

Graphite Energy Corp.
Condensed Interim Financial Statements
Six Month Period Ended December 31, 2017
(Unaudited – Prepared by Management)
(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, 2017.

Graphite Energy Corp.
Condensed Interim Statement of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2017		June 30, 2017	
ASSETS					
Current assets					
Cash and cash equivalents		\$	101,523	\$	366,436
GST receivable			4,487		2,274
			106,010		368,710
Non-current assets					
Exploration and evaluation asset	3		422,076		310,225
TOTAL ASSETS		\$	528,086	\$	678,935
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	4	\$	21,091	\$	38,591
TOTAL LIABILITIES			21,091		38,591
SHAREHOLDERS' EQUITY					
Share capital	5		1,023,284		653,184
Stock options reserve	5		1,255		-
Special warrants	5		-		164,250
Deficit			(517,544)		(177,090)
SHAREHOLDERS' EQUITY			506,995		640,344
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		\$	528,086	\$	678,935

Nature of operations and going concern (Note 1)
Subsequent events (Note 8)

Approved and authorized on behalf of the Board on February 21, 2018:

“Roop Mundi” Director “Afzaal Pirzada” Director

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

Graphite Energy Corp.
Condensed Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Three Months Ended December 31,		Six Months Ended December 31,	
	Notes	2017	2016	2017	2016
Expenses					
Office and administration		\$ 1,156	\$ -	\$ 1,384	\$ -
Investor relations		206,397	-	227,697	-
Management and consulting fees	6	6,625	-	12,744	-
Professional fees	6	21,753	2,902	57,354	2,902
Regulatory and filing fees		7,843	-	13,205	-
Share based payment		1,255	-	1,255	-
Transfer agent fees		26,815	-	26,815	-
Net and comprehensive loss		\$ (271,844)	\$ (2,902)	\$ (340,454)	\$ (2,902)
Basic and diluted loss per share		\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average shares outstanding		22,369,367	8,120,652	20,940,643	4,060,326

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

Graphite Energy Corp.
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Notes	Share Capital		Special warrants	Stock option reserve	Deficit	Total
		Number of shares	Amount				
Balance at June 30, 2017		19,400,000	\$ 653,184	\$ 164,250	\$ -	\$ (177,090)	\$ 640,344
Shares issued, special warrants converted	5	1,661,500	166,150	(166,150)	-	-	-
Special warrants issued	5	-	-	1,900	-	-	1,900
Issuance of common shares for cash	5	2,000,000	200,000	-	-	-	200,000
Warrants exercised	5	19,750	3,950	-	-	-	3,950
Stock options compensation	5	-	-	-	1,255	-	1,255
Net loss for the period		-	-	-	-	(340,454)	(340,454)
Balance at December 31, 2017		23,081,250	\$1,023,284	\$ -	\$ 1,255	\$ (517,544)	\$ 506,995

	Notes	Share Capital		Special warrants	Stock option reserve	Deficit	Total
		Number of shares	Amount				
Balance at April 1, 2016		-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued		12,100,000	275,000	-	-	-	275,000
Share issuance cost		-	(1,816)	-	-	-	(1,816)
Net loss for the period		-	-	-	-	(2,902)	(2,902)
Balance at December 31, 2016		12,100,000	\$ 273,184	\$ -	\$ -	\$ (2,902)	\$ 270,282

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)

Notes	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Operating activities		
Net loss for period	\$ (340,454)	\$ (2,902)
Items not affecting cash		
Stock option compensation	1,255	-
Changes in non-cash working capital items:		
Receivables	(2,213)	-
Trade payables and accrued liabilities	(25,244)	2,902
Net cash flows used in operating activities	(366,656)	-
Investing activities		
Exploration and evaluation asset	3	(104,107)
Net cash flows used in investing activities	(104,107)	-
Financing activities		
Shares issued, net of share issuance cost	5	200,000
Special warrants	5	1,900
Warrants exercised	5	3,950
Net cash flows from financing activities	205,850	273,184
Decrease in cash and cash equivalents	(264,913)	273,184
Cash and cash equivalents, beginning of the period	366,436	-
Cash and cash equivalents, end of the period	\$ 101,523	\$ 273,184

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

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 head office and principal address of the Company is located at 789 West Pender Street, Suite 1080, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records office address is 221 West Esplanade, Suite 409, North Vancouver, British Columbia, Canada, V7M 3J3.

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, 2017, the Company had not achieved profitable operations, had an accumulated deficit of \$517,544, 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.

2. Statement of compliance with International Financial Reporting Standards and Basis of Presentation

These condensed interim financial statements were authorized for issue on February 21, 2018, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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 and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the period ended June 30, 2017.

The condensed interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the period ended June 30, 2017.

Basis of preparation

The condensed interim financial statements of the Company have been prepared on the accruals basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

Graphite Energy Corp.
Condensed Interim Notes to the Financial Statements
(Expressed in Canadian dollars)
For the six months ended December 31, 2017

3. Exploration and evaluation assets

Lac Aux Bouleaux Graphite Project – Quebec, Canada

On December 20, 2016, and amended March 30, 2017 and September 11, 2017, the Company entered into a purchase option agreement (“agreement”) with Gold Port Resources Ltd (“GPRL”) to earn a 100% interest in the Lac Aux Bouleaux Graphite Project (“LAB Project”). The LAB Project is a contiguous set of 14 claims located in the Province of Quebec. To earn its interest in the project, the Company must pay GPRL \$60,000 (*paid*), a second payment of \$60,000 (*paid*) on the closing date (the date on which the shares of the Company trade on a stock exchange) and a final payment of \$60,000 sixteen months from the closing date. Additionally, the Company must issue 5,000,000 common shares (*issued*) upon signing of the agreement, which shall be subject to a one-year trading restriction from the closing date in addition to any trading restrictions imposed by the British Columbia Securities Commission.

	Period ended December 31, 2017	Period ended June 30, 2017
Opening Balance	\$ 310,225	\$ -
Property acquisition costs		
Costs incurred during the period:		
Additions - cash	60,000	60,000
Additions - shares	-	250,000
Total property acquisition costs	60,000	310,000
Property maintenance costs		
Costs incurred during the period:		
Resource estimate update	900	-
Total property maintenance costs	900	-
Exploration and evaluation costs		
Costs incurred during the period:		
Administration	-	225
Assaying	3,575	-
Camp and operations	12,211	-
Consulting	27,619	-
Travel and accomodation	7,546	-
Total Exploration and Evaluation Costs	50,951	225
Ending Balance	\$ 422,076	\$ 310,225

Graphite Energy Corp.
Condensed Interim Notes to the Financial Statements
(Expressed in Canadian dollars)
For the six months ended December 31, 2017

4. Trade payables and accrued liabilities

	December 31, 2017	June 30, 2017
Trade payables	\$ 7,027	\$ 24,488
Amounts due to related parties (Note 6)	9,064	4,103
Accrued liabilities	5,000	10,000
	\$ 21,091	\$ 38,591

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At December 31, 2017 there were 23,081,250 issued and fully paid common shares.

On November 2, 2017, the Company completed a private placement comprised of 2,000,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$200,000.

For the period ended December 31, 2017, 1,661,500 special warrants were converted into 1,661,500 common shares and 830,750 share purchase warrants. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of \$0.20 per share.

For the period ended December 31, 2017, 19,750 warrants were exercised into 19,750 common shares at an exercise price of \$0.20 per share for gross proceeds of \$3,950.

Warrants

In August 2017, 19,000 special warrants were issued for proceeds of \$1,900. Each special warrant entitles the holder to acquire one unit of the Company. Each unit consists of one common share and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months at an exercise price of \$0.20 per share.

In October 2017, these 19,000 special warrants were converted into 19,000 common shares and 9,500 warrants. There are no outstanding special warrants as at December 31, 2017.

For the period ended December 31, 2017, 19,750 warrants were exercised into 19,750 common shares at an exercise price of \$0.20 per share.

The following table summarizes information about the issued and outstanding warrants as at December 31, 2017:

Graphite Energy Corp.
Condensed Interim Notes to the Financial Statements
(Expressed in Canadian dollars)
For the six months ended December 31, 2017

5. Share capital and reserves (cont'd)

Warrants (cont'd)

	Special Warrants		Warrants	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, June 30, 2017	1,642,500	\$ -	4,250,000	\$ 0.10
Issued	19,000	-	830,750	0.20
Exercised/converted	(1,661,500)	-	(19,750)	0.20
Outstanding, December 31, 2017	-	\$ -	5,061,000	\$ 0.12

The weighted average remaining life of the regular warrants is 0.44 years.

Regular warrants are as follows:

Issuance date	Number of warrants	Exercise price	Expiry date
October 31, 2016	3,200,000	\$ 0.10	April 30, 2018
November 15, 2016	1,050,000	\$ 0.10	May 15, 2018
July 1, 2017	794,000	\$ 0.20	January 1, 2019
August 11, 2017	7,500	\$ 0.20	February 11, 2019
October 04, 2017	9,500	\$ 0.20	April 04, 2019

Stock options

The Board has approved a Stock Option Plan, designed for our selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward our 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.

On October 19, 2017, the Company granted 325,000 stock options to certain directors and consultants of the Company. These options are exercisable for up to five years at a price of \$0.20 per share. Stock options initially vested 25% on each April 19, 2018, July 19, 2018, October 19, 2018, and January 19, 2019; however, this is amended to fully vested on February 8, 2018. The Company recognized a stock-based compensation of \$1,255 (2017 - \$Nil) for the period ended December 31, 2017 determined by the Black-Sholes option pricing model using the following assumptions: risk free interest rate 1.7%, volatility of 100.14%, annual rate of dividend of 0% and an expected life of the option of 5 years (Note 8).

At December 31, 2017, the following stock options were outstanding and exercisable:

Issuance date	Number of options	Exercise price	Number of exercisable options	Expiry date
October 19, 2017	325,000	\$ 0.20	Nil	October 19, 2022

6. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities 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.

	December 31, 2017	June 30, 2017
Directors and officers of the Company	\$ 9,064	\$ 4,103

Transactions

During the period ended December 31, 2017, the Company incurred exploration expenditure of \$50,951 and management fees of \$6,625 with a company controlled by the CEO and a director the Company for geological and management services. The Company also incurred professional fees of \$19,584 with a company controlled by a former director and officer for accounting and corporate secretarial services.

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.

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

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, 2017, the only financial assets and liabilities denominated in a currency other than the Company's functional currency were trade payables in Euros and U.S. dollars with a total value of \$Nil.

Based on these exposures, a 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by \$Nil and a 10% change in the Euro to the Canadian dollar exchange rate would impact the Company's net loss by \$Nil.

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.

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.

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. Subsequent events

Subsequent to December 31, 2017:

- In January and February 2018, 2,808,750 warrants were exercised into 2,808,750 common shares at an exercise price of \$0.10 per share for gross proceeds of \$280,875; 508,750 warrants were exercised into 508,750 common shares at an exercise price of \$0.20 for gross proceeds of \$101,750.
- In February 2018, 25,000 stock options were exercised into 25,000 common shares for proceeds of \$5,000 and 275,000 stock options were forfeited.