GRAPHITE ONE RESOURCES INC.

Management's Discussion and Analysis

For the three months ended March 31, 2018

GRAPHITE ONE

GRAPHITE ONE RESOURCES INC.
(the “Company” or “Graphite One”)

Form 51-102F1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following Management’s Discussion and Analysis (“MD&A”), prepared as of May 28, 2018, should be read together with the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018 and 2017 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial reports, including International Accounting Standard 34 (“Interim Financial Reporting”). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should be aware that historical results are not necessarily indicative of future performance.

Cautionary Note Regarding Forward-Looking Information
Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Certain statements contained in this MD&A constitute forward-looking statements. The use of any words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Examples of where the company uses forward looking statements include when discussing exploration plans, operational plans and future expenditure expectations.

It is important to note that:

• Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of May 28, 2018.

• Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

• The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by law.

The mineral resource estimates reported in this MD&A were prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission (“SEC”) applies different standards in the classification of mineralization. In particular, while the terms “measured,” “indicated” and “inferred” mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, “inferred” mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

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

A more complete discussion of the risks and uncertainties facing Graphite One is disclosed in Graphite One's continuous disclosure filings with Canadian securities regulatory authorities at www.sedar.com.

Nature of Operations

Graphite One was incorporated in Alberta and commenced operations on March 16, 2006 under the name Cedar Mountain Exploration Inc. On October 18, 2007, the Company closed its initial public offering and on October 29, 2007 began trading on the TSX-Venture Exchange under the symbol CED. On March 23, 2012, the Company changed its name to Graphite One Resources Inc. and adopted the symbol GPH on the TSX-Venture Exchange effective March 27, 2012. On June 11, 2012 the Company began trading in the over the counter market in the United States on the OTCQX under the symbol GPHOF. Due to changes in the listing requirements of the OTCQX, the Company began trading on the OTCQB on April 1, 2017. Graphite One is the parent company of its consolidated group.

Graphite One is engaged in the acquisition, exploration and evaluation of graphitic mineral properties. The Company is focussing its exploration and evaluation efforts on the Graphite Creek Property. The recoverability of the invested amounts shown for the exploration and evaluation property is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, obtaining the necessary financing to complete development and, ultimately, generating sufficient profits from future production or sufficient proceeds from the disposition of the exploration and evaluation property. In January 2017, the Company released the results of its inaugural Preliminary Economic Assessment ("PEA"). See "Preliminary Economic Assessment" for further discussion.

Exploration and Evaluation Property

Graphite Creek Property Summary

The Graphite Creek Property is located on the Seward Peninsula of Alaska about 59 kilometers ("km") north of the deep sea port at Nome, Alaska. The Graphite Creek Property is situated about 20km from a seasonal road and 4km from tidewater.

The Graphite Creek Property consists of 176 mining claims covering 9,583 hectares (23,680 acres) and is comprised of:

- Fifty-six Alaska state mining claims (the "GC Purchased Property"); and,
- One hundred and twenty located Alaska state mining claims (the "GC Staked Property").

Graphite Creek Option and Net Smelter Royalty Agreements

In May 2015, the Company executed a long-term lease agreement ("Lease") with Kougarok LLC ("Kougarok"), commencing effective January 1, 2014 with an initial term of twenty years, and with provisions to extend the lease 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 agreement, 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 agreement have been made to date. The production royalties are to be calculated as follows: 5% from lands in 4 claims originally located in 1943; 2.5% from lands within other 20 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.

On January 24, 2012, the Company purchased from a private individual (the "Seller") the GC Purchased Property for $20,000 and a 2% production royalty on future production from the GC Purchased Property. The Company had the right to purchase the production royalty for $1 million until January 24, 2015 (the "Royalty Purchase Option"). The Company and the Seller entered into an extension agreement effective January 24, 2015 (the "2015 Extension Agreement") whereby the Royalty Purchase Option could have been exercised at any time on or before the earlier of (i) January 24, 2017, or (ii) the date that is six (6) months after the release by the Company of a feasibility study on the Graphite Creek Property. In connection with the 2015 Extension Agreement, the Company issued to the Seller 769,231 common shares of the Company at an issue price of $0.13 per share. In January 2017, the Company and the Seller agreed to further extend the terms of the Royalty Purchase Option and entered into an extension agreement effective January 24, 2017 (the "2017 Extension Agreement") whereby the Royalty Purchase Option may be exercised at any time on or before January 24, 2021. In connection with the 2017 Extension Agreement, the Company 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.

During June 2015, the Company purchased from another private individual the balance of the GC Purchased Property (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, for a total area of 9,583 hectares (23,680 acres) covering the project area. 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 the area for potential infrastructure needs adjacent to the Graphite Creek deposit including port facilities.

In March 2018 and under the terms of the Lease, Kougarok completed the conversion of its 24 Federal unpatented lode mining claims to State of Alaska mining claims with the Alaska Department of Natural Resources. The Company in turn transferred to Kougarok thirteen of its Alaska state mining claims that overlapped with the lands of 4 of the Federal claims and simultaneously leased them back from Kougarok. This will relieve the Company of the need to comply with certain federal regulatory requirements since federal lands are no longer involved and is anticipated to simplify the permitting process for the project.

TRU Graphite Reports

In 2014, TRU Group was commissioned by the Company to identify options for the Graphite Creek Project with a focus on matching the resources to up-market functionalized end uses for graphite (Stage A). In 2015, TRU Group undertook a second stage of study (Stage B) to conduct test work and determine the characteristics of the graphite. On April 15, 2015, the Company announced receipt of TRU Group's Stage B Report (see the Company's press release dated April 15, 2015) which revealed that Graphite Creek graphite has unique characteristics, including spheroidal shaped graphite, high proportions of coarse flake graphite with high aspect ratios and naturally expanded/exfoliated flake graphite. TRU Group also identified the need for additional research and development to more fully understand these characteristics and the impact on processing and finished products. As a result of the importance of this development, the Company suspended work on its PEA in order to incorporate the findings from the Stage B Report into the PEA.

In November 2015, the Company engaged TRU Group to produce trial spherical graphite lab samples for internal assessment of electrochemical performance and for potential end-user evaluation. In May 2016, the Company announced the successful production of premium grade spheroidized graphite ("SPG") from 99.98% Cg purified graphite (see the Company's press release dated May 5, 2016), with yield in these first trial runs averaging 74.6%. The results of Phase 5 of the Company's Exploratory Product Development have shown that first discharge capacity of the samples approached, and in one case equaled the theoretical maximum capacity of natural graphite and results from repeat charge/discharge cycles confirm high performance, repeatability and stability of GPH STAX graphite (see the Company's press release dated May 20, 2016).

Preliminary Economic Assessment
In January 2017, the Company announced the results of its PEA for the Graphite Creek Project. The Project is conceived as a vertically integrated manufacturer of high grade Coated Spherical Graphite ("CSG") with mining and processing facilities near Nome, Alaska and advanced material processing done at a dedicated graphite product manufacturing facility.

The PEA projects a Net Present Value ("NPV") for the Project on a pre-tax basis of US$1,037 million using a 10% discount rate, with an Internal Rate of Return ("IRR") of 27%. On a post-tax basis, the NPV is projected at US$616 million using a 10% discount rate, with an Internal Rate of Return ("IRR") of 22%. Combined federal taxes, state taxes and royalties are about US$2,163 million or 32% of earnings before depreciation, interest and taxes ("EBDIT"). Annual production of CSG and other graphite specialty materials is projected at 55,350 metric tonnes when full production is reached in Year 6. The PEA is based on 40 years of indicated and inferred resources grading 7% Cg (graphite) that have been identified in the target exploitation zone to sustain full scale operations, notwithstanding additional potential resources immediately outside the target zone or the broader Graphite Creek property.

Summary of the Project's Pre-Tax Financial Results (US$ Million)	
Project Earnings before Depreciation, Interest and Taxes (EBDIT)	$6,696
Net Cash Flow	$6,268
NPV of Net Cash Flow at 10% Discount Rate	$1,037
IRR	27%
Payback Period in Production Year	4
Summary of the Project's Post-Tax Financial Results (US$ Million)	
Project Earnings Post-tax	$4,533
Capital Outlay and NSR Buyout/Buydown	$433
Net Cash Flow Post-tax	$4,100
NPV of Net Cash Flow at 10% Discount Rate	$616
IRR	22%
Payback Period in Production Year	4

Pending a detailed graphite market study, the PEA is based on a conservative selling price of US$6,200 per tonne for CSG and an average selling price of US$1,500 per tonne for Purified Graphite Powders. The Project's average blended price of its manufactured products is expected to be US$5,054 per tonne, ex plant, on a 2016 constant US dollar basis. This is expected to generate cash earnings of US$182 million per year on sales of US$280 million at full capacity with a consolidated operating margin ("EBDIT") of 63% on sales. CSG will dominate output, and is expected to account for 75% of sales volume and 93% of sales revenue, or US$260 million, of the total. Purified graphite powders will account for the balance with sales of US$20 million.

Mineral Resource Estimates

The Company's mineral resources as identified in the PEA contain an estimated 10.3 million tonnes classified as Indicated Resources averaging 7.2% Cg, and 71.2 million tonnes classified as Inferred Resources grading 7.0% Cg, both at 6% graphitic carbon ("Cg") cut-off grade. The resource estimates are summarized in the table below.

Graphite Creek Mineral Resource Estimates – January 2017[c]

Mineral Resource Classification[a]	Tonnage (Million Tonnes[b)])	Graphite % (% Cg)	In Situ Graphite[b] (000's Tonnes[b])
Indicated	10.3	7.2	1,133,000
Inferred	71.2	7.0	1,109,000

a: This resource estimate uses a 6.0 % Cg cut-off grade with a resource recovery of 80 to 95% Graphite concentrate with average selling price of US$5,054/tonne.
b: The tonnage and in situ graphite (metric tonnes) have been rounded off to the nearest thousand, and therefore may not tally due to rounding.
c: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

The mineral resource estimate was prepared by R. James Robinson, P.Geo of TRU Group Inc., who is an independent Qualified Persons under National Instrument 43-101, using the most current Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines.

Resource estimates are based on cumulative drill data from the Company's 2012, 2013 and 2014 drill programs, totaling 48 holes and about 7,500 metres of drilling.

The Project's economic analysis has been designed based on the 6% mining cut-off grade, producing the desired 7.0% Cg mill-feed head grade. The scale of available material at 7% Cg is estimated to be 43.66 million tonnes using both Indicated and Inferred Resources, sufficient to support over 40 years of mining at full-scale production of 1,018,000 tonnes per year.

Graphite Creek Mine

The Graphite Creek Mine (the "Mine") has been designed to operate on a 24-hour per day schedule (assuming two 12-hour shifts per day) on a year-round basis. When in full production in Year 6, the mine plan proposes delivering 1,018,000 tpy of graphite mineralized material to a nearby Mineral Processing Plant ("Processing Plant"). The PEA assumes mining would be performed year-round with owner-operated equipment.

Processing Plant

The proposed Processing Plant, to be located at the Mine when at full production capacity, is to receive from the Mine 1,018,000 tpy of graphite mineralization grading 7% Cg and extract and recover 60,000 tpy of concentrate, grading 95% Cg. Graphite recovery during mineral processing is assumed under optimized conditions to reach 80%. The single concentrate recovered would be packaged in one tonne super sacks, placed in 20 tonne shipping containers and trucked to the Port of Nome. The containers would be loaded onto barges during the seasonal shipping window and delivered to the Product Manufacturing Plant (the "Manufacturing Plant").

Manufacturing Plant

For purposes of the PEA, the Manufacturing Plant is assumed to be situated on a brownfield industrial site in Washington State serviced by public utilities with developed road and rail infrastructure. Criteria relevant to deciding its location include power cost, availability of industrial zoned land, proximity to tidewater and port facilities, and infrastructure that supports both the workforce and delivery logistics for input materials, services and finished products. The Company is identifying suitable locations for the Manufacturing Plant site.

The Manufacturing Plant would receive 60,000 tpy of concentrate grading 95% Cg from the Processing Plant. It would then be purified under an inert atmosphere to at least 99.95% Cg. Spherical graphite size fractions suitable for lithium-ion batteries are combined with coating precursor. The 'green' surface coated graphite product is heat treated in kiln type furnaces to harden the coating and into the final spherical graphite product.

Finished products at full production are projected to include:

- 41,850 tpy of Coated Spherical Graphite with a minimum purity of 99.95% Cg for the EV Li-ion battery market; and,
- 13,500 tpy Purified Graphite Powders, 99.8% Cg, <20 microns, suitable for lubricants, friction products, conductive polymers, specialty powder and metallurgical additives.

Project Capital Cost Summary

Estimated capital costs for mining operations, the Processing Plant and the Manufacturing Plant and infrastructure are summarized in the table below and estimated to be US$363 million. The plant capital expenditures were spread over three years and ramp up to full production at 60,000 tpy of graphite concentrate at the Processing Plant in Year Six of production. The Manufacturing Plant would concurrently reach full capacity of 55,350 tpy of graphite products. No contingency is included for the two plants. Indirect costs were assumed to be 33% of direct costs: 20% for EPCM (engineering, procurement, construction & management), 10% for freight and capital spare parts, and 3% for commissioning and start-up costs.

Capital Cost Estimates, Mine and Plants

Operations Category	Capital Cost (US$ millions)
Mine & Processing Plant	$233
Product Manufacturing Plant	$130
Total All Operations	$363

Project Operating Cost Summary

Operating costs at full capacity for the Mine, Processing Plant and Infrastructure, and the Manufacturing Plant are estimated to be US$98 million per year, as summarized in the table below. On a plant input/output basis, the total project operating cost equates to US$96 per tonne of processing plant feed or US$1,774 per tonne of finished graphite product.

MAJOR OPERATING COST ITEM	Mining (US$ 000)	Mineral Processing (US$ 000)	Product Manufacturing (US$ 000)	Integrated Project (US$ 000)
Labour	$21,887	$12,170	$7,270	$41,327
Energy (Power and Diesel)[1]		$9,900	$14,900	$24,800
Equipment Operation	$2,800			$2,800
Consumables		$3,300	$7,100	$10,400
Maintenance & Supplies	$1,781	$2,700	$3,600	$8,081
Miscellaneous	$1,273			$1,273
Concentrate Shipping		$1,800	$7,698	$9,498
Total Operating Cost (OPEX)	$27,741	$29,870	$40,568	$98,179
Operating Expenses per tonne	**(US$)**	**(US$)**	**(US$)**	**(US$)**
Processing Plant Feed	$27	$29	$40	$96
Concentrate	$462	$498	$676	$1,636
Graphite Product	$501	$540	$733	**$1,774**
Notes: 1 The mining energy cost is included in Mineral Processing Plant cost				

The complete PEA can be obtained from the Company's website at *graphiteoneresources.com* or on the SEDAR at *www.sedar.com*.

Alaska Industrial Development and Export Authority

On February 16, 2017 the Company and the Alaska Industrial Development and Export Authority ("AIDEA") announced that they had entered into a Memorandum of Understanding ("MOU") to explore opportunities to collaborate on the development of Graphite One's proposed project as outlined in the PEA (see Press Release of February 16, 2017).

Overall Performance

The Company has no operating revenue to date. The Company relies on the issuance of common shares to finance acquisitions, exploration on its exploration and evaluation properties, and to provide general operating working capital. The majority of the Company's expenditures relate to the acquisition and exploration of the Graphite Creek property.

Summary of Quarterly Results

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

Period ended	March 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Net loss ($)	283,542	528,923	320,834	336,077
Basic and diluted loss per common share ($)	0.00	0.01	0.00	0.00

Period ended	March 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016
Net loss ($)	424,871	611,555	528,245	624,221
Basic and diluted loss per common share ($)	0.00	0.01	0.00	0.00

Over the past eight quarters, the Company continued its focus on the exploration and evaluation of the Graphite Creek Project, finalizing the Company's inaugural Preliminary Economic Assessment in early 2017. Efforts are ongoing to raise awareness of the Project and the Company including all levels of government, current and potential investors and other interested parties, including the Alaska Industrial Development and Export Authority.

The reduction in overall expenses in the quarter ended March 31, 2018 was due to reduced marketing efforts and travel in efforts to reduce costs. The increase in the loss in the quarter ended December 31, 2017 was due to slightly increased professional fees and the granting of 4,050,000 share purchase options, offset in part by a recovery of marketing, advisory and investor relations costs. The increase in overall costs in the quarter ending December 31, 2016, was due primarily to the granting of 4,050,000 share purchase options and an increase in professional fees, offset in part by reduced marketing and management fees.

Results of Operations

Three months ended March 31, 2018

During the three months ended March 31, 2018 (the "first quarter of 2018"), the Company incurred a net loss of $283,542 compared to a net loss of $424,871 during the three months ended March 31, 2017 (the "first quarter of 2017").

General and administrative expenses consist of management fees and salaries, marketing and investor relations, office and administration and professional fees.

Three months ended March 31,	2018	2017	Increase/ (decrease)
Management fees and salaries	$ 181,456	$ 141,797	$ 39,659
Marketing and investor relations	51,933	169,616	(117,683)
Office and administration	39,777	56,147	(16,370)
Professional fees	7,993	58,646	(50,653)
Share based payments	-	7,637	(7,637)
	$ 281,159	$ 433,843	$ (152,684)

- Management fees and salaries increased during the first quarter of 2018 compared to the first quarter of 2018 due to an adjustment to salary costs in the quarter offset by a reduction in director fees.
- Marketing and investor relations costs decreased in the first quarter of 2018 compared to the first quarter of 2017 due to a reduction in marketing efforts which had been increased in the first quarter of 2016 in an effort to increase the visibility of the Company in the market place.
- Office and administrative expenses decreased in the first quarter of 2018 as compared to the first quarter of 2017, primarily due primarily to reduced filing fees offset in part by an increase in insurance costs.
- Professional fees decreased in the first quarter 2018 compared to the first quarter of 2017 primarily due to a decrease in legal costs.
- Share based payments expense, a non-cash expense was $nil (2017 – $7,637). There were no share based payments granted in the first quarter of 2018 and 2017. Share based payments amounts were determined based on the fair value of share options that vested and approved in the quarter.

Liquidity, Capital Resources and Going Concern
The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon the Company's ability to arrange adequate financing in the near term. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operations. The Company will seek such 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.

As at March 31, 2018, the company had a cash balance of $35,668 (March 31, 2017 - $197,255), and working capital deficit of $548,835 (March 31, 2017 – working capital deficit of $169,128). Current liabilities as at March 31, 2018 totaled $651,370 (March 31, 2017 - $519,216). The Company has incurred losses since inception and does not generate any cash inflows from operations.

During the three month periods ended March 31, 2018 and 2017, cash used in operating activities totaled $165,591 compared to $307,116, respectively. Cash received from financing activities in the quarter ended March 31, 2018 was $nil compared to cash used due to financing activities in the quarter ended March 31, 2017 of $1,621. Cash used in investing activities was $149,822 compared to $217,442 in the three periods ended March 31, 2018 and 2017, respectively.

The Company's ability to continue to meet its obligations and carry out its planned exploration 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. The Company's consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet 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.

Financial Instruments and risk management

<u>Financial instrument classification</u>

The Company`s financial instruments recognized on the balance sheet consist of cash, deposits, amounts receivable and trade and other accounts payable.

The estimated fair market values of the Company`s financial instruments approximate their carrying values due to their short-term nature.

<u>Financial Risk Management</u>

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.

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's cash balances held at financial institutions earn interest at rates which vary according to prevailing rates. The Company does not deem the associated interest rate risk to be material.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any material credit risk.

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. Graphite One maintains the majority of its cash reserves in Canadian dollars. A portion of the Company's funds are held in United States dollars and are, therefore, subject to fluctuations in foreign exchange rates.

At March 31, 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 $7,900 in the Company's net loss.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. See "Liquidity, Capital Resources and Going Concern" section.

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.

Related party transactions and balances

Relationships	**Nature of the relationship**
Huston and Huston Holdings Corp. ("Huston")	Huston is 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.

	Management Consulting and Directors' Fees	
For the three months ended March 31	**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

Related party transactions

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

Geological services are capitalized to Exploration and evaluation properties 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 March 31, 2018, the Company owed $190,831 (2017 - $183,335) to related parties.

Key management compensation

For the three months ended March 31,		2018		2017
Consulting and directors' fees	$	74,500	$	80,500
Salaries and benefits		124,622		143,028
	$	199,122	$	223,528

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.

Management contracts

The Company entered into a consulting agreement (the "CEO Agreement") effective January 1, 2016 with a private company controlled by the President and CEO to provide certain management services to the Company, the terms of which were finalized subsequent to September 30, 2016. Under the CEO Agreement, the Company will pay an annual fee for services of $250,000 and, in the event of a change of control of the Company, an amount equal to three times the annual fee.

Effective January 1, 2016, the Executive Chairman has been engaged as an employee of the Company. Subsequent to September 30, 2016, the Company finalized the terms of the employment agreement with the Executive Chairman. Under this agreement, the Company will pay an annual fee for services of $200,000 and, in the event of change of control of the Company, an amount equal to two times the annual salary.

Effective January 1, 2016, the Chief Financial Officer has been engaged as an employee of the Company. Subsequent to September 30, 2016, the Company finalized the terms of the employment agreement with the Chief Financial Officer. Under this agreement, the Company will pay an annual fee for services of $190,000 and, in the event of a change of control of the Company, an amount equal to two times the annual salary.

Outstanding Share Data

The following table summarizes the Company's outstanding share capital:

May 28, 2018	
Common shares issued and outstanding	295,547,857
Stock options outstanding (weighted average exercise price $0.10)	25,300,000
Warrants outstanding (weighed average exercise price $0.14)	154,124,607
Broker`s warrants outstanding (weighted average exercise price $0.15)	5,443,447
Fully diluted common shares outstanding	480,415,911

Additional Disclosure for Venture Issuers without Significant Revenue

Details of the Company's general and administrative expenses for the three months ended March 31, 2018 and 2017 are included in the results of operations section of this MD&A. Details of the Company's expenditures relating to exploration and evaluation properties are presented in Note 6 to the consolidated financial statements.

Mining Risks

The Company is subject to the risks typical in the mining business including uncertainty of success in exploration and development; operational risks including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Commodity prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Business Risks

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

• Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks however the Company is not fully insured against all risks nor are all such risks insurable.

• Operational risks also include the timing and successful completion of the PEA, the industry projections regarding the future demand for graphite and the results of the TRU Group's study being accurate regarding the characteristics of the Graphite Creek mineralization.

• Financial risks include fluctuations in commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.

• Regulatory risks include possible delays in getting regulatory approval for transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings, and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.

Outlook
The Company's primary focus is the exploration and development of the Graphite Creek Project. In addition to the exploration at this Property, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the risk capital necessary to advance such prospects.

Approval
The Board of Directors of the Company have approved the disclosure contained in this MD&A.

Other Information
Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and on the Company's website at www.graphiteoneresources.com.