Graphite Energy Corp.

Condensed Interim Financial Statements

Six Month Period Ended December 31, 2018

(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, 2018.

(Expressed in Canadian dollars - Unaudited)

	Notes	December 31, 2018 -$-	June 30, 2018 -$-
ASSETS			
Current assets			
Cash		94,688	147,269
Receivables		13,178	10,970
Prepaid expenses		5,644	10,834
		113,510	**169,073**
Non-current assets			
Exploration and evaluation asset	3	583,410	579,376
TOTAL ASSETS		**696,920**	**748,449**
LIABILITIES			
Current liabilities			
Trade payable and accrued liabilities	4	216,919	140,517
TOTAL LIABILITIES		**216,919**	**140,517**
SHAREHOLDERS' EQUITY			
Share capital	5	1,617,389	1,617,389
Reserves	5	-	-
Deficit		(1,137,388)	(1,009,457)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**480,001**	**607,932**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**696,920**	**748,449**

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board on February 28, 2019:

"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 Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars - Unaudited)

		Three Months Ended		Six Months Ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Notes	- $ -	- $ -	- $ -	- $ -
EXPENSES					
Office and administration		6,001	1,156	10,381	1,384
Management fees	6	50,015	6,625	99,463	12,744
Professional fees	6	2,500	21,753	6,038	57,354
Regulatory and filing fees		4,918	7,843	6,868	13,205
Shareholder communications		-	206,397	557	227,697
Share based payment		-	1,255	-	1,255
Transfer agent fees		1,170	26,815	3,345	26,815
Travel and related fees		696	-	1,279	-
Total expenses		(65,300)	(271,844)	(127,931)	(340,454)
Other items					
Foreign exchange gain		-	-	-	-
Net loss and comprehensive loss		**(65,300)**	**(271,844)**	**(127,931)**	**(340,454)**
Basic and diluted loss per share		**(0.00)**	**(0.01)**	**(0.00)**	**(0.02)**
Weighted average shares outstanding		**28,160,500**	**22,369,367**	**28,160,500**	**20,940,643**

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

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

		Share capital					
	Notes	Number of shares	Amount	Special warrants	Stock options reserve	Deficit	Total
Balance at June 30, 2017		**19,400,000**	**$ 653,184**	**$ 164,250**	**$ -**	**$ (177,090)**	**$ 640,344**
Special warrants issued		-	-	1,900		-	**1,900.00**
Shares issued, special warrants converted		1,661,500	166,150	-166,150		-	-
Issuance of common shares for cash		2,000,000	200,000				200,000
Warrants exercised		19,750	3,950				3,950
Stock oprions compensation					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**
Balance at June 30, 2018		**28,160,500**	**$ 1,617,389**	**$ -**		**$ (1,009,457)**	**$ 607,932**
Net loss for the period		-	-	-		-127,931	-127,931
Balance at December 31, 2018		**28,160,500**	**$ 1,617,389**	**$ -**		**$ (1,137,388)**	**$ 480,001**

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

(Expressed in Canadian dollars - Unaudited)

	December 31 2018 -$-	June 30, 2018 -$-
Property acquisition costs		
Opening balance	370,000	310,000
Costs incurred during the year:		
Additions - cash	-	60,000
Total property acquisition costs	**370,000**	**370,000**
Exploration and evaluation costs		
Opening balance	209,376	225
Costs incurred during the year:		
Administration	81	1,483
Assaying	1,613	27,188
Camp operations	-	26,759
Consulting	2,341	77,251
Drilling	-	54,553
Travel and accommodation	-	21,918
Total exploration and evaluation costs	**213,410**	**209,376**
Ending Balance	**583,410**	**579,376**

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 1510, 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, 2018, the Company had not achieved profitable operations, had an accumulated deficit of $1,137,388, 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 preparation

These financial statements were authorized for issue on February 28, 2019, 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 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 year ended June 30, 2018.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2018, except for the following:

<u>Financial instruments</u>
On July 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

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

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

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 significant impact on the Company's financial instruments.

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.

3. Exploration and evaluation asset

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 six 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.

The Company is currently in negotiations with GPRL with respect to the final payment of $60,000 that was due on April 15, 2018.

(Expressed in Canadian dollars)

3. Exploration and evaluation assets (cont'd)

The Company incurred exploration and evaluation costs during the period ended September 30, 2018 and the year ended June 30, 2018:

	December 31 2018 -$-	June 30, 2018 -$-
Property acquisition costs		
Opening balance	370,000	310,000
Costs incurred during the year:		
Additions - cash	-	60,000
Total property acquisition costs	**370,000**	**370,000**
Exploration and evaluation costs		
Opening balance	209,376	225
Costs incurred during the year:		
Administration	81	1,483
Assaying	1,613	27,188
Camp operations	-	26,759
Consulting	2,341	77,251
Drilling	-	54,553
Travel and accommodation	-	21,918
Total exploration and evaluation costs	**213,410**	**209,376**
Ending Balance	**583,410**	**579,376**

4. Trade payables and accrued liabilities

	December 31, 2018 -$-	June 30, 2018 -$-
Trade payables	71,835	25,081
Amounts due to related parties (Note 6)	140,484	105,336
Accrued liabilities	4,600	10,100
Total	**216,919**	**140,517**

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At December 31, 2018 and June 30, 2018, there were 28,160,500 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 gross proceeds of $200,000.

During the year ended June 30, 2018, 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.

During the year ended June 30, 2018, 5,049,000 warrants were exercised at prices ranges from $0.10 to $0.20 per share for gross proceeds of $584,800.

During the year ended June 30, 2018, 50,000 stock options at a price of $0.20 were exercised for gross proceeds of $10,000.

On October 15, 2016 the Company issued 3,000,000 common shares at $0.005 per share for proceeds of $15,000.

On October 31, 2016, the Company issued a total of 6,500,000 units at $0.02 per unit, for gross proceeds of $130,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from closing of the private placement, at an exercise price of $0.10 per share.

On November 15, 2016, the Company issued a total of 2,600,000 units at $0.05 per unit, for gross proceeds of $130,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company for a period of 18 months from closing of the private placement, at an exercise price of $0.10 per share.

The Company incurred share issuance costs of $1,816 in relation to the above share issuances.

5. Share capital and reserves (cont'd)

Warrants

During the year ended June 30, 2018, 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.

During the year ended June 30, 2018, 5,049,000 warrants were exercised into 5,049,000 common shares of the Company for gross proceeds of $584,800.

On February 28, 2017, the Company issued 1,660,500 special warrants ("Special Warrant") for gross proceeds of $166,050 pursuant to a private placement. Each Special Warrant entitles the holder to acquire one unit ("Unit") of the Company. Each Unit consists of one common share and one-half of one share purchase warrant ("Regular Warrant"). Each full Regular 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.

On April 10, 2017, the Company issued an additional 15,000 Units for gross proceeds of $1,500 pursuant to a private placement. Each Unit consists of special warrant ("Special Warrant") and one-half of one share purchase warrant ("Regular Warrant"). Each Special Warrant entitles the holder the right to acquire, without additional payment, one common share of the Company. Each full Regular Warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months from closing of the private placement, at an exercise price of $0.20 per share.

The Special Warrants will automatically convert to common shares of the Company on the earlier of: (a) the first business day following the day on which a receipt for a final prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia or such other jurisdictions as may be determined by the Company qualifying the distribution of the common shares; and (b) four months and a day from the date of the issuance of the Special 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.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

***Warrants** (cont'd)*

The following table summarizes information about the warrant transactions during the year ended June 30, 2018:

	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	-	-5,049,000	0.12
Outstanding, June 30, 2018, and December 31, 2018	-	-	31,750	0.20

The weighted average remaining life of the warrants is 0.02 years.

Warrants outstanding at December 31, 2018 and June 30, 2018 are as follows:

Outstanding Warrants	Exercise Price - $ -	Expiry Date
18,500	0.20	January 1, 2019
5,000	0.20	February 11, 2019
8,250	0.20	April 4, 2019
31,750		

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.

As at December 31, 2018 and June 30, 2018, the Company has nil options outstanding.

On October 19, 2017, the Company granted 325,000 stock options to certain directors and consultants of the Company. These options were exercisable for up to five years at a price of $0.20 per share. On February 8, 2018, prior to any of these stock options vesting, 275,000 of these options were cancelled. The Company recognized share-based payments of $3,255 (2017 - $Nil) for the year ended June 30, 2018 determined by the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 1.7%, volatility of 100.14%, a dividend rate of Nil and an expected life of 5 years.

(Expressed in Canadian dollars)

5. Share capital and reserves (cont'd)

Stock options *(cont'd)*

During the year ended June 30, 2018, 50,000 options were exercised for gross proceeds of $10,000.

No options were outstanding at December 31, 2018.

Share-based payment reserve

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

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.

	December 31, 2018 - $ -	**June 30, 2018 - $ -**
Companies controlled by current and former directors and officers of the Company	65,500	72,346
Directors and officer of the Company	74,984	32,990
	140,484	105,336

Transactions

During the six months ended December 31, 2018, the Company incurred management fees of $40,901 to the CEO of the Company and director fees of $30,000 to a company controlled by a director of the Company. The Company also incurred professional fees of $30,000 with a company controlled by the CFO of the Company. During the period ended December 31, 2017, the Company incurred professional fees of $19,584 with a company controlled by a former director and officer for accounting and corporate secretarial services.

During the year ended June 30, 2018, the Company incurred exploration expenditures of $101,008 and management fees of $14,125 with a company controlled by the former CEO of the Company for geological and management services. The Company also incurred professional fees of $29,377 with a company controlled by a former director and officer for accounting and corporate secretarial services and $25,000 in management and consulting fees with a company controlled by an officer and director of the Company for CFO services, and $52,313 in consulting fees with directors of the company or companies controlled by directors.

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, 2018, the Company had no financial assets or liabilities denominated in a foreign currency and foreign exchange risk is assessed as low.

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 and there were no changes to the Company's capital management for the period ended December 31, 2018.

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

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.