2022	RSU	436,500	Note 8
Officers	December 27, 2022	RSU	2,637,943	Note 9
			11,061,797	

[1] The PSUs vest between 0% to 100% on March 19, 2027, subject to the share price performance of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date.
[2] The 1,215,778 RSUs vest one-third on the first, second and third anniversary dates.
[3] The 1,161,178 RSUs vest one quarter on the following dates: March 29, 2025, March 31, 2025, June 30, 2025 and September 30, 2025.
[4] 182,530 RSUs vest on December 27, 2024 and January 19, 2025 and 541,579 RSUs vest on January 19, 2026.
[5] The PSUs vest between 0% to 100% on January 19, 2026, subject to the share price performance of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date
[6] 329,775 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.
[7] 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.
[8] On December 27, 2023, certain independent directors elected to extend the vesting date on 436,500 RSUs to June 14, 2024.
[9] 293,104 RSUs, 293,104 RSUs and 2,051,735 RSUs vest on the first, second and third anniversary of grant date, respectively. On December 27, 2023, all the officers elected to extend the December 27, 2023 vest date on 293,104 RSUs to June 14, 2024.

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

d) Warrants

The following table summarizes the activity related to Warrants:

	Number of Warrants		Weighted Average Exercise Price (CA$)
Balance, December 31, 2022	36,012,071	$	1.20
Issued	2,802,690		1.21
Exercised	(18,851,943)		0.94
Expired	(8,007,141)		1.48
Balance, December 31, 2023	11,955,677		1.43
Balance, March 31, 2024	11,955,677	$	1.43

Warrants outstanding:

As at March 31, 2024			As at December 31, 2023		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life years
8,762,071	1.50	0.4	8,762,071	1.50	0.7
390,916	1.50	0.6	390,916	1.50	0.9
2,802,690	1.21	0.5	2,802,690	1.21	0.7
11,955,677	1.43	0.4	11,955,677	1.43	0.7

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

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

Subsequent to March 31, 2024, the Company closed its Warrant Incentive Program receiving aggregate gross proceeds of $3,794,348 (CA$5,130,873), which were received prior to March 31, 2024 from the exercise of 5,130,873 outstanding Warrants, and included Taiga's exercise of 2,258,873 Warrants (Note 13a). The exercise price on the remaining 6,824,804 Warrants that were not exercised during the Reduced Term reverted to the original terms as they existed prior to the Warrant Incentive Program. In connection with the exercise of the Warrants, the Company issued an aggregate of 5,130,873 Sweetener Warrants.

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

e) Broker Warrants

No broker warrants were issued during the three months ended March 31, 2024.

The following table summarizes the activity related to Broker Warrants:

	Number of Warrants		Weighted Average Exercise Price (CA$)
Balance, December 31, 2022	620,623	$	1.21
Exercised	(262,965)		0.72
Expired	(1,636)		0.72
Balance, December 31, 2023	356,022		1.50
Balance, March 31, 2024	356,022	$	1.50

Broker warrants outstanding:

As at March 31, 2024			As at December 31, 2023		
Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Weighted average exercise price (CA$)	Weighted average remaining contractual life (years)
316,758	1.50	0.4	316,758	1.50	0.7
39,264	1.50	0.6	39,264	1.50	0.9
356,022	1.50	0.4	356,022	1.50	0.7

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

a) Related party transactions

	Nature of Transaction	Three months ended March 31, 2024	2023
Huston & Huston Holdings Corp.	Management fees	$ **112,500**	$ 112,500
Rockford Resources LLC	Director fees	**7,500**	7,500
SSP Partners LLC	Director fees	**7,500**	7,500
		$ **127,500**	$ 127,500

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

Subsequent to March 31, 2024, as part of the Warrant Incentive Program, Taiga exercised 2,258,957 Warrants at a reduced exercise price of $0.74 (CA$1.00) for gross proceeds of $1,673,203 (CA$2,258,957). In addition, Taiga received 2,258,957 Sweetener Warrants under the Warrant Incentive Program.

Key management and director compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and includes the President and Chief Executive Officer, Executive Chair, Chief Financial Officer, four (4) Vice-Presidents and the directors of the Company. During the three months ended March 31, 2024, the Company capitalized $0.5 million of key management compensation to exploration and evaluation property and the fire-fighting foam suppressant project.

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

	Three months ended March 31, 2024	2023
Management fees	$ **112,500**	$ 112,500
Director fees	**30,000**	30,000
Salaries	**437,500**	213,000
Share-based payments	**689,035**	736,023
	$ **1,269,035**	$ **1,091,523**

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. This is being accounted for as a government grant and is anticipated to be cost neutral to the Company. The $4.7 million contract was based on an estimate of all costs the Company will incur. The project is executed in partnership with Vorbeck Materials Corp. to meet the requirements of the DLA agreement. Costs incurred by the Company, including contractual payments to Vorbeck, are recorded as research and development expenses, net of receipts from the DLA. Any difference in receipts and expenses is adjusted to working capital for the reporting period and will be reflected in the income statement at the end of the contract in 2025.

14. RESEARCH AND DEVELOPMENT (Cont'd)

For the three months ended March 31, 2024, the Company received $1,050,361 from the DLA, which was applied against $1,038,889 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 cash equivalents, and government grant receivables 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 March 31, 2024, the Company had a working capital balance of $2,178,174 (December 31, 2023: $74,499). On July 17, 2023, the Company was awarded a Grant of up to $37.5 million from the DoD to accelerate the completion of its Graphite Creek feasibility study. Subsequent to March 31, 2024, the Company signed a revised cost share agreement with the DoD to adjust their share of expenditures associated with the feasibility study from 50% to 75% based on a revised contract value of $49.8 million. The DoD's maximum share of the expenditures is now $37.3 million.

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 $3,528,186 in cash and cash equivalents at March 31, 2024, on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

d) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

At March 31, 2024, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the United States Dollar would result in an increase or decrease the Company's net loss by $93,839 (December 31, 2023: $24,594).

15. FINANCIAL RISK MANAGEMENT

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.