

GRAPHITE ONE RESOURCES INC.

Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2018

(Unaudited)



NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditor has not performed a review of these consolidated interim financial statements.

GRAPHITE ONE RESOURCES INC.
Consolidated Statements of Financial Position
(unaudited)
(Expressed in Canadian dollars)

		June 30, 2018	December 31, 2017
ASSETS			
	Note		
Current assets			
Cash		\$ 194,257	\$ 351,081
Cash in trust		1,316,830	-
Prepayments and deposits		55,214	86,415
Amounts receivable	5	9,559	-
Total current assets		1,575,860	437,496
Non-current assets			
Equipment		35,400	35,400
Investment		-	-
Exploration and evaluation property	6	12,850,256	12,438,625
Total non-current assets		12,885,656	12,474,025
Total assets		\$ 14,461,516	\$ 12,911,521
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable		\$ 392,099	\$ 475,982
Total liabilities		392,099	475,982
Equity			
Share capital		31,166,950	29,072,557
Share option reserve		6,085,409	6,030,374
Deficit		(23,182,942)	(22,667,392)
Total equity		14,069,417	12,435,539
Total equity and liabilities		\$ 14,461,516	\$ 12,911,521
Going concern	2		

Approved by the Board of Directors:

"Anthony Huston"
 Director

"Douglas Smith"
 Director

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

GRAPHITE ONE RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
(unaudited)
(Expressed in Canadian dollars)

		For the six month period ended June 30 2018	For the six month period ended June 30 2017	For the three month period ended June 30 2018	For the three month period ended June 30 2017
Expenses	Note				
Management fees and salaries	\$	358,459	\$ 314,710	\$ 177,003	\$ 172,913
Marketing, advisory and investor relations		83,612	258,914	31,679	89,298
Office and administration		73,189	87,767	33,412	31,620
Professional fees		37,880	108,880	29,887	50,234
Share-based payments	8	-	7,637	-	-
		553,140	777,908	271,981	344,065
Other income (expenses)					
Foreign exchange gain (loss)		38,637	19,304	43,327	8,025
Interest expense		(1,047)	-	(1,047)	-
		37,590	19,304	42,280	8,025
Net loss and comprehensive loss for the period	\$	515,550	\$ 758,604	\$ 229,701	\$ 336,040
Basic and diluted loss per common share	\$	-	\$ -	\$ -	\$ -
Weighted average number of common shares outstanding		271,022,026	240,677,637	277,044,284	241,092,002

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

GRAPHITE ONE RESOURCES INC.
Consolidated Statements of Cash Flows
(unaudited)
(Expressed in Canadian dollars)

For the six month period ended June 30,	2018	2017
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	\$ (515,550)	\$ (761,828)
Items not involving cash:		
Share-based payments	49,700	7,637
Changes in non-cash working capital items		
Amounts receivable	(9,559)	10,911
Prepayments and deposits	45,347	30,068
Trade and other accounts payable	(134,926)	309,958
	(564,988)	(403,254)
FINANCING ACTIVITIES		
Issuance of units	2,143,050	-
Share issuance costs	(43,322)	(1,621)
Increase in cash in trust	(1,316,830)	-
	782,898	(1,621)
INVESTING ACTIVITIES		
Exploration and evaluation property	(360,588)	(295,552)
Changes in non-cash working capital items		
Prepayments and deposits	(14,146)	8,210
	(374,734)	(287,342)
(Decrease) increase in cash	(156,824)	(692,217)
Cash at beginning of period	351,081	723,434
Cash at end of period	\$ 194,257	\$ 31,217
Supplemental cash flow information:		
Non-cash transactions eliminated from the consolidated statements of cash flows:		
Depreciation capitalized to exploration and evaluation property	\$ -	\$ (2,765)
Change in Accounts payable related to investing activities	\$ 51,043	\$ 176,422
Shares issued on purchase of claims and royalty extension	\$ -	\$ 150,000
Warrants issued on purchase of claims and royalty extension	\$ -	\$ 54,692
Non-cash share issuance costs	\$ (5,335)	\$ -
	\$ 45,708	\$ 378,349

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

GRAPHITE ONE RESOURCES INC.
Consolidated Statements of Changes in Equity
(unaudited)
(Expressed in Canadian dollars)

	Common Shares		Share Option Reserve	Deficit	Total Equity
	Number	Amount			
		\$	\$	\$	\$
January 1, 2017	239,425,335	27,558,625	5,544,921	(21,056,687)	12,046,859
Shares issued on extension of royalty purchase option	1,666,667	150,000	-	-	150,000
Warrants issued on extension of royalty purchase option	-	-	54,692	-	54,692
Cost of share issuance	-	(1,621)	-	-	(1,621)
Share-based payments	-	-	7,637	-	7,637
Net loss for the period	-	-	-	(758,604)	(758,604)
June 30, 2017	241,092,002	27,707,004	5,607,250	(21,815,291)	11,498,963
January 1, 2018	264,932,854	29,072,557	6,030,374	(22,667,392)	12,435,539
Shares issued on private placement	30,615,003	2,143,050	-	-	2,143,050
Cost of share issuance	-	(48,657)	5,335	-	(43,322)
Share-based payments	-	-	49,700	-	49,700
Net loss for the period	-	-	-	(515,550)	(515,550)
June 30, 2018	295,547,857	31,166,950	6,085,409	(23,182,942)	14,069,417

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

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

(unaudited)

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Graphite One Resources Inc. (“Graphite One” or the “Company”) was incorporated in Alberta and commenced operations on March 16, 2006 under the name Cedar Mountain Exploration Inc. (“Cedar Mountain”). On March 23, 2012, Cedar Mountain changed its name to Graphite One and adopted the symbol GPH on the TSX-V effective March 27, 2012. The Company was continued into British Columbia on September 12, 2014. Graphite One is the parent company of its consolidated group.

Graphite One is engaged in the business of acquiring exploring and evaluating graphitic material properties. Through its 100% owned subsidiary, Graphite One (Alaska) Inc., the Company is focussed on the Graphite Creek property near Nome, Alaska, (the “Graphite Creek Project”).

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

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 in operation 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, 2018, the Company had a cash balance of \$194,257 and cash in trust of \$1,316,830 and working capital of \$1,183,761 with current liabilities of \$392,099. The Company has incurred losses since inception and does not generate any cash inflows from operations. In the three month period ended June 30, 2018, cash used in operating activities totalled \$564,988.

The Company’s ability to continue to meet its obligations and carry out its planned exploration and development activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

(unaudited)

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and applicable to interim financial reports, including International Accounting Standard 34 (“Interim Financial Reporting”). These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2017.

The unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on August 13, 2018.

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis. The statements are presented in Canadian dollars unless otherwise noted.

3.1 Significant judgments, estimates and assumptions

The preparation of the Company’s unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Judgments

Exploration and evaluation property: The Company is required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property should be impaired.

Estimates and assumptions:

Share-based payments: Share-based payments are determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

(unaudited)

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES

Refer to the Company's annual audited consolidated financial statements for the years ended December 31, 2017 and 2016 for a summary of significant accounting policies.

4.1 Changes in Accounting Standards

The Company has reviewed the new and revised accounting pronouncements issued by the IASB relevant to the year ended December 31, 2017 and subsequently, and none were considered to have a significant impact on the Company's current operations or financial statements.

5. AMOUNTS RECEIVABLE

	June 30, 2018	June 30, 2017
Government of Canada - GST	9,559	7,068
	<hr/> 9,559	<hr/> 7,068

GRAPHITE ONE RESOURCES INC.**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2018***(unaudited)**(Expressed in Canadian dollars)***6. EXPLORATION AND EVALUATION PROPERTY**

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

	Graphite Creek
Balance, December 31, 2016	\$ 11,529,074
Acquisition	284,777
Analysis	25,149
Geological consulting	287,315
Fieldwork	249,979
Engineering	62,331
Balance, December 31, 2017	\$ 12,438,625
Acquisition	40,749
Analysis	17,434
Geological consulting	115,779
Fieldwork	187,233
Engineering	50,436
Balance, June 30, 2018	\$ 12,850,256
Acquisition	\$ 1,452,047
Exploration and evaluation	10,986,578
Balance, December 31, 2017	\$ 12,438,625
Acquisition	\$ 1,492,796
Exploration and evaluation	11,357,460
Balance, June 30, 2018	\$ 12,850,256

Graphite Creek Property Summary

The Graphite Creek Property consists of 176 Alaska state mining claims covering 9,583 hectares (23,680 acres).

The Company leases 13 state mining claims under a long-term lease agreement ("Lease") with Kougarok LLC ("Kougarok"), effective January 1, 2014 with an initial term of twenty years, and provisions to first extend for two successive twenty-year periods and ultimately for as long as production continues from the property. An advance royalty in the amount of US\$30,000 was paid upon execution of the Lease, with annual payments of US\$30,000 due each year until January 2019, and then increasing by US\$10,000 each year until production commences. All required payments under the Lease have been made to date. The production royalties are to be calculated as follows: 5% from lands in 4 former federal claims originally located in 1943; 2.5% from lands within 20 former federal claims; 5% from lands within state claims staked by the Company within the area of interest; and 2.5% from state claims acquired by the Company within the area of interest. All advance royalties paid may be recouped from production royalties. The Company has the option to reduce the production royalties by up to 2% by paying US\$2 million for each 1% reduction of the production royalties.

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

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6. EXPLORATION AND EVALUATION PROPERTY (cont'd...)

On January 24, 2012, the Company purchased from a private individual (the "Seller") 28 Alaska state mining claims for \$20,000 and a 2% production royalty on future production from the area of the claims. In January 2017, the Company and the Seller agreed the Company could purchase the production royalty at any time on or before January 24, 2021 for \$1 million and issued to the Seller 1,666,667 common shares of the Company at an issue price of \$0.09 per share and 1,153,846 common share purchase warrants of the Company. This arrangement replaced an earlier, expired royalty purchase agreement.

In June 2015, the Company purchased from another private individual 28 Alaska state mining claims (covering the same lands as the 28 Alaska state mining claims acquired in January 2012) for US\$50,000, the issuance of 3 million common shares of the Company at a fair value of \$270,000 and a royalty interest equal to 1% of the Net Smelter Returns received by the Company on production from the claims. The Company has the right to purchase the royalty for US\$500,000 at any time within 36 months following the start of mine production.

The Company located an additional 43 Alaska state mining claims in 2015, bringing the total to 176 Alaska state claims covering an area of 9,583 hectares (23,680 acres). The new claims include eight on Alaska select and transferred lands and 35 on unselected Alaska state land, which will require selection and transfer to be active. These new claims cover areas adjacent to the Graphite Creek deposit potentially for infrastructure needs and access to tide water.

7. SHARE CAPITAL

7.1 Authorized

Unlimited number of common shares with no par value.

7.2 Shares Issued

The following share transactions occurred during the year ended December 31, 2017:

In February 2017, the Company issued 1,666,667 common shares at a fair value of \$150,000, and 1,153,846 share purchase warrants at a fair value of \$54,692, both in connection with an agreement to extend the Company's right to purchase a net smelter return royalty. The Company incurred share issuance costs of \$1,622.

On August 22, 2017, the Company completed a private placement for total gross proceeds of \$678,800. Pursuant to this private placement, the Company issued a total of 9,697,143 units (the "2017-1 Units") at a price of C\$0.07 per 2017-1 Unit. Each 2017-1 Unit consists of one common share and one transferable common share purchase warrant (a "2017-1 Warrant"). Each 2017-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.12 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2017-1 Warrants. The Company incurred share issuance costs of \$14,081.

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

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(unaudited)

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd...)

On December 4, 2017, the Company completed a private placement for total gross proceeds of \$707,202. Pursuant to this private placement, the Company issued a total of 14,143,709 units (the "2017-2 Units") at a price of C\$0.05 per 2017-2 Unit. Each 2017-2 Unit consists of one common share and one transferable common share purchase warrant (a "2017-2 Warrant"). Each 2017-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.10 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2017-2 Warrants. The Company incurred share issuance costs of \$6,367.

On May 25, 2018, the Company completed a private placement for total gross proceeds of \$2,143,050. Pursuant to this private placement, the Company issued a total of 30,615,003 units (the "2018-1 Units") at a price of C\$0.07 per 2018-1 Unit. Each 2018-1 Unit consists of one common share and one transferable common share purchase warrant (a "2018-1 Warrant"). Each 2018-1 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.12 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2018-1 Warrants. The Company paid finder's fees in the amount of \$13,104 and issued 187,200 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2018-1 Warrants described above.

The following share transactions occurred subsequent to June 30, 2018:

On July 19, 2018, the Company completed a private placement for total gross proceeds of \$2,140,221. Pursuant to this private placement, the Company issued a total of 30,574,591 units (the "2018-2 Units") at a price of C\$0.07 per 2018-2 Unit. Each 2018-2 Unit consists of one common share and one transferable common share purchase warrant (a "2018-2 Warrant"). Each 2018-2 Warrant entitles the holder to purchase one additional common share of the Company at a purchase price of \$0.12 per share during the 60 months from the date of issuance. Based on the residual valuation method, no value was attributed to the 2018-2 Warrants. The Company paid finder's fees in the amount of \$2,800 and issued 35,000 transferrable warrants, each such warrant entitling the holder to acquire one additional common share of the Company at the same price as the 2018-2 Warrants described above.

7.3 Share based compensation

Pursuant to a stock option plan (the "Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, and the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee or on the fifth anniversary of the date the option was granted. Options granted under the plan may not exceed five years and vest at terms to be determined by the board of directors at the time of the grant, but shall not be less than the price determined by policy or policies of the stock exchange(s) on which the Company's common shares are then listed, or \$0.05 per share. Occasionally, the Company issues stock options to agents which do not fall under the plan.

GRAPHITE ONE RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2018
(unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd...)

The following table summarizes activity related to stock options:

	Options	Weighted Average Exercise Price
Balance, December 31, 2016	23,925,000	\$ 0.12
Issued	6,250,000	\$ 0.06
Expired	(1,375,000)	\$ 0.26
Forfeited	(3,000,000)	\$ 0.13
Balance, December 31, 2017	25,800,000	\$ 0.10
Issued	1,000,000	\$ 0.06
Expired	(1,000,000)	\$ 0.13
Forfeited	(500,000)	\$ 0.10
Balance, June 30, 2018	25,300,000	\$ 0.10

Options outstanding:

As at June 30, 2018				As at December 31, 2017			
Number of options outstanding #	Number of vested options #	Weighted average exercise price \$	Weighted average remaining contractual life years	Number of options outstanding #	Number of vested options #	Weighted average exercise price \$	Weighted average remaining contractual life years
550,000	550,000	0.17	0.2	550,000	550,000	0.17	0.7
600,000	600,000	0.18	0.2	600,000	600,000	0.18	0.7
5,050,000	5,050,000	0.13	1.4	5,050,000	5,050,000	0.13	1.9
500,000	500,000	0.13	1.8	500,000	500,000	0.13	2.3
-	-	-	-	1,000,000	1,000,000	0.13	0.5
7,550,000	7,550,000	0.10	2.7	8,050,000	8,050,000	0.10	3.2
3,800,000	3,800,000	0.10	3.4	3,800,000	3,800,000	0.10	3.9
6,250,000	6,250,000	0.06	4.5	6,250,000	6,250,000	0.06	5.0
1,000,000	1,000,000	0.06	5.0	-	-	-	-
25,300,000	25,300,000	0.10	2.9	25,800,000	25,800,000	0.10	3.2

In the six month period ended June 30, 2018 1,000,000 options were granted. No options were granted during the six months ended June 30, 2017. The fair value of the share options granted in the six months ended June 30, 2018 and the year ended December 31, 2017 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

GRAPHITE ONE RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2018
(unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont`d...)

	Six months ended June 30, 2018	Year ended December 31, 2017
Exercise price	\$0.06	\$0.06
Market price	\$0.065	\$0.085
Risk free interest rate	2.06%	1.86%
Expected option life	5 years	5 years
Expected stock price volatility	101%	102%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Average fair value per option	\$0.05	\$0.07

7.4 Warrants

The following table summarizes activity related to warrants:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	102,800,691	\$ 0.15
Issued	24,994,698	\$ 0.11
Balance, December 31, 2017	127,795,389	\$ 0.14
Issued	30,615,003	\$ 0.12
Expired	(4,285,785)	0.30
Balance, June 30, 2018	154,124,607	\$ 0.13

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

(unaudited)

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd...)

Warrants outstanding:

As at June 30, 2018			As at December 31, 2017		
Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life
#	\$	years	#	\$	years
-	-	-	4,285,785	0.30	1.1
15,599,160	0.20	1.2	15,599,160	0.20	1.7
22,686,925	0.20	1.3	22,686,925	0.20	1.7
16,946,142	0.10	1.3	16,946,142	0.10	1.7
9,059,449	0.10	1.3	9,059,449	0.10	1.8
4,823,222	0.12	1.6	4,823,222	0.12	2.0
3,000,008	0.12	1.7	3,000,008	0.12	2.2
16,250,000	0.12	1.1	16,250,000	0.12	1.6
10,150,000	0.12	1.4	10,150,000	0.12	1.9
1,153,846	0.13	3.6	-	-	-
9,697,143	0.12	5.1	-	-	-
14,143,709	0.10	5.4	-	-	-
30,615,003	0.12	5.9	-	-	-
154,124,607	0.14	2.8	102,800,691	0.15	1.7

7.5 Broker Warrants

The following table summarizes activity related to Broker Warrants:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	5,256,247	\$ 0.15
Balance, December 31, 2017	5,256,247	\$ 0.15
Issued	187,200	\$ 0.12
Balance, June 30, 2018	5,443,447	\$ 0.15

GRAPHITE ONE RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2018
(unaudited)
(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd...)

Broker warrants outstanding:

As at June 30, 2018			As at December 31, 2017			
Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life	
#	\$	years	#	\$	years	
929,902	0.20	0.2	929,902	0.20	0.7	
1,290,200	0.20	0.3	1,290,200	0.20	0.7	
1,224,434	0.10	0.3	1,224,434	0.10	0.7	
291,200	0.10	0.3	291,200	0.10	0.8	
3,600	0.12	0.6	3,600	0.12	1.0	
71,111	0.12	0.7	71,111	0.12	1.2	
845,800	0.12	0.1	845,800	0.12	0.6	
600,000	0.12	0.4	600,000	0.12	0.9	
187,200	0.12	4.9	-	-	-	
5,443,447	0.15	0.4	5,256,247	0.15	0.7	

During the six month period ended June 30, 2018, 187,200 broker warrants were issued. No broker warrants were issued in the six month period ended June 30, 2017. The fair value of the Broker Warrants granted in the six month period ended June 30, 2018 of \$5,335 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

**Six months ended
June 30, 2018**

Strike price	\$0.12
Market price	\$0.07
Risk free interest rate	2.19%
Expected warrant life	5 years
Expected stock price volatility	101%
Dividend payments during life of warrant	nil
Expected forfeiture rate	nil
Fair value per warrant	\$0.03

GRAPHITE ONE RESOURCES INC.**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2018***(unaudited)**(Expressed in Canadian dollars)***8. RELATED PARTY TRANSACTIONS AND BALANCES**

Relationships	Nature of the relationship
Huston and Huston Holdings Corp. ("Huston")	Huston and Huston Holdings Corp. is a private company controlled by Anthony Huston, an officer and director of the Company which provides management services to the Company.
Anacortes Management Ltd. ("Anacortes")	Anacortes is a private company controlled by James Currie, a former director of the Company which provided director services to the Company.
Rockford Resources, LLC ("Rockford")	Rockford is a private company controlled by Pat Smith, a director of the Company which provides director services to the Company.
0897877 BC Ltd. ("0897877 BC")	0897877 BC is a private company controlled by Brian Budd, a director of the Company which provides director services to the Company.

8.1 Related party transactions

	Management Consulting and Directors' Fees	
For the six months ended June 30	2018	2017
Huston & Huston Holdings Corp.	\$ 125,000	\$ 125,000
Anacortes Management Ltd.	-	12,000
Rockford Resources, LLC	12,000	12,000
0897877 BC Ltd.	12,000	12,000
For the three months ended June 30	2018	2017
Huston & Huston Holdings Corp.	\$ 62,500	\$ 62,500
Anacortes Management Ltd.	-	6,000
Rockford Resources, LLC	6,000	6,000
0897877 BC Ltd.	6,000	6,000

The above transactions relate to consulting fees incurred by the Company. Management services expenses are included in Management fees and salaries and marketing consulting expenses are included in Marketing, advisory and investor relations in the consolidated statements of financial position.

Amounts owing to related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations. At June 30, 2018, the Company owed \$81,015 (June 30, 2017 - \$183,335) to related parties.

GRAPHITE ONE RESOURCES INC.**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2018***(unaudited)**(Expressed in Canadian dollars)***8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd...)****8.2 Key management compensation**

For the six months ended June 30,	2018	2017
Consulting and directors' fees	\$ 149,000	\$ 161,000
Salaries and benefits	266,864	388,119
Stock-based compensation	49,700	-
	<u>\$ 465,564</u>	<u>\$ 549,119</u>

For the three months ended June 30,	2018	2017
Consulting and directors' fees	\$ 74,500	\$ 80,500
Salaries and benefits	142,242	245,091
Stock-based compensation	49,700	-
	<u>\$ 266,442</u>	<u>\$ 325,591</u>

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Executive Chairman, President & Chief Executive Officer, Directors, Chief Financial Officer, and General Manager Operations.

Geological services are capitalized to Exploration and evaluation properties in the consolidated statements of financial position.

9. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the future.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

GRAPHITE ONE RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

(unaudited)

(Expressed in Canadian dollars)

10. RISK MANAGEMENT

10.1 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 a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash.

The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada.

b. 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, 2018, the Company had working capital of \$1,183,761, and it does not have any long term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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 \$194,257 in cash and \$1,316,830 cash in trust at June 30, 2018 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. The Company maintains the majority of its cash reserves in Canadian dollars. A portion of the Company's funds are held in US dollars and are therefore subject to fluctuations in foreign exchange rates.

At June 30, 2018, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of \$137,400 in the Company's net loss.

10.2 Fair Values

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