# GRAPHITE ONE INC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2024

As of August 7, 2024

Graphite One

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The Management's Discussion and Analysis ("**MD&A**") of the financial position and results of operations for Graphite One Inc. (the "**Company**" or "**Graphite One**") (TSXV: GPH and OTCQX: GPHOF) should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2024 and the related notes thereto ("**Financial Statements**"). These Financial Statements are 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, including IAS 34 Interim Financial Reporting. For further information on the Company, reference should be made to its public filings on SEDAR+ at www.sedarplus.ca.

This MD&A is prepared by management and approved by the Board of Directors as of August 7, 2024. The information and discussion provided in this MD&A is for the three and six months ended June 30, 2024, and where applicable, the subsequent period up to the date of this MD&A. All dollar amounts in this MD&A are expressed in United States dollars. Reference to "$" in this MD&A is the US dollar and reference to "CA$" is the Canadian dollar.

**Cautionary Statement on Forward-Looking Statements**

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this MD&A. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with regulatory and permitting considerations, financing of the Company and other activities, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements are based on certain assumptions that the Company has made in respect thereof as at the date of this MD&A regarding, among other things: economic and operating conditions, including commodity prices, interest rates, exchange rates, and inflation; the changes in market activity and growth will be consistent with industry activity in Canada and the U.S. and growth levels in similar phases of previous economic cycles; the ability of the Company to complete the feasibility study and in the timing as anticipated; anticipated sources of funding being available to the Company on terms favourable to the Company; the success of the Company's operations and growth prospects; the Company's competitive position, operating costs remaining substantially unchanged; that counterparties comply with contracts in a timely manner; that the Company will be able to enter into the material agreements that it is currently anticipating with respect to a third party technology licensing, consulting and supply agreements for the design and construction of a graphite anode manufacturing plant and with Lab 4 Inc. regarding a battery materials recycling facility; that there are no unforeseen events preventing the performance of contracts; that there are no unforeseen material costs in relation to the Company's operations; that prevailing regulatory, tax and environmental laws and regulations apply or are introduced as expected, and the timing of such introduction; increases to the Company's share price and market capitalization over the long term; the Company's ability to repay debt, if any, and return capital to shareholders; the Company's ability to obtain and retain qualified personnel (including those with specialized skills and knowledge), technology and equipment in a timely and cost-efficient manner; the Company's ability to access capital and insurance; operating and borrowing costs, including costs associated with the acquisition and maintenance of equipment and property; an increased focus on ESG, sustainability and environmental considerations in the mining industry; the impacts of climate-change on the Company's business; the current business environment remaining substantially unchanged; future acquisition and maintenance costs; the Company's ability to achieve its ESG and sustainability targets and goals and the costs associated therewith; and other risks and uncertainties described in the AIF and from time to time in filings made by the Company with securities regulatory authorities.

It is important to note that:

- unless otherwise indicated, forward-looking information in this MD&A describes the Company's expectations as of the date of this MD&A.
- readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other facts affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by law.

Investors are urged to read the Company's filings with the Canadian securities regulatory agencies which unless specifically incorporated herein are not part of this MD&A; these filings can be viewed online at www.sedarplus.ca.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Mining Risks" and "Business Risks."

## Nature of Operations

The Company is focused on developing its Graphite One Project (the "**Project**"), aimed at making the Company the dominant American producer of battery anode materials integrated with a graphite resource. The Project is envisioned as a vertically integrated enterprise to mine, process, and manufacture anode materials for the electric vehicle lithium-ion battery market. Management's current plan is for graphite to be mined from the Company's Graphite Creek Property (the "**Proposed Mine**"), situated on the Seward Peninsula about fifty-five (55) kilometers (37 miles) north of Nome, Alaska, (the "**Property**") to be processed into concentrate at a mineral processing plant located adjacent to the mine (the "**Graphite Creek Project**"). The resulting graphite concentrate would be shipped to the second link in the Company's proposed supply chain solution: a manufacturing or secondary treatment plant (the "**STP**") where anode materials and other value-added graphite products would be manufactured. With the Company's commitment to locate the STP in the U.S., the Company would provide a 100% U.S.-based advanced graphite materials supply chain. On October 14, 2022, the Company filed a Preliminary Feasibility Study ("**PFS**") for the Project on SEDAR+ and began work on a feasibility study. The feasibility study is anticipated to be completed in the fourth quarter of 2024, subject to the Company obtaining financing.

**Highlights**

***Lucid Group, Inc. Non-Binding Supply Agreement***

On July 29, 2024, the Company announced it had entered into a non-binding supply agreement ("**Supply Agreement**") with Lucid Group, Inc., maker of the world's most advance electric vehicles, for anode active materials. The Supply Agreement is for 5,000 tpa once the Company commences production of synthetic graphite. The initial term is for 5 years, subject to early termination. Sales are based on an agreed price formula linked to future market pricing as well as satisfying base case pricing agreeable to both parties. The Supply Agreement is subject to other terms, conditions and termination rights standard for an agreement of this nature.

***Commencement of 2024 Field Program***

On June 26, 2024, the Company announced the commencement of the 2024 summer season field program (the "**2024 Field Program**") with a focus on gathering geotechnical data needed to complete the feasibility study (the "**Feasibility Study**") on its Graphite Creek Project.

***Department of Defense Grant Revised Cost-Share Agreement***

On May 17, 2024, the Company entered into 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 received $5,508,104 of reimbursements from expenses incurred prior to April 1, 2024 as a result of the revised cost share agreement.

***Stock Options***

On May 31, 2024, the Company repriced 1,269,379 outstanding stock options issued to certain officers of the Company on January 19, 2023. The exercise price on these options is 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 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.

On May 17, 2024, the Company granted an aggregate of 900,000 incentive stock options to two individuals, who are both directors and officers of the Company (the "**Optionees**"). Each option was exercisable into one common share at an exercise price of CA $0.85 per common share and is to expire five years following 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 issued 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 of a cashless exercise of the Expired Options.

***Warrant Incentive Program***

On April 1, 2024, the Company closed the warrant incentive program (the "**Warrant Incentive Program**") receiving aggregate gross proceeds of $3,794,348 (CA$5,130,873) from the exercise of 5,130,873 outstanding common share purchase warrants ("**Warrants**").

Under the Warrant Incentive Program, the exercise price of an aggregate 11,955,677 Warrants were reduced to CA$1.00 per common share commencing on the date of TSX Venture Exchange ("**TSXV**") approval for a period of 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 (a "**Sweetener Warrant**") with an exercise price of CA$1.00 per common share that 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.

In connection with the exercise of the Warrants, the Company issued an aggregate of 5,130,873 Sweetener Warrants to the holders who exercised such Warrants. The exercise price on the remaining 6,824,804 Warrants that were not exercised during the Reduced Term reverted to the original exercise price. The fair value of the Sweetener Warrants was $600,375 (CA$820,940).

**Graphite Creek Project**

<u>2024 Field Program</u>

The 2024 Field Program began in mid-June with the opening of the Graphite Creek and Nome camps. The main activities include completion of geotechnical drilling to determine pit wall stability, building and infrastructure foundation requirements, gathering environmental background data, completion of wetland mapping, area cultural surveys, and location of construction gravel.

Three drill rigs are currently operating to gather the geotechnical information needed to engineer the pit walls and foundations for the process facility, tailings/waste rock facility, and other infrastructure. The Company anticipates completing 29 geotechnical drill holes for a total of 6,000 meters by early September, however the Company may adjust the drilling based on the information obtained from the field. As of July 15, 2024, a total of 1,508 meters of drilling has been completed. The camp headcount is expected to peak at 70. The 2024 Field Program results will be used to complete the Feasibility Study, which is expected to be released before the end of December 2024.

The following table summarizes the net Project expenditures for the six months ended June 30, 2024:

| | |
|---|---|
| Site Preparation, Drilling and Camp Operations | $ 4,663,125 |
| Project Management and Administration | 1,370,370 |
| Environmental Studies | 1,278,450 |
| Engineering | 1,616,895 |
| Geological Consulting | 227,857 |
| Capitalized Depreciation | 156,454 |
| Assays and Metallurgy | 670,112 |
| Capitalized Share-Based Payments | 349,686 |
| Community Consultation and Meetings | 106,030 |
| Total Graphite Creek expenditures | 10,438,977 |
| Government Grants | (12,850,951) |
| Excess government grants over Graphite Creek expenditures | (2,411,974) |
| Secondary Treatment Plant Project Costs | 412,372 |
| **Excess government grants over Graphite Creek expenditures** | **$ (1,999,602)** |

## Overall Performance and Results of Operations

The Company has generated no operating revenue to date. The Company relies on the issuance of common shares, debt, and more recently, government grants, to finance exploration on its exploration and evaluation property, and to provide general operating working capital. Most of the Company's expenditures related to the Project are reflected in the Financial Statements as exploration and evaluation property.

## Selected Quarterly Financial Information

The following table summarizes selected quarterly financial information as at and for the six months ended June 30, 2024 and full year ended December 31, 2023:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Current assets ($) | $ 10,863,678 | $ 2,679,485 |
| Exploration and evaluation property ($) | 55,684,284 | 57,683,886 |
| Total assets ($) | 67,916,647 | 61,510,652 |
| Current liabilities ($) | 6,644,498 | 2,604,986 |
| Net loss ($) for the six months ended June 30, 2024 and 2023 | 2,855,278 | 8,451,967 |
| Basic and diluted loss per share ($) | 0.02 | 0.07 |
| Weight average number of common shares outstanding | 135,050,707 | 125,780,861 |
| Exploration and evaluation cash expenditures ($) for the six months ended June 30, 2024 and 2023, excluding grant proceeds | 6,751,602 | 7,804,727 |

## Results of Operations

Net loss for the three months ended June 30, 2024 was $1,659,831, a decrease of $543,448 compared to a net loss of $2,203,279 for the same period in 2023. The decrease in the net loss was due primarily to lower marketing expenses ($448,636), and lower salaries and consulting fees as a portion of the salaries and consulting fees were allocated to the Graphite One Project and the foam fire suppressant project (collectively, the "**Projects**").

The net loss for the six months ended June 30, 2024 was $2,855,278, a decrease of $1,383,984 compared to a net loss of $4,239,262 for the same period in 2023. The decrease in the net loss was primarily due to lower marketing expense ($1,058,432), lower share-based payments ($158,593) and lower salaries and consulting fees as a portion of the salaries and consulting fees were allocated to the Projects.

## Operating Expenses

| | Three months ended June 30, 2024 | Three months ended June 30, 2023 | Increase (decrease) | Six months ended June 30, 2024 | Six months ended June 30, 2023 | Increase (decrease) |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Management fees and salaries | $ 221,478 | $ 281,807 | $ (60,329) | $ 424,474 | $ 607,450 | $ (182,976) |
| Marketing and investor relations | 228,632 | 677,268 | (448,636) | 334,950 | 1,393,382 | (1,058,432) |
| Consulting and advisory fees | 63,000 | 115,945 | (52,945) | 127,498 | 195,714 | (68,216) |
| Office and administration | 161,375 | 182,935 | (21,560) | 238,419 | 290,649 | (52,230) |
| Professional fees | 113,123 | 117,194 | (4,071) | 257,675 | 149,307 | 108,368 |
| Share-based payments | 869,767 | 849,388 | 20,379 | 1,455,282 | 1,613,875 | (158,593) |
| | $ 1,657,375 | $ 2,224,537 | $ (567,162) | $ 2,838,298 | $ 4,250,377 | $ (1,412,079) |

## Management fees and salaries

Management fees and salaries for the three months ended June 30, 2024 decreased $60,329 to $221,478 compared to $281,807 for the same period in 2023. The decrease was due primarily to allocating a portion of salaries to the projects.

Management fees and salaries for the six months ended June 30, 2024 decreased $182,976 to $424,474 compared to $607,450 for the same period in 2023. The decrease was due to allocating a portion of salaries to the Projects.

## Marketing and investor relations

Marketing and investor relations for the three months ended June 30, 2024 decreased $448,636 to $228,632 compared to $677,268 for the same period in 2023. The decrease was largely attributed to less activity on digital marketing campaigns.

Marketing and investor relations for the six months ended June 30, 2024 decreased $1,058,432 to $334,950 compared to $1,393,382 for the same period in 2023 due to less spending on digital marketing campaigns.

**Professional fees**

Professional fees for the three months ended June 30, 2024 were relatively flat compared to the same period in 2023.

Professional fees for the six months ended June 30, 2024 increased $108,368 to $257,675 compared to $149,307 for the same period in 2023. This increase was largely attributable to increased volume of commercial activities that required legal review.

**Share-based payments**

Share-based payments for the three months ended June 30, 2024 were relatively flat compared to the same period in 2023.

Share-based payments for the six months ended June 30, 2024 decreased $158,593 to $1,455,282 compared to $1,613,875 for the same period in 2023. The decrease was due primarily to the absence of certain equity awards that had vested and were fully amortized at the end of 2023 and amortizing the fair value of the 2024 equity awards beginning after the March 19, 2024 grant date compared to the 2023 equity awards that were granted in January of 2023.

**Summary of Quarterly Results**

The following table is a summary of quarterly results for the Company for the eight most recently completed quarters:

| Quarter ended | Jun 30 2024 | Mar 31 2024 | Dec 31 2023 | Sep 30 2023 |
|---|---|---|---|---|
| Net loss ($) | 1,659,831 | 1,195,447 | 2,320,157 | 1,892,548 |
| Basic and diluted loss per share ($) | 0.01 | 0.01 | 0.02 | 0.01 |

| Quarter ended | June 30 2023 | Mar 31 2023 | Dec 31 2022 | Sep 30 2022 |
|---|---|---|---|---|
| Net loss ($) | 2,203,280 | 2,035,983 | 1,765,431 | 2,142,604 |
| Basic and diluted loss per share ($) | 0.02 | 0.02 | 0.02 | 0.02 |

Net loss for the second quarter of 2024 increased $464,384 to $1,659,831 compared to a $1,195,447 net loss for the first quarter of 2024. The increase was attributed to increased stock-based compensation amortization for the grants awarded at the end of the prior quarter and a new marketing campaign initiated in the current quarter.

Net loss for the first quarter of 2024 decreased $1,124,710 to $1,195,447 compared to a $2,320,157 net loss for the fourth quarter of 2023. The decrease was mainly attributed to decreased executive compensation costs, as there was an absence of a provision for short-term incentive awards that were present in the fourth quarter of 2023, as well as lower share-based payments as certain equity awards had fully vested in the previous quarter.

The net loss for the fourth quarter of 2023 increased $427,609 to $2,320,157 compared to a $1,892,548 net loss for the third quarter of 2023. The increased net loss was primarily due to a provision for short-term incentive awards in the fourth quarter.

The net loss for the third quarter of 2023 decreased $310,732 to $1,892,548 compared to a $2,203,280 net loss for the second quarter of 2023. The decrease in the net loss was due primarily to lower digital marketing expenses.

**Liquidity, Capital Resources and Going Concern**

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for at least twelve months from June 30, 2024.

As at June 30, 2024, the Company had cash and cash equivalents of $6,950,284 (December 31, 2023: $1,824,331), and a working capital of $4,219,180 (December 31, 2023: $74,499). The increase in cash and cash equivalents and improved working capital was due to the Company receiving $3,794,348 from the exercise of 5,130,873 Warrants which closed on April 1, 2024, and receiving $5,508,104 from the DoD for the reimbursement of Feasibility Study expenditures incurred up to March 31, 2024 under the revised cost share agreement.

The Company has incurred losses since inception and has not generated any cash inflows from the operations. Cash used in operating activities for the six months ended June 30, 2024 decreased $728,768 to $1,885,359 compared to $2,614,127 for the same period in 2023. The decrease was due primarily to a $1,058,432 decrease in spending on digital marketing campaigns.

For the six months ended June 30, 2024, the Company recorded approximately $12.9 million for reimbursements under the terms of a DoD Technology Investment Grant (the "**Grant**") of up to $37.3 million, which included approximately $5.5 million additional reimbursement under the revised cost share agreement. Approximately $3.5 million of Grant receivables was outstanding at June 30, 2024 of which $3.2 million was settled as at the date of this MD&A.

On March 19, 2024, the Company granted long-term incentive awards for calendar year 2024 to employees, officers, directors and advisors consisting of 2,905,158 stock options, 2,376,956 restricted share units ("**RSUs**") and 1,215,778 performance share units ("**PSUs**") pursuant to the terms of the Company's Stock Option Plan and Omnibus Plan.

The stock options have an exercise price of CA$0.93 per share, being the closing price of the Company's shares on the TSXV on March 18, 2024. The stock options vest one-third (1/3) on each of the first, second and third anniversary dates from the date of grant and will expire on March 19, 2029.

Each RSU and PSU will convert into one common share of the Company on each vesting date. RSUs granted to management totaling 1,215,778 will vest one-third (1/3) on the first, second, and third anniversary dates from the date of grant and one-quarter (1/4) of the 1,161,178 RSUs granted to directors will vest on March 19, 2025, March 31, 2025, June 30, 2025, and September 30, 2025. The PSUs will vest on the third anniversary date from the date of grant subject the closing price of the Company's common shares on the TSXV for ten consecutive days prior to the vesting date.

On May 17, 2024, the Company granted an aggregate of 900,000 incentive stock options to the Optionees, being two individuals, who are both directors and officers of the Company. Each option was exercisable into one common share at an exercise price of CA $0.85 per common share and is to expire five years following 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 issued to replace 900,000 options, exercisable at CA$0.30 per common share, which expired on May 16, 2024. The Optionees agreed to forego the exercise of the Expired Options due to the cash impact to both the Optionees and the Company of a cashless exercise of the Expired Options.

On May 31, 2024, the Company repriced 1,269,379 outstanding stock options issued to certain officers on January 19, 2023. The exercise price on 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 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.

Going Concern

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. The 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.

**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**") | Taiga is a private mining company that owns more than 20% of the common shares of Graphite One. Taiga's owners are Jerry Birch and Kevin Greenfield. |

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **Nature of Transaction** | **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 |
| Taiga Mining Company, Inc. | | | - | | |
| | | **$ 127,500** | $ 127,500 | **$ 255,000** | $ 255,000 |

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

On April 1, 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. 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 |

**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.

**Credit risk**

Credit risk is the risk of potential loss to the Company if a 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 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.

**Liquidity risk**

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.

**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.

**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).

**Fair Values**

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

**Critical Accounting Estimates and Judgments in Applying Accounting Policies**

Critical accounting estimates and judgment that have the most significant effect on the amounts recognized in the Financial Statements are disclosed in Note 4 of the audited December 31, 2023 financial statements and Note 4 of the Financial Statements as at June 30, 2024.

**Outlook**

The Company's primary focus is to complete the Feasibility Study which includes both the primary processing facilities on the Seward Peninsula in Alaska and the STP in Ohio State. The Company's goal is to become a vertically integrated producer of premium anode materials and other advanced graphite products by creating an integrated American domestic supply chain. The ability of the Company to achieve this is contingent upon its ongoing ability to raise the risk capital necessary to advance its plans.

The objective of the 2024 Field Program is to complete geotechnical drilling to determine pit wall stability, building and infrastructure requirements, in addition to gathering environmental background data, completion of wetland mapping, area cultural surveys, and location of construction gravel.

The Company plans to complete the Feasibility Study before the end of December 2024 at which time a production decision is expected to be made.

Negotiations are ongoing to finalize the terms of definitive agreements with:

- A third party for a technology licensing, consulting and supply agreements for the design and construction of a graphite anode manufacturing plant; and
- Lab 4 Inc. on a technology licensing agreement involving the design, construction, and operation of a battery materials recycling facility.

The Company is planning to complete a debt, equity or a non-dilutive financing in the third quarter of 2024 to fund its share of the Feasibility Study and costs associated with the design and engineering of a proposed synthetic graphite manufacturing facility in Ohio.

**Risk Factors**

Readers of this MD&A should give careful consideration to the information included or incorporated by reference in this document and the Financial Statements and related notes for the three and six months ended June 30, 2024. For further details of risk factors, please refer to the most recent AIF filed on SEDAR+ at www.sedarplus.ca, the Annual Financial Statements, and the below discussions.

This section does not describe all the risks applicable to the Company, its industry or its business, and is intended only as a summary of certain material risks of significance to this MD&A. If any of the risks or uncertainties set out in the AIF or this MD&A actually occur, the Company's business, financial condition, operating results or share price could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.

Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

***Mining Risks***

The Company is subject to risks typical in the mining business including uncertainty of success in exploration and development; unusual and unexpected geological formations, possible flooding and other conditions involved in drilling and removal of material, mitigation of possible environmental impacts, and the occurrence of other unexpected hazards. Risks also include the possibility that intended drilling schedules or estimated costs will not be achieved and unexpected fluctuations in the price of materials, supplies and currency exchange rates. The aggregate effect of these factors is impossible to predict with any degree of certainty.

***Mineral Processing Risks***

The Company is subject to the risks typical in the mineral processing business including uncertainty that intended schedules, timelines, process performance criteria or estimated capital and operating costs will be achieved. There are risks beyond the Company's control, including: currency exchange rates; inflation; levels of interest rates; costs and availability of skilled workers, materials and supplies; global or regional political, economic and banking crises; and transportation and distribution disruptions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

***Uninsurable Risks***

Mining processing operations involve a high degree of risk. Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, seismic activity, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, and political and social instability, any of which could result in damage to, or destruction of life or property, environmental damage and possible legal liability. Although the Company believes that appropriate precautions to mitigate these risks are being taken, exploration field activities are subject to hazards such as equipment failure or failure of structures, which may result in environmental pollution and consequent liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the Company's future profitability and result in increasing costs and a decline in the value of the Common Shares. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or be excluded from coverage. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, thereby adversely affecting the Company's business and financial condition.

***Business Risks***

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

- Operational risks include finding and developing reserves economically; processing minerals competitively into successful products; product deliverability uncertainties; changing governmental law and regulation; hiring and retaining skilled employees and contractors; and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks; however, the Company is not fully insured against all risks nor are all such risks insurable.
- Operational risks also include the timing and successful completion of the Feasibility Study, permitting, construction and start-up.
- Market risks include the demand and prices for graphite and graphite products not achieving expectations and disruptions in transportation and distribution. These and other factors are beyond the Company's control, including levels of inflation and interest rates, the demand for commodities, global or regional political, economic, and banking crises and production rates in competitive producing regions.
- Financial risks include the timely availability of capital and changes in commodity prices, interest rates, inflation, wages and salaries, taxation, and foreign exchange rates, all of which are beyond the Company's control.
- Regulatory risks include delays in regulatory approvals for developments and transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings, and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.
- Supply chain risk includes the sourcing of graphite concentrate in the open market as feed stock for the secondary treatment plant ("**STP**") while the Company completes the construction of the Graphite Creek Mine to produce graphite concentrate for the STP.
- Supply chain risk also includes a risk the STP does not produce the quantity and/or quality of the graphite products in the time anticipated.

***Negative Operating Cash Flow and Dependence on Third Party Financing***

The Company has no source of operating cash flow and there can be no assurance that the Company will ever achieve profitability. Accordingly, the Company is dependent on third party financing to continue exploration activities on the Company's properties, maintain capacity and satisfy contractual obligations. Accordingly, the amount and timing of expenditures depends on the Company's cash reserves and access to third party financings. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Graphite Creek Project or require the Company to sell the Project (or an interest therein).

***Uncertainty of Additional Financing***

As stated above, the Company is dependent on third party financings, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining the required financing in the future or that such financing will be available on terms acceptable to the Company. The Company's access to third party financing depends on a number of factors including the price of graphite, the results of ongoing exploration, the results of the Feasibility Study and any other economic or other analysis, a claim against the Company, a significant event disrupting the Company's business or graphite industry generally, or other factors may make it difficult or impossible to obtain financing through debt, equity, or other means on favorable terms, or at all. As previously stated, failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Graphite Creek Project or require the Company to sell one or more of its properties (or an interest therein).

***Reliance upon Key Management and Other Personnel***

The Company relies on specialized skills of management in the areas of mineral exploration, geology and business negotiations and management. The loss of any of these individuals could have an adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of its key employees. In addition, as the Company's business activity continues to grow, it will require additional key financial, administrative, and qualified technical personnel. Although the Company believes that it will be successful in attracting, retaining, and training qualified personnel, there can be no assurance of such success. If it is not successful in attracting, retaining, and training qualified personnel, the efficiency of the Company's business could be affected, which could have an adverse impact on its future cash flows, earnings, results of operation and financial condition.

***Imprecision of PFS and Mineral Resource Estimates***

The results of the PFS and the mineral resource figures are estimates, and such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that its mineral resource estimate is well established and reflects management's best estimates, by their nature, mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may prove unreliable. Should the Company encounter mineralization or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted.

These are not the only risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

**Outstanding Share Data**

The following table summarizes the Company's outstanding share capital as at August 7, 2024:

| | |
|---|---|
| Common shares issued and outstanding | 138,579,306 |
| Restriced share units | 7,357,930 |
| Performance share units | 1,984,658 |
| Stock options outstanding (weighted average exercise price CA$1.06) | 12,230,737 |
| Warrants outstanding (weighted average exercise price CA$1.22) | 11,955,677 |
| Broker warrants outstanding (weighted average exercise price CA$1.50) | 356,022 |
| **Fully diluted** | **172,464,330** |

**Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("**NI 52-109**") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and MD&A.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

**Other Information**

Additional information related to the Company is available for viewing on SEDAR+ at www.sedarplus.ca and on the Company's website at www.graphiteoneinc.com.