

**GRAPHITE ONE INC.**

**Condensed Interim Consolidated Financial Statements**

**June 30, 2024**  
**(Unaudited)**

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

	Note	June 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	\$ 6,950,284	\$ 1,824,331
Receivables	7	3,822,413	744,845
Prepays and deposits	8	90,981	110,309
<b>Total current assets</b>		<b>10,863,678</b>	<b>2,679,485</b>
Property and equipment	9	668,509	866,853
Exploration and evaluation property	10	55,684,284	57,683,886
Non-current advances and deposits		557,106	118,429
Restricted cash	10	100,513	100,040
Intangible assets		42,557	61,959
<b>Total assets</b>		<b>67,916,647</b>	<b>\$ 61,510,652</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 6,617,191	\$ 2,548,819
Lease obligations		27,307	56,167
<b>Total liabilities</b>		<b>6,644,498</b>	<b>2,604,986</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	91,931,761	87,765,603
Reserves		16,612,208	15,558,464
Cumulative translation adjustment		3,515,112	3,513,254
Deficit		(50,786,932)	(47,931,655)
<b>Total shareholders' equity</b>		<b>61,272,149</b>	<b>58,905,666</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 67,916,647</b>	<b>\$ 61,510,652</b>

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 June 30,		Six months ended June 30,	
		2024	2023	2024	2023
<b>Expenses</b>					
Management fees and salaries and benefits	13	\$ 221,478	\$ 281,807	\$ 424,474	\$ 607,450
Marketing and investor relations		228,632	677,268	334,950	1,393,382
Consulting and advisory fees		63,000	115,945	127,498	195,714
Office and administration		161,375	182,935	238,419	290,649
Professional fees		113,123	117,194	257,675	149,307
Share-based payments		869,767	849,388	1,455,282	1,613,875
		<b>1,657,375</b>	<b>2,224,537</b>	<b>2,838,298</b>	<b>4,250,377</b>
<b>Other (income) expenses</b>					
Foreign exchange loss (gain)		2,814	(24,320)	19,061	(18,454)
Interest income		(1,414)	(12)	(4,624)	(30)
Interest expense		1,056	3,074	2,543	7,369
		<b>2,456</b>	<b>(21,258)</b>	<b>16,980</b>	<b>(11,115)</b>
<b>Net loss for the period</b>		<b>1,659,831</b>	<b>2,203,279</b>	<b>2,855,278</b>	<b>4,239,262</b>
<b>Other comprehensive loss</b>					
Foreign currency translation		11,043	(13,866)	(1,858)	(17,364)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ 1,670,873</b>	<b>\$ 2,189,413</b>	<b>\$ 2,853,419</b>	<b>\$ 4,221,898</b>
Basic and diluted loss per common share		\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.04
Weighted average number of common shares outstanding		137,818,065	125,235,328	135,050,707	120,664,315

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

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

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, January 1, 2024</b>	<b>132,283,348</b>	<b>87,765,603</b>	<b>15,558,464</b>	<b>3,513,254</b>	<b>(47,931,655)</b>	<b>58,905,666</b>
Shares issued on warrant exercises	5,130,873	3,193,973	600,375	-	-	3,794,348
Shares issued on option exercises	200,000	79,759	(35,874)	-	-	43,885
Shares issued on vesting of share units, net of taxes paid	965,085	918,047	(1,316,699)	-	-	(398,652)
Share issue costs	-	(25,622)	-	-	-	(25,622)
Share-based payments	-	-	1,805,942	-	-	1,805,942
Changes in cumulative translation adjustment	-	-	-	1,858	-	1,858
Net loss for the period	-	-	-	-	(2,855,278)	(2,855,278)
<b>Balance, June 30, 2024</b>	<b>138,579,306</b>	<b>91,931,761</b>	<b>16,612,208</b>	<b>3,515,112</b>	<b>(50,786,932)</b>	<b>61,272,149</b>

	Common Shares		Reserves	Cumulative Translation Adjustment	Deficit	Total
	Number	Amount				
		\$				
<b>Balance, January 1, 2023</b>	<b>109,476,879</b>	<b>71,490,803</b>	<b>12,029,896</b>	<b>3,469,087</b>	<b>(39,479,688)</b>	<b>47,510,098</b>
Shares issued on warrant exercises	18,751,943	13,052,356	-	-	-	13,052,356
Shares issued on broker warrant exercises	262,965	329,702	(172,139)	-	-	157,563
Shares issued on buy back of NSR royalty	456,500	446,612	-	-	-	446,612
Share-based payments	-	-	1,996,875	-	-	1,996,875
Changes in cumulative translation adjustment	-	-	-	17,364	-	17,364
Net loss for the period	-	-	-	-	(4,239,262)	(4,239,262)
<b>Balance, June 30, 2023</b>	<b>128,948,287</b>	<b>85,319,473</b>	<b>13,854,632</b>	<b>3,486,451</b>	<b>(43,718,950)</b>	<b>58,941,606</b>

*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		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (1,659,831)	\$ (2,203,279)	\$ (2,855,278)	\$ (4,239,262)
Items not involving cash:				
Share-based payments	869,767	849,388	1,455,282	1,613,875
Unrealized foreign exchange loss	(9,129)	1,540	19,143	(2,520)
Depreciation and amortization	4,228	3,838	8,517	8,468
Interest on leases payable	1,056	3,074	2,543	7,369
Changes in non-cash working capital items				
Receivables	(166,659)	32,357	(222,497)	28,130
Prepays and deposits	60,684	186,181	19,328	111,342
Accounts payable and accrued liabilities	62,252	143,075	86,255	(141,529)
Withholding tax payments on vested share units	(398,652)	-	(398,652)	-
Cash used in operating activities	(1,236,284)	(983,826)	(1,885,359)	(2,614,127)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	-	6,882,405	-	13,209,919
Proceeds from warrant exercises	-	-	3,794,348	-
Proceeds from option exercises	43,885	-	43,885	-
Share issue costs	(25,622)	-	(25,622)	-
Lease payments	(15,702)	(42,925)	(31,403)	(87,550)
Cash provided by (used in) financing activities	2,561	6,839,480	3,781,208	13,122,369
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation property expenditures	(4,479,869)	(3,759,117)	(6,745,373)	(7,710,945)
Changes in restricted cash	(238)	-	(473)	-
Grant proceeds	9,136,639	-	9,997,075	-
Purchase of equipment	-	(86,941)	(5,756)	(93,782)
Cash provided by (used in) investing activities	4,656,532	(3,846,058)	3,245,473	(7,804,727)
Effect of foreign exchange on cash and cash equivalents	(712)	13,005	(15,370)	10,694
Increase in cash and cash equivalents during the period	3,422,097	2,022,601	5,125,953	2,714,209
Cash and cash equivalents at beginning of the period	3,528,186	1,193,313	1,824,331	501,704
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 6,950,284</b>	<b>\$ 3,215,914</b>	<b>\$ 6,950,284</b>	<b>\$ 3,215,914</b>
<b>Supplemental cash flow information:</b>				
Non-cash Investing and financing activities				
Depreciation capitalized to property	\$ 80,294	\$ 116,905	\$ 156,454	\$ 216,473
Change in grant proceeds in accounts receivable	(2,576,395)	-	(2,853,877)	-
Shares issued for buy back of NSR royalty	-	450,163	-	450,163
Changes to accounts payable related to investing activities	2,909,134	1,354,388	3,982,118	(1,667,898)
Share-based payments capitalized to property	246,166	116,132	349,686	190,040
	\$ 659,199	\$ 2,037,588	\$ 1,634,382	\$ (811,222)

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

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### 1. NATURE OF OPERATIONS

Graphite One Inc. (“**Graphite One**” or the “**Company**”) is a Canadian publicly traded mineral exploration company headquartered in Vancouver, British Columbia and its common shares trades on the TSX Venture Exchange (“**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 June 30, 2024, the Company had a cash balance of \$6,950,284 (December 31, 2023: \$1,824,331), working capital of \$4,219,180 (December 31, 2023: \$74,499), and an accumulated deficit of \$50,786,932 (December 31, 2023: \$47,931,655). The Company has incurred losses since inception and does not generate any cash inflows from operations. For the six months ended June 30, 2024, cash used in operating activities totaled \$1,885,359 (June 30, 2023: \$2,614,127) and \$6,751,602 (June 30, 2023: \$7,804,727) were spent on project related expenditures, excluding grant proceeds.

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.

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

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### 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 August 7, 2024. These financial statements have been condensed with certain disclosures omitted from the Company’s audited consolidated financial statements for the year ended December 31, 2023. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the 2023 annual financial statements.

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

### 4. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

#### Leases

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

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

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### 5. NEW STANDARD ADOPTED ON JANUARY 1, 2024

#### Presentation of Financial Statements (Amendment to IAS 1)

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

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

### 6. CASH AND CASH EQUIVALENTS

	June 30 2024	December 31, 2023
Cash	\$ 6,942,978	\$ 1,816,770
Cash equivalents	7,306	7,561
	<u>\$ 6,950,284</u>	<u>\$ 1,824,331</u>

### 7. RECEIVABLES

	June 30, 2024	December 31, 2023
GST receivable	\$ 104,755	\$ 70,580
Government grant receivable	3,709,843	667,424
Other receivables	7,816	6,841
	<u>\$ 3,822,413</u>	<u>\$ 744,845</u>

On July 17, 2023, the Company was awarded a Department of Defense ("DoD") Technology Investment Agreement grant of up to \$37.5 million (the "Grant") under Title III of the Defense Production Act, funded through the Inflation Reduction Act, to fund 50% of the costs to complete the Graphite Creek feasibility study by November 30, 2024. On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is now \$37.3 million.

During the six months ended June 30, 2024, the Company drew down \$12,850,951 from the Grant, which included \$5,508,104 of reimbursements from expenses incurred prior to April 1, 2024 as a result of the revised cost share agreement. As at June 30, 2024 \$3,521,301 was outstanding from the DoD and \$188,542 was outstanding from the Defense Logistics Agency (Note 15). Subsequent to June 30, 2024, \$3,165,852 of the outstanding balances were received.



**GRAPHITE ONE INC.**

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

	June 30, 2024	December 31, 2023
Deposits and advances	\$ 3,653	\$ 7,432
Prepaid marketing	12,659	29,304
Prepaid expenses	74,669	73,573
	<b>\$ 90,981</b>	<b>\$ 110,309</b>

**9. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

Cost (\$)	Field			Total
	Equipment	Computers	ROU Assets	
As at December 31, 2022	1,209,977	25,911	283,390	1,519,278
Additions	168,073	25,090	76,863	270,026
Disposals	-	-	(237,750)	(237,750)
Transfer to exploration & evaluation assets	(23,520)			(23,520)
Effect on changes in foreign exchange rate	-	159	-	159
As at December 31, 2023	1,354,530	51,160	122,503	1,528,193
Additions	5,756	-	-	5,756
Disposals	-	(2,538)	-	(2,538)
Transfer to exploration & evaluation assets	(57,589)	-	-	(57,589)
Effect on changes in foreign exchange rate	-	(270)	-	(270)
<b>As at June 30, 2024</b>	<b>1,302,697</b>	<b>48,352</b>	<b>122,503</b>	<b>1,473,552</b>

Accumulated depreciation (\$)	Field			Total
	Equipment	Computers	ROU Assets	
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	122,569	8,199	28,818	159,587
Disposals	-	(2,538)	-	(2,538)
Transfer to exploration & evaluation assets	(13,162)	-	-	(13,162)
Effect on changes in foreign exchange rate	-	(183)	-	(183)
<b>As at June 30, 2024</b>	<b>678,853</b>	<b>27,714</b>	<b>98,478</b>	<b>805,044</b>

Net book value (\$)	Equipment	Computers	ROU Assets	Total
	\$	\$	\$	\$
As at December 31, 2023	785,084	28,925	52,844	866,853
<b>As at June 30, 2024</b>	<b>623,844</b>	<b>20,638</b>	<b>24,026</b>	<b>668,509</b>

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### 10. EXPLORATION AND EVALUATION PROPERTY

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

	Graphite Creek
<b>Balance, December 31, 2022</b>	<b>50,133,500</b>
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)
<b>Balance, December 31, 2023</b>	<b>57,683,886</b>
Assays and metallurgy	670,112
Geological consulting	227,857
Site preparation, drilling and camp operations	4,663,124
Engineering and technical assessments	1,616,894
Community consultation and meetings	106,030
Environmental studies	1,299,593
Capitalized depreciation	156,454
Capitalized share-based payments	349,686
Project management and administration	1,421,555
Secondary treatment plant project and other costs	340,044
Government grant - Note 7	(12,850,951)
<b>Balance, June 30, 2024</b>	<b>\$ 55,684,284</b>

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

(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. On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures associated with the feasibility study from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is \$37.3 million. During the six months ended June 30, 2024, the Company drew down \$12,850,951 from the Grant, which included \$5,508,104 of reimbursements as a result of the revised cost share agreement.

The term of the Agreement ends on November 30, 2024, the expenditures are subject to audit, and, if any funds remain available for drawdown from the Grant, the Company may request an extension to the term end date, if required.

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

	June 30, 2024	December 31, 2023
Accounts payable - Trade	\$ 107,258	\$ 348,906
Accounts payable - Project	3,830,625	390,197
Payroll	1,849,410	1,650,004
Other liabilities	829,898	159,712
	<u>\$ 6,617,191</u>	<u>\$ 2,548,819</u>

### 12. SHARE CAPITAL

#### a) Authorized

Unlimited number of common shares with no par value.

#### b) Shares Issued

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### c) Share Based Compensation

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

	Three months ended June 30, 2024			Three months ended June 30, 2023		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 143,244	\$ 195,155	\$ 338,399	\$ 51,185	\$ 202,658	\$ 253,843
Restricted share units	88,191	621,150	709,341	64,947	646,730	711,677
Performance share units	14,732	53,462	68,195	-	-	-
	<b>\$ 246,167</b>	<b>\$ 869,767</b>	<b>\$ 1,115,934</b>	<b>\$ 116,132</b>	<b>\$ 849,388</b>	<b>\$ 965,520</b>

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
Stock options	\$ 186,827	\$ 294,467	\$ 481,294	\$ 92,673	\$ 388,430	\$ 481,103
Restricted share units	147,153	1,102,950	1,250,103	97,367	1,225,445	1,322,812
Performance share units	15,706	57,865	73,571	-	-	-
	<b>\$ 349,686</b>	<b>\$ 1,455,282</b>	<b>\$ 1,804,968</b>	<b>\$ 190,040</b>	<b>\$ 1,613,875</b>	<b>\$ 1,803,915</b>

#### 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\$)
<b>Balance, December 31, 2022</b>	<b>7,960,586</b>	<b>\$ 1.03</b>
Granted	1,564,993	0.99
<b>Balance, December 31, 2023</b>	<b>9,525,579</b>	<b>1.02</b>
Granted	3,805,158	0.91
Exercised	(200,000)	0.30
Forfeited	(900,000)	0.30
<b>Balance, June 30, 2024</b>	<b>12,230,737</b>	<b>\$ 1.06</b>

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

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

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### c) Share Based Compensation (Cont'd)

#### Stock Options (Cont'd)

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

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

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

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

Options outstanding:

As at June 30, 2024				As at December 31, 2023			
Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of vested options	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
-	-	-	-	1,100,000	1,100,000	0.30	0.4
455,000	455,000	0.35	1.0	455,000	455,000	0.35	1.5
2,005,000	2,005,000	1.02	1.6	2,005,000	2,005,000	1.02	2.1
2,937,429	2,937,429	1.39	2.5	2,937,429	2,937,429	1.39	3.0
1,463,157	487,719	1.08	3.5	1,463,157	-	1.08	4.0
248,365	82,788	1.00	3.6	1,517,743	-	1.00	4.1
1,269,378	423,126	1.08	3.6	-	-	-	-
47,250	-	0.83	4.5	47,250	-	0.83	5.0
2,905,158	-	0.93	4.7	-	-	-	-
900,000	-	0.85	4.9	-	-	-	-
12,230,737	6,391,062	1.06	3.3	9,525,579	6,497,429	1.02	2.8

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

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

### c) Share Based Compensation (Cont'd)

#### Omnibus Incentive Plan

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

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

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

Grants	RSU	PSU	Total Outstanding
Balance, December 31, 2022	3,769,266	-	3,769,266
Issued	3,625,740	768,880	4,394,620
Vested	(694,823)	-	(694,823)
Balance, December 31, 2023	6,700,183	768,880	7,469,063
Issued	2,376,956	1,215,778	3,592,734
Vested	(1,719,209)	-	(1,719,209)
Balance, June 30, 2024	7,357,930	1,984,658	9,342,588

When shares vest, the Company calculates the tax liability owed by the recipients and withholds shares equivalent to this amount to cover the taxes. During the six months ended June 30, 2024, 1,719,209 shares have vested of which the Company withheld 754,124 shares to pay the recipient’s taxes.

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

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

### c) Share Based Compensation (Cont'd)

#### Omnibus Incentive Plan (Cont'd)

The following table summarizes the outstanding RSUs and PSUs:

<u>Awarded to:</u>	<u>Grant Date</u>	<u>Security Based Award</u>	<u>Number of Awards</u>	<u>Vesting Schedule</u>
Officers	March 19, 2024	PSU	1,215,778	Note 1
Officers	March 19, 2024	RSU	1,215,778	Note 2
Directors	March 19, 2024	RSU	1,161,178	Note 3
Officers	December 27, 2023	RSU	906,639	Note 4
Officers	December 27, 2023	PSU	768,880	Note 5
Directors	January 19, 2023	RSU	659,553	Note 6
Officers	January 19, 2023	RSU	1,069,943	Note 7
Officers	December 27, 2022	RSU	2,344,839	Note 8
			<u>9,342,588</u>	

<sup>1</sup> 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.

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

<sup>3</sup> 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.

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

<sup>5</sup> 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

<sup>6</sup> 329,775 RSUs vest on July 6, 2024 and 329,778 RSUs vest on October 6, 2024.

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

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

### 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
Exercised	(5,130,873)	1.00
Issued	5,130,873	1.00
Balance, June 30, 2024	11,955,677	\$ 1.22

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### d) Warrants (Cont'd)

Warrants outstanding:

As at June 30, 2024			As at December 31, 2023		
Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life years	Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life years
3,845,113	1.50	0.2	8,762,071	1.50	0.7
177,001	1.50	0.4	390,916	1.50	0.9
2,802,690	1.21	0.2	2,802,690	1.21	0.7
5,130,873	1.00	2.8	-	-	-
11,955,677	1.22	1.3	11,955,677	1.43	0.7

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

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

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



## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

### e) Broker Warrants

No broker warrants were issued during the six months ended June 30, 2024.

The following table summarizes the activity related to Broker Warrants:

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

Broker warrants outstanding:

As at June 30, 2024			As at December 31, 2023		
Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Number of warrants outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
316,758	1.50	0.2	316,758	1.50	0.7
39,264	1.50	0.4	39,264	1.50	0.9
356,022	1.50	0.2	356,022	1.50	0.7

### 13. RELATED PARTY TRANSACTIONS AND BALANCES

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

## GRAPHITE ONE INC.

Notes to the condensed interim consolidated financial statements

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

### a) Related party transactions

	Nature of Transaction	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Huston & Huston Holdings Corp.	Management fees	\$ 112,500	\$ 112,500	\$ 225,000	\$ 225,000
Rockford Resources LLC	Director fees	7,500	7,500	15,000	15,000
SSP Partners LLC	Director fees	7,500	7,500	15,000	15,000
		\$ 127,500	\$ 127,500	\$ 255,000	\$ 255,000

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

As part of the Warrant Incentive Program, Taiga exercised all of its 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. As at June 30, 2024, Taiga holds approximately 28% of the Company's outstanding common shares.

#### Key management and director compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and includes the President and Chief Executive Officer, Executive Chair, Chief Financial Officer, four (4) Vice-Presidents and the directors of the Company. During the three and six months ended June 30, 2024, the Company charged \$0.4 million and \$0.8 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Management fees	\$ 112,500	\$ 112,500	\$ 225,000	\$ 225,000
Director fees	30,000	30,000	60,000	60,000
Salaries	417,500	415,833	855,000	628,833
Share-based payments	1,115,934	1,015,357	1,804,968	1,751,380
	\$ 1,675,934	\$ 1,573,690	\$ 2,944,968	\$ 2,665,213

## 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.

## **GRAPHITE ONE INC.**

Notes to the condensed interim consolidated financial statements

For the three and six months ended June 30, 2024 and 2023

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

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### **14. RESEARCH AND DEVELOPMENT (Cont'd)**

For the six months ended June 30, 2024, the Company invoiced the DLA \$1,838,310 which was applied against the expenditures for 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 and government grant receivables.

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

#### **b) Liquidity risk (Note 2)**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due.

As at June 30, 2024, the Company had a working capital balance of \$4,219,180 (December 31, 2023: \$74,499). On July 17, 2023, the Company was awarded a Grant of up to \$37.5 million from the DoD to accelerate the completion of its Feasibility Study. On May 10, 2024, the Company signed a revised cost share agreement with the DoD to adjust the DoD's share of expenditures associated with the Feasibility Study from 50% to 75% based on a revised contract value of \$49.8 million. The DoD's maximum share of the expenditures is now \$37.3 million and as of June 30, 2024, the Company had received \$19.2 million of this amount.

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

#### **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 \$6,950,284 in cash and cash equivalents at June 30, 2024, on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

#### **d) Foreign currency risk**

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

At June 30, 2024, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the United States Dollar would result in an increase or decrease the Company's net loss by \$21,637 (December 31, 2023: \$24,594).

**GRAPHITE ONE INC.**

Notes to the condensed interim consolidated financial statements

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

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**15. FINANCIAL RISK MANAGEMENT (Cont'd)****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.