

**Graphite Energy Corp.**  
**Condensed Interim Financial Statements**  
**Six Month Period ended December 31, 2020**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

## **Unaudited Interim Financial Statements**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company (as hereinafter defined) discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended December 31, 2020.

**Graphite Energy Corp.**

## Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars - Unaudited)

	Notes	December 31, 2020 -\$-	June 30, 2020 -\$-
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		2,241,946	141,836
Receivables	3	27,894	11,167
Prepaid expenses	3	10,500	10,119
<b>TOTAL ASSETS</b>		<b>2,280,340</b>	<b>163,122</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	4	158,266	132,564
<b>TOTAL LIABILITIES</b>		<b>158,266</b>	<b>132,564</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	4,485,456	2,212,415
Reserve	5	1,690,047	-
Deficit		(4,053,429)	(2,181,857)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,122,074</b>	<b>30,558</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,280,340</b>	<b>163,122</b>

Nature of operations and going concern (Note 1)

Proposed transactions (Note 8)

Approved and authorized on behalf of the Board on February 24, 2021:

"Teresa Cherry"

Director

"Adrian F.C. Hobkirk"

Director

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

**Graphite Energy Corp.**

## Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - Unaudited)

	Notes	Three months ended		Six months ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		- \$ -	- \$ -	- \$ -	- \$ -
<b>EXPENSES</b>					
Business advisory		64,910	-	100,219	-
Consulting, management and directors fees	6	171,758	45,000	271,933	120,000
Office and administration		3,130	245	4,654	4,910
Professional fees		28,415	3,125	67,176	8,375
Project investigation		62,782	-	221,632	-
Regulatory and filing fees		7,348	8,820	8,901	13,513
Stock-based compensation	5, 6	-	-	1,163,137	-
Transfer agent and filing fees		13,177	1,401	17,568	10,581
Travel and related		855	-	855	-
Website		-	-	15,497	-
<b>Total expenses</b>		<b>(352,375)</b>	<b>(58,591)</b>	<b>(1,871,572)</b>	<b>(157,379)</b>
<b>Net loss and comprehensive loss</b>		<b>(352,375)</b>	<b>(58,591)</b>	<b>(1,871,572)</b>	<b>(157,379)</b>
<b>Basic and diluted loss per share</b>		<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.10)</b>	<b>(0.06)</b>
<b>Weighted average shares outstanding</b>		<b>22,406,576</b>	<b>2,816,051</b>	<b>18,720,009</b>	<b>2,816,051</b>

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

**Graphite Energy Corp.**

## Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars - Unaudited)

		Share capital				
	Note	Number of shares	Amount - \$ -	Reserve - \$ -	Deficit - \$ -	Total - \$ -
<b>Balance at June 30, 2019</b>		<b>2,816,051</b>	<b>1,617,389</b>	-	<b>(1,920,855)</b>	<b>(303,466)</b>
Net and comprehensive loss for the period		-	-	-	(157,379)	(157,379)
<b>Balance at December 31, 2019</b>		<b>2,816,051</b>	<b>1,617,389</b>	-	<b>(2,078,234)</b>	<b>(460,845)</b>
<b>Balance at June 30, 2020</b>		<b>8,816,051</b>	<b>2,212,415</b>	-	<b>(2,181,857)</b>	<b>30,558</b>
Shares issued for private placement (net)	5	13,597,014	2,799,951	-	-	2,799,951
Share issue costs – finders warrants	5	-	(526,910)	526,910	-	-
Stock based compensation - options	5	-	-	1,163,137	-	1,163,137
Net and comprehensive loss for the period		-	-	-	(1,871,572)	(1,871,572)
<b>Balance at December 31, 2020</b>		<b>22,413,065</b>	<b>4,485,456</b>	<b>1,690,047</b>	<b>(4,053,429)</b>	<b>2,122,074</b>

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

**Graphite Energy Corp.**

## Condensed Interim Statement of Cash Flows

(Expressed in Canadian dollars - Unaudited)

	December 31, 2020 \$	December 31, 2019 \$
<b>Operating activities</b>		
Loss for the period	(1,871,572)	(157,379)
Items not affecting cash:		
Share-based payment	1,163,137	-
Net change in non-cash working capital items:		
Receivables	(16,727)	12,198
Prepaid expenses	(381)	-
Accounts payable and accrued liabilities	25,702	144,760
<b>Net cash flows used in operating activities</b>	<b>(699,841)</b>	<b>(421)</b>
<b>Financing activities</b>		
Shares issued net of share issuance cost	2,799,951	-
<b>Net cash flows provided by financing activities</b>	<b>2,799,951</b>	<b>-</b>
Change in cash during period	2,100,110	(421)
Cash, beginning	141,836	1,764
<b>Cash, ending</b>	<b>2,241,946</b>	<b>1,343</b>

During the period ended December 31, 2020 in connection to a private placement, the Company issued 930,000 finders warrants, valued at \$526,910.

During the period ended December 31, 2019, the Company had no non-cash transactions.

The accompanying notes are an integral part of these financial statements

## **Graphite Energy Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### **1. Nature of operations and going concern**

Graphite Energy Corp. (the “Company”) was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are listed on the Canadian Security Exchange (“CSE”).

The head office and principal address and registered records office of the Company is located at 789 West Pender Street, Suite 1510, Vancouver, British Columbia, Canada, V6C 1H2.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2020, the Company had not achieved profitable operations, had an accumulated deficit of \$4,053,429, had not advanced its mineral property to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (“COVID-19”). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations, cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020/2021.

### **2. Statement of compliance with International Financial Reporting Standards and basis of preparation**

These financial statements were authorized for issue on February 24, 2021, by the directors of the Company.

#### ***Statement of compliance with International Financial Reporting Standards***

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended June 30, 2020.

## Graphite Energy Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### 2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

#### ***Basis of preparation***

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

#### ***Significant accounting judgments, estimates and assumptions***

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Going concern  
The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.
- ii) Impairment of assets  
Economic recoverability and probability of future benefits of exploration and evaluation assets. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.
- iii) Exploration and evaluation expenditures  
The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

## Graphite Energy Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### 2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

#### *Significant accounting judgments, estimates and assumptions (cont'd)*

- iv) Deferred taxes  
Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized.
- v) Share-Based Compensation  
The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

#### **Foreign currency translation**

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the period end exchange rate. Non-monetary assets and liabilities measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

#### **Exploration and evaluation assets**

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

## Graphite Energy Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### 2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

#### ***Exploration and evaluation assets (cont'd)***

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### ***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting is determined by the Board of Directors.

#### ***Financial instruments***

The following is the Company's accounting policy for financial instruments under IFRS 9:

##### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL
Trade payables	Amortized cost

## Graphite Energy Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### 2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

#### *Financial instruments (cont'd)*

##### (ii) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

##### Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

##### Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### (iv) Derecognition

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

## **Graphite Energy Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### **2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)**

#### ***Financial instruments (cont'd)***

##### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

##### ***Impairment of assets***

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

##### ***Cash***

Cash includes cash on hand and deposits held at call with banks.

##### ***Income taxes***

###### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## **Graphite Energy Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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### **2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)**

#### ***Income taxes***

##### ***Deferred income tax:***

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

#### ***Loss per share***

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

#### ***Restoration and environmental obligations***

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any restoration provisions at December 31, 2020 and June 30, 2020.

#### ***Leases***

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has no leases.

## Graphite Energy Corp.

### Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

#### 2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

##### *Changes in accounting standards*

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements other than note disclosure. The Company has not early adopted these revised standards.

#### 3. Receivables

The balance in receivables at December 31, 2020 of \$27,894 (June 30, 2020 - \$11,167) consists of government tax credits receivable.

#### 4. Trade payables and accrued liabilities

	December 31, 2020	June 30, 2020
	- \$-	- \$-
Trade payables	150,476	100,429
Amounts due to related parties (Note 6)	1,440	22,660
Accrued liabilities	6,350	9,475
<b>Total</b>	<b>158,266</b>	<b>132,564</b>

#### 5. Share capital and reserves

##### *Authorized share capital*

An unlimited number of common shares without par value.

##### *Issued share capital*

As at the period ended December 31, 2020, there are 22,413,065 (June 30, 2020 – 8,816,051) issued and fully paid common shares.

On August 17, 2020, the Company closed a private place financing issuing 13,000,000 units at a price of \$0.20 per unit for gross proceeds of \$2,600,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant allows the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of three years from the date of closing of the private placement. The warrants are subject to an acceleration provision, whereby if the Company's shares close at or above \$0.40 per Share for more than 10 consecutive trading days, the holder will have 30 days from that date to exercise the warrant or it will expire.

In connection to this private placement, the Company paid finder's fees totaling \$82,000 and issued 930,000 finder's warrants (valued at \$526,910). In addition, the Company incurred other issuance expenses of \$18,049. The Finder's warrants are non-transferable and exercisable on the same terms as the warrants issued in the private placement.

**Graphite Energy Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

**5. Share capital and reserves (cont'd)**

On October 1, 2020 the Company closed a non-brokered private placement issuing 597,014 units (the "Units"), at a price of \$0.5025 per Unit for gross proceeds of \$300,000. Each Unit is comprised of one common share and one transferable common share purchase warrant. Each warrant allows the holder to purchase one common share of the Company at a price of \$0.75 per share for a period of three years from the date of closing of the private placement.

**Warrants**

The following table summarizes information about the warrant transactions during the period ended December 31, 2020 and year ended June 30, 2020:

	Number of warrants	Weighted average exercise price - \$ -
<b>Outstanding, June 30, 2019 and 2020</b>	-	-
Issued	14,527,014	0.37
<b>Outstanding, December 31, 2020</b>	<b>14,527,014</b>	-

Expiry Date	Exercise Price	Number of Warrants
August 18, 2023*	0.35	13,930,000
October 2, 2023	0.75	597,014

\*The warrants are subject to an acceleration provision, whereby if the Company's Shares close at or above \$0.40 per Share for more than 10 consecutive trading days, the holder will have 30 days from that date to exercise the warrant or it will expire.

**Stock options**

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

During the period ended December 31, 2020, the Company granted incentive stock options to purchase a total of 2,100,000 common shares at an exercise price of \$0.66 per share for a period of five years to certain directors, consultants and advisory board members in accordance with the provisions of its stock option plan. The fair value of the options granted during the period is \$1,163,137, based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.36%, expected life of 5 years, volatility of 125%, and 0% dividend and forfeiture rates.

**Graphite Energy Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

**5. Share capital and reserves (cont'd)**

The following table summarizes information about the stock options during the period ended December 31, 2020 and year ended June 30, 2020:

	<b>Options</b>	
	<b>Number of options</b>	<b>Weighted average exercise price - \$ -</b>
<b>Outstanding, June 30, 2019 and 2020</b>	-	-
Issued	2,100,000	0.66
<b>Outstanding, December 31, 2020</b>	<b>2,100,000</b>	-

Expiry Date	Exercise Price	Number of Options
August 21, 2025	0.66	2,100,000

As at December 31, 2020, the options had a weighted average life of 4.64 years.

**Reserve**

The share-based payment and warrant reserves records items recognized as share-based compensation expense until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

During the period ended December 31, 2020, the Company recorded \$1,163,137 to reserves in connection to stock options issued and \$526,910 in connection to finder warrants in connection to the private placement financing during the period.

**6. Related party transactions****Balances**

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	<b>December 31, 2020</b>	<b>June 30, 2020</b>
	-	-
Companies controlled by directors and/or an officer of the Company	1,440	21,894
Director and/or officer of the Company	-	766
	<b>1,440</b>	<b>22,660</b>

## **Graphite Energy Corp.**

### Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

For the six months ended December 31, 2020

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#### **6. Related party transactions (cont'd)**

##### ***Transactions***

During the period ended December 31, 2020, the Company incurred management fees of \$105,543 (2019 - \$45,000) to the CEO of the Company, director fees of \$80,000 (2019 - \$45,000) to a company controlled by a director of the Company, consulting and geological fees of \$8,231 to a company controlled by a director of the Company and consulting fees of \$80,000 (2019 - \$30,000) with a company controlled by the CFO of the Company. The Company also incurred \$553,875 in share-based payments to directors and officers of the Company during the six months ended December 31, 2020.

#### **7. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

##### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at December 31 2020, the Company has financial assets denominated in the US Dollar, which will be affected by changes in the exchange rate between the Canadian Dollar and the US Dollar.

If the Canadian dollar changes by one percent against the US Dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a nominal change in profit or loss.

##### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

## **Graphite Energy Corp.**

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For the six months ended December 31, 2020

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### **7. Financial risk and capital management (cont'd)**

#### ***Capital Management***

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the period ended December 31, 2020.

#### ***Fair value***

The Company's financial instruments consist of cash, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using Level 1 inputs.

### **8. Proposed transactions**

#### ***Pilbara Gold Group Pty Ltd. ("Pilbara")***

On June 17, 2020 the Company entered into an agreement with third party arms' length vendors (the "Vendors"), to acquire (the "acquisition") a 100% ownership in Pilbara that controls certain tenements for gold mineralization in Western Australia, whereby, the Company will have all base and precious metal mineral rights except for diamonds and iron ore which remain with the Vendors.

Pursuant to the agreement, the Company will make the following common share issuances to the Vendors on a pro rata basis:

- 7,500,000 common shares to acquire 100% ownership of Pilbara. These shares will be subject to an escrow provision over a 12-month period;
- On the completion of a drill program of 4,000 meters, an additional 2,500,000 common shares;
- On the announcement of not less than 500,000 ounces of gold within the property package, as defined in a resource calculated compliant to NI 43-101 standards a further 2,500,000 common shares;
- On the announcement of at least 1,000,000 ounces of gold within the property package, as defined in a resource calculated compliant to NI 43-101 standards a further 2,500,000 common shares.

The acquisition is subject to the Company completing a due diligence program including an initial 43-101 report on the project as well as receiving applicable regulatory approvals. The Company is paying a finder's fee of 750,000 common shares on the completion of the transaction to a non-related third party.

## **Graphite Energy Corp.**

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### **8. Proposed transactions (cont'd)**

#### *Swan Gold Ltd. ("Swan")*

On August 7, 2020, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Swan, a private British Columbia Company, that holds, through Swan Gold (Australia) Pty Ltd. certain gold focused tenement applications called "York NE", "Warrawoona E" and "Beatons SE" in the Pilbara region, Western Australia. In consideration for the acquisition of Swan, the Company will issue a total of 7,500,000 common shares to the shareholders of Swan (the "Consideration Shares").

The Consideration Shares will be subject to the following restrictions on resale:

- i. 30% of the Consideration Shares will be free trading on the date of closing,
- ii. 20% of the Consideration Shares will be subject to resale restrictions for four months,
- iii. 20% of the Consideration Shares will be subject to resale restrictions for eight months,
- iv. the final 20% of the Consideration Shares will be subject to resale restrictions for twelve months.

The Company will pay a finder's fee equal to 750,000 shares to a non-related third party in connection with the transaction. The transaction is at arms-length and will not result in the creation of a control position. The transaction is subject to completion of due diligence including but not limited to, due diligence on the heritage agreements and tenement application, and subject to the terms of closing in the agreement and regulatory approval.