

GRAPHANO ENERGY LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED OCTOBER 31, 2023

UNAUDITED
(Expressed in Canadian dollars)

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Notice of Disclosure of Non-auditor review of the Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited Condensed Interim financial statements of the Company for the interim period ended Oct 31, 2023 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited Condensed Interim financial statements are the responsibility of the Company's management.

The Company's independent auditors, Wasserman Ramsay, Chartered Accountants, have not performed a review of these interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditor.

December 28, 2023

Dr. Luisa Moreno
Chief Executive Officer

GRAPHANO ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, expressed in Canadian dollars)

As at,	October 31, 2023	July 31, 2023
	\$	\$
ASSETS		
Current assets		
Cash & cash equivalents (note 6)	2,014,595	2,080,644
Prepayments and other receivables	81,599	130,539
Sales taxes receivable	248,043	233,952
Total current assets	2,344,237	2,445,135
Long-term assets		
Total assets	2,344,237	2,445,135
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	4,509	24,902
Total liabilities	4,509	24,902
SHAREHOLDERS' EQUITY		
Share capital (note 8)	4,200,129	4,200,129
Reserves	2,310,039	2,310,039
Deficit	(4,170,440)	(4,089,935)
Total shareholders' equity	2,339,728	2,420,233
Total liabilities & shareholders' equity	2,344,237	2,445,135

Going concern (Note 2) and subsequent events (Note 16)

The Company's board of directors approved the Condensed Interim financial statements on December 28, 2023.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Signed "James Richardson" Director and CFO

Signed "Luisa Moreno" Director and CEO

The accompanying notes form an integral part of the Condensed Interim financial statements.

GRAPHANO ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED OCTOBER 31, 2023
(Unaudited, expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES	DEFICIT	TOTAL
	#	\$	\$	\$	\$
Consolidation of shares (6.5:1), Sep 3, 2021	15,000,720	3,229,948	1,643,474	(782,443)	4,090,979
Issue of shares for acquisition of Royalty	153,846	50,000	-	-	50,000
Share issue costs	-	(145,000)	-	-	(145,000)
Flow-through Private placements	1,562,500	907,706	267,294	-	1,175,000
Warrants exercised	188,462	119,314	(21,314)	-	98,000
Options issued	-	-	649,591	-	649,591
Cancellation of shares	(1,875)	-	-	-	-
Adjustment w.r.t volatility	-	219,437	(219,437)	-	-
Warrants exercised	84,615	53,569	(9,569)	-	44,000
Issue of shares for option on property	50,000	10,875	-	-	10,875
Flow-through share premium	-	(256,720)	-	-	(256,720)
Net loss for the period	-	-	-	(2,279,781)	(2,279,781)
Balance, as at July 31, 2022 (restated)	17,038,268	4,189,129	2,310,039	(3,062,224)	3,436,944
Issue of shares for option on property	50,000	11,000	-	-	11,000
Net loss for the period	-	-	-	(1,027,711)	(1,027,711)
Balance, as at July 31, 2023	17,088,268	4,200,129	2,310,039	(4,089,935)	2,420,233
Net loss for the period	-	-	-	(80,505)	(80,505)
Balance, as at October 31, 2023	17,088,268	4,200,129	2,310,039	(4,170,440)	2,339,728

The accompanying notes form an integral part of the Condensed Interim financial statements.

GRAPHANO ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS/(INCOME)
FOR THE THREE MONTHS ENDED OCTOBER 31, 2023
(Unaudited, expressed in Canadian dollars)

For the period ended October 31,	Three months ended	
	2023	2022
	\$	\$
Revenues	-	-
Operating Expenses/(Income)		
Expenditures on E&E properties	22,157	32,656
Management fees	78,000	75,750
Professional and consulting fees	2,102	10,928
Foreign exchange loss	100	1,031
Other operating expenses/(income)	(4,068)	21,964
Advertising and Marketing	7,341	6,994
	105,632	149,323
Other Expenses/(Income)		
Deferred income tax recovery	-	(27,423)
Interest income	(26,219)	(23,950)
Other expenses/(income)	1,092	-
	(25,127)	(51,373)
Net loss and comprehensive loss	80,505	97,950
Loss per share - basic & diluted	0.005	0.006
Weighted average number of shares outstanding	17,088,268	17,038,268

The accompanying notes form an integral part of the Condensed Interim financial statements.

GRAPHANO ENERGY LTD.
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2023
(Unaudited, expressed in Canadian dollars)

For the period ended,	October 31, 2023	October 31, 2022
	\$	\$
Cash used in operating activities		
Net loss for the period	(80,505)	(97,950)
<i>Adjustments for items not involving cash:</i>		
Reversal of Flow through share liability	-	(27,423)
<i>Changes in non-cash working capital items:</i>		
Receivables and other	48,940	(16,311)
Prepayments and other receivables	(14,091)	(14,318)
Accounts payable and accrued liabilities	(20,393)	(12,070)
	(66,049)	(168,072)
Cash used in investing activities		
	-	-
Cash flows from financing activities		
	-	-
Increase (decrease) in cash and cash equivalents	(66,049)	(168,072)
Cash and cash equivalents, beginning of the period	2,080,644	3,353,722
Cash and cash equivalents, end of the period	2,014,595	3,185,650

The accompanying notes form an integral part of the Condensed Interim financial statements.

GRAPHANO ENERGY LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 2023
(Unaudited, expressed in Canadian dollars)

1. GENERAL INFORMATION

Graphano Energy Ltd (the "Company", "Graphano" or "GEL") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporation Act* (British Columbia) on October 5, 2020 by its then parent company, Manganese X Energy ("MN"). It is a mining company that is focused on evaluating, acquiring and developing graphite resources with potential—from exploration to production.

The Company's shares were accepted for listing in September 2021 and are listed under the symbol 'GEL' on the TSX Venture Exchange (the "Exchange"), '97G0' on the Frankfurt Exchange and 'GELEF' on the OTCQB Marketplace in the United States. The registered office of the Company is located at 1000 - 595 Burrard Street, Vancouver, British Columbia, and the Company maintains a business office at 120 Carlton Street, Suite 219, Toronto, Ontario.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on December 28, 2023.

2. GOING CONCERN DISCLOSURE

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

The ability of the Company to continue as a going concern (as is assumed in the presentation of these statements) is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management may explore alternative possible means to assist in its development, including joint ventures, debt and equity financings, and merger opportunities.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Graphano is not currently generating any revenue from its operations. For the three months ended October 31, 2023, the Company recorded a net comprehensive loss of \$80,505 and had an accumulated deficit of \$4,170,440 but a positive shareholders' equity of \$2,339,728 and cash and GICs of \$9,372 and \$2,005,223 respectively. Management is of the opinion that the Company has enough funds to operate for the next 12-month period without the need to raise additional capital.

These 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 were the going concern assumption inappropriate, and these adjustments could be material.

GRAPHANO ENERGY LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 2023
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and effective as of October 31, 2023.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. These financial statements of the Company have been prepared using historical costs and fair values of certain items. Items measured at fair value include cash and cash equivalents, warrants, and share based payments.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Basis of Measurement

These financial statements have been prepared on an historical cost basis using the accrual basis of accounting except for cash flow information.

(c) Functional and Presentation Currency

The Company's functional and presentation currency is the Canadian dollar (“\$”).

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS

Readers should refer to the July 31, 2023 annual audited financial statements for the accounting policies used in the preparation of these Condensed Interim financial statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway.

Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual financial statements will be determined as at July 31, 2024. In the event that accounting policies adopted at July 31, 2024 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements would be restated to retrospectively account for the application of those policies adopted at July 31, 2024.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

The following standards had been issued but not yet adopted at the date of approval of Financial Statements for quarter ended October 31, 2023.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss

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recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however, early adoption is permitted.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. The Company plans to adopt the new standard retrospectively on the required effective date.

The amendments are not expected to have an impact on the Company's financial statements.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Cash Canadian banks	9,372	15,644
GIC's	2,005,223	2,065,000
	2,014,595	2,080,644

The GIC's are issued by a major Canadian Chartered Bank.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables as at October 31, 2023, are \$4,509. Accounts payable includes \$748 due to related parties (see Note 10).

8. SHARE CAPITAL

A Authorized share capital

An unlimited number of common shares, without par value.

An unlimited number of preferred shares (note: none issued as of October 31, 2023).

B Common Shares Issued

No shares were issued during the quarter.

C Share purchase warrants

There was no movement in the number of warrants outstanding and their weighted average exercise prices are as follows:

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	Warrants #	Weighted average exercise price \$
Balance - July 31, 2022	13,208,942	0.56
-	-	-
Balance - July 31, 2023	13,208,942	0.56
-	-	-
Balance - October 31, 2023	13,208,942	0.56

The fair value of the 12,607,019 (81,945,660 pre-consolidation) warrants at issue date was \$1,424,038, as calculated using a Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.05/.325 post consolidation; strike price of \$0.52; 125% expected volatility (based on a peer company, as 'Graphano' did not have volatility history); risk free interest rate of 0.31%; and an expected dividend yield of 0%. The allocation of the total proceeds to share capital and warrant reserve was effected by pro-rating the then current trading value of the shares with the Black-Scholes calculated value of the warrants over the total purchase consideration. During the year 2022-23, the expiry date of these warrants was extended by 2 years to August 27, 2025. All other terms of the Warrants, including the post-consolidation exercise price, remained the same.

The fair value of the 781,250 warrants at issue date was \$243,280, as calculated using a Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.53; strike price of \$1.10; 125% expected volatility (as above); risk free interest rate of 1.04%; and an expected dividend yield of 0%. The allocation of the total proceeds to share capital and warrant reserve was effected by pro-rating the then current trading value of the shares with the Black-Scholes calculated value of the warrants over the total purchase consideration.

The fair value of the 93,750 warrants issued as part of Units with a strike price of \$1.10 was \$24,015, as calculated using a Black-Scholes option pricing model with the following assumptions: 24 months expected average life; share price of \$0.53; strike price of \$1.10; 125% expected volatility (as above); risk free interest rate of 1.04%; and an expected dividend yield of 0% and pro-rated similarly as above.

As at October 31, 2023 and 2022, the outstanding share purchase warrants were as follows:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry dates
\$0.52	12,333,942	0.96	Aug 2025
\$1.10	781,250	0.15	Dec 2023
\$1.10	93,750	0.15	Dec 2023
Balance - October 31, 2023	13,208,942	0.91	

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Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry dates
\$0.52	12,333,948	0.8	Aug 2023
\$1.10	781,250	1.2	Dec 2023
\$1.10	93,750	1.2	Dec 2023
Balance - October 31, 2022		13,208,948	0.9

D Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. As such, the Plan is subject to review and approval by shareholders annually at the Annual General Meeting. Under the plan, the exercise price of each option equals the market price of the Company's stock, not less than the previous day's Closing Price, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors. The option activity, under the share option plan and information concerning outstanding and exercisable options is as follows:

	No. of Options Vested	Weighted Average Exercise Price (\$)
Balance - July 31, 2022	1,500,000	0.50
-	-	-
Balance - July 31, 2023	1,500,000	0.50
-	-	-
Balance - Oct 31, 2023	1,500,000	0.50

The fair value of the 1,500,000 stock options at the issue date (November 11, 2021) was \$649,591 calculated using the Black-Scholes option pricing model with the following assumptions: 60 months expected average life; share price and strike price of \$0.50; 132.80% expected volatility (estimated based on a peer company, as 'Graphano' did not have volatility history); risk free interest rate of 1.10%; and an expected dividend yield of 0%.

No options were issued or exercised during the quarter.

As at October 31, 2023 and 2022, stock options issued and outstanding are as follows:

	Options granted	Options exercisable	Weighted Average Exercise Price (\$)	Expiry dates
	1,500,000	1,500,000	0.50	Nov 2026
Balance - October 31, 2023	1,500,000	1,500,000	0.50	

	Options granted	Options exercisable	Weighted Average Exercise Price (\$)	Expiry dates
	1,500,000	1,500,000	0.50	Nov 2026
Balance - October 31, 2022	1,500,000	1,500,000	0.50	

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9. EXPLORATION PROPERTIES

Lac Aux Bouleaux Property

The Company acquired its Lac Aux Bouleaux graphite property (the “LAB Graphite Property”) project from its former parent Company, Manganese X Energy Corp. (“MN”), which entered into an arrangement agreement (the “Arrangement Agreement”) with its wholly-owned subsidiary to effect the divinding out of the LAB Graphite Property project to its shareholders through GEL. The Arrangement resulted in the creation of Graphano as an independent public company, which is initially focused on the exploration of the LAB Graphite Property for graphite. On September 1, 2021, the Company issued 76,923 common shares to each of Lawrence Nemeth and Geomap Exploration Inc. at \$0.325 per share to purchase the royalty they previously held on the Lac Aux Bouleaux graphite property. The property is now free of royalty interests and held 100% by the Company.

Standard Graphite Mine

During the 2022-23 the Company entered into an option agreement pursuant to which the Company has been granted the exclusive right and option to acquire 100% of the Standard graphite historical mine (“Standard”) subject to a 2% NSR, located 32 km northeast of the Company’s Lac Aux Bouleaux graphite project. The Option Agreement covers six claims totalling 355 hectares. At the closing of the Option Agreement the Vendor will receive 50,000 common shares of the Company (issued). In order to complete the option agreement and acquire a 100% interest in the property the Company is required to issue/pay the following: a further 50,000 common shares on the first anniversary (issued) and a further 100,000 common shares and \$20,000 in cash on the second anniversary. The Company will have the option to purchase the royalty for \$600,000 cash at any time.

In addition to the claims noted above the Company has staked two additional claims nears its Lac Aux Bouleaux Property.

10. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to share issuances to which many of its Insiders were Subscribers, transactions with related parties were as follows:

For the period ended,	October 31, 2023	October 31, 2022
	\$	\$
Management and other fees paid to companies controlled by Officers and Directors	78,000	75,750
Exploration expenditures paid to an officer as geological consultant to the company	1,050	-
Legal and professional fees paid to a firm of which Company's Secretary is a partner	2,088	-
	81,138	75,750

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

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Included in the accounts payable and accrued liabilities	October 31, 2023	October 31, 2022
	\$	\$
Consulting fees payable to companies controlled by officers and Directors	-	1,978
Owing to a legal firm in which the corporate secretary is a partner	748	-
	748	1,978

11. EARNINGS PER SHARE (“EPS”)

(a) Basic EPS

Basic EPS is computed by dividing net income for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted EPS

Diluted EPS is computed by dividing net income for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three months ended October 31, 2023; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they would be anti-dilutive.

12. CAPITAL MANAGEMENT

The Company considers its capital to include all components of Shareholders’ Equity. The Company currently manages its capital structure and makes adjustments to it, based on cash and other resources expected to be available to the Company, and required by the Company in order to support the planned exploration and development of mineral property interests and meet its obligations as they fall due. Management has not established quantitative targets for its capital structure. Capital needs are reviewed on a regular basis by management.

The Company, beyond its present cash resources, currently is dependent on externally provided equity financing to fund its future activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available. Management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and its place in its activities.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 12 months. As of October 31, 2023, the Company appears to be compliant with the policies of the TSXV.

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods covered in these statements.

14. FINANCIAL INSTRUMENTS

At October 31, 2023, the Company's financial instruments include cash and cash equivalents, other receivable, related party receivables and accounts payable for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposure are detailed below.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured using Level 1 inputs, the warrant liability and other captions above are measured using Level 2 inputs.

15. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk; the Company conduct its business primarily in Canada and is therefore exposed to only a nominal amount of financial risk that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The company recorded a foreign exchange loss of \$100 related to its foreign currency transactions for the three months ended October 31, 2023.

Commodity price risk: while the value of the Company's core mineral asset is related to the price of graphite (natural and synthetic) and other battery metals (e.g., lithium), the Company currently does not have any operating mines and hence does not have any commodity-based risks in respect of its operational activities. Graphite and other battery metals prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative trading activities, electric vehicles present and projected sales, advances in technology, prices and availability of substitutes, actions taken by governments, global economic and political developments (including, global events such as the COVID-19 pandemic) and certain other factors. Adverse movements in the prices of graphite and other battery metals may also negatively affect the Company's ability to raise capital and meet its financial commitments.

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Cash flow and fair value interest rate risk: the Company could be exposed to fluctuations in its future cash flows arising from changes in interest rates through variable rate financial assets and liabilities. Other liabilities negotiated at a fixed rate could expose the Company to fair value interest rate risk. The Company does not hold or owe any interest-bearing debt.

Credit risk

Credit risk arises from cash with banks and financial institutions and amounts receivable. The Company reduces this risk by dealing only with the most creditworthy financial institutions but may be exposed to such risk with respect to other counterparties. 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 is subject to concentrations of credit risk through Cash and cash equivalents, and receivables but minimizes such risks by dealing with a major Schedule A Canadian Chartered Bank and its solicitor's Trust account and monitoring its modest receivables, most of which are from Canadian Governments in respect of Sales Taxes refundable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The liquidity risk for the junior resource sector which the Company is in is usually considered high, but the Company's present cash and cash equivalents resources appear to have effectively eliminated this risk for now.

16. SUBSEQUENT EVENTS

As of December 23, 2023, 875,000 warrants expired unexercised.