G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023 AND 2022

(Unaudited - Expressed in US Dollars)

Notice of non-review of condensed interim consolidated financial statements

The accompanying condensed interim consolidated financial statements are the responsibility of G6 Materials Corp. ("Company") management and have been approved by the Company's Board of Directors. The Company's independent auditor has not reviewed these condensed interim consolidated financial statements.

G6 MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited - Expressed in US Dollars)

	Notes	February 28, 2023	May 31, 2022
		$	$
ASSETS			
Current			
Cash and cash equivalents		634,799	2,119,429
Amounts receivable	5	38,020	51,672
Inventory	6	722,096	969,993
Prepaid expenses and deposits		115,441	219,128
		1,510,356	3,360,222
Equipment	8	118,764	114,959
Right-of-use asset	7	85,558	112,199
Intangible assets	4	141,812	174,542
		1,856,490	3,761,922
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	168,730	148,420
Current portion of lease liability	7	85,982	113,596
		254,712	262,016
SHAREHOLDERS' EQUITY			
Share capital	11	16,487,601	16,487,601
Warrants reserve	11	125,605	125,605
Contributed surplus		3,375,538	3,203,059
Accumulated other comprehensive income (loss)		(158,352)	(94,044)
Deficit		(18,228,614)	(16,222,315)
		1,601,778	3,499,906
		1,856,490	3,761,922

Subsequent Event (Note 16)

Approved on behalf of the Board of Directors on May 1, 2023.

"Daniel Stolyarov"	Director	*"John Gary Dyal"*	Director
Daniel Stolyarov		John Gary Dyal	

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

G6 MATERIALS CORP.
CONDENSED INTERIM ONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Expressed in US Dollars)

	Notes	Three months February 28, 2023	Three months February 28, 2022	Nine months February 28, 2023	Nine months February 28, 2022
		$	$	$	$
REVENUE		370,659	337,921	1,219,573	999,259
COST OF GOODS SOLD		(194,328)	(130,012)	(708,854)	(580,485)
		176,318	207,909	510,719	418,774
EXPENSES					
Amortization of intangible asset	4	10,910	10,910	32,730	32,730
Amortization of right-of-use asset	7	33,140	39,618	129,311	84,986
Depreciation of equipment	8	8,006	5,726	24,194	12,051
Foreign exchange loss		81	3,217	252	6,284
Lease interest	7	897	2,610	2,604	8,945
Marketing and investor relations		81,074	36,404	260,845	176,971
Office and administrative		145,618	116,500	526,054	265,049
Professional fees	9	57,666	124,643	376,803	722,365
Regulatory fees		5,524	25,689	40,366	65,639
Research and development		31,812	194,275	172,015	327,384
Salaries and benefits	9	190,358	62,455	772,687	301,736
Share-based compensation	11	56,415	-	172,479	-
Travel expenses		1,343	7,962	6,678	18,193
		(622,844)	(630,009)	(2,517,018)	(2,022,333)
OTHER ITEM					
License and option fees	11	-	-	-	-
		-	-	-	-
NET LOSS BEFORE INCOME TAXES		(446,226)	(422,100)	(2,005,999)	(1,603,559)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified subsequently to income:					
Foreign currency translation income (loss)		(518)	17,958	(64,308)	(197,915)
COMPREHENSIVE LOSS		(446,744)	(404,142)	(2,070,607)	(1,801,474)
(LOSS) PER SHARE – BASIC AND DILUTED		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		163,679,193	128,351,697	163,679,193	128,351,697

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

G6 MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED,
(Unaudited – Expressed in US Dollars)

	Notes	February 28, 2023	February 28, 2022
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(2,006,299)	(1,603,559)
Non-cash items:			
Lease interest	7	2,604	8,945
Amortization of intangible asset	4	32,730	32,730
Amortization of right-of-use asset	7	129,311	84,986
Depreciation of equipment	8	24,194	12,051
Share-based compensation	11	172,479	-
Foreign exchange loss		252	6,284
		(1,644,729)	(1,458,563)
Changes in non-cash working capital items:			
Amounts receivable		13,652	(10,604)
Inventory		247,897	(181,885)
Prepaid expenses and deposits		103,687	(306,182)
Accounts payable and accrued liabilities		20,311	125,959
		(1,259,182)	(1,831,275)
INVESTING ACTIVITIES			
Purchase of equipment	8	(28,000)	(106,115)
		(28,000)	(106,115)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares (net)		-	(26,247)
Payments on lease	7	(132,888)	(90,624)
		(132,888)	(116,871)
Change in cash and cash equivalents		(1,420,070)	(2,054,261)
Effect of exchange rate changes on cash		(64,560)	(204,198)
Cash and cash equivalents, beginning		2,119,429	4,878,904
Cash and cash equivalents, ending		634,799	2,620,445

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

G6 MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(Unaudited - Expressed in US Dollars)

	Notes	Common Shares #	Common Shares $	Warrants Reserve #	Warrants Reserve $	Contributed Surplus $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total $
Balance, May 31, 2021		138,679,193	13,754,030	24,433,143	125,605	3,023,406	108,376	(11,486,203)	5,525,214
Share issued for acquisition of business	4, 11	25,000,000	2,759,818	-	-	-	-	-	2,759,818
Share issuance cost in connection with private placement		-	(26,247)	-	-	-	-	-	(26,247)
Foreign currency translation income		-	-	-	-	-	(197,915)	-	(197,915)
Net loss for the period		-	-	-	-	-	-	(1,603,559)	(1,603,559)
Balance February 28, 2022		163,679,193	16,487,601	24,433,143	125,605	3,023,406	(89,539)	(13,089,762)	6,457,311
Balance, May 31, 2022		163,679,193	16,487,601	14,476,000	125,605	3,203,059	(94,044)	(16,222,315)	3,499,906
Share-based compensation		-	-	-	-	172,479	-	-	172,479
Foreign currency translation loss		-	-	-	-	-	(64,308)	-	(64,308)
Net loss for the period		-	-	-	-	-	-	(2,006,299)	(2,006,299)
Balance, February 28, 2023		163,679,193	16,487,601	14,476,000	125,605	3,375,538	(158,352)	(18,228,314)	1,601,778

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

1. NATURE OF OPERATIONS

G6 Materials Corp. ("G6" or the "Company"), formerly Graphene 3D Lab Inc., was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, through a reverse acquisition transaction, the Company acquired Graphene 3D Lab (U.S.) Inc. which was deemed to be the continuing entity for financial reporting purposes. Graphene 3D Lab (U.S.) Inc. was incorporated on September 3, 2013 in the State of Delaware, USA. On January 23, 2020, the Company changed its name from Graphene 3D Lab Inc. to G6 Materials Corp. The Company's shares continue to trade on the TSX Venture Exchange under the same ticker symbol ("GGG").

On December 8, 2015, the Company closed a non-arm's length share exchange agreement to acquire all of the issued and outstanding shares of Graphene Laboratories Inc. which was incorporated under the laws of the Commonwealth of Massachusetts, USA.

On August 25, 2021 ("Closing Date"), the Company acquired 100% interests in GX Technologies, LLC ("GX Technologies"). Please refer to Note 4 for the acquisition details.

The Company currently has five US patents granted, two Notices of Allowance issued and three patent applications pending. The patent applications and the granted patents cover technology for graphene manufacturing and applications as well as for non-graphene related technology.

The address of the Company's head office and principal place of business is at Suite 2, 760 Koehler Avenue, Ronkonkoma, New York.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material. As at February 28, 2023, the Company had working capital of $1,255,644 compared to working capital of $3,098,206 at May 31, 2022. The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs as they come due. However, there is uncertainty with respect to the Company's ability to generate sufficient earnings to fully fund its operating activities without raising additional capital. The application of the going concern assumption is dependent upon the Company's ability to continue to generate future profitable operations and/or obtain additional financing. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

a) Basis of Presentation

The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended May 31, 2022. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2022. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended May 31, 2023.

b) Basis of Consolidation

These condensed interim consolidated financial statements incorporate the accounts of the Company and its wholly owned subsidiaries Graphene 3D Lab (U.S.) Inc., Graphene Laboratories Inc and GX Technologies LLC. All significant intercompany transactions and balances have been eliminated on consolidation.

These condensed interim consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on May 1, 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash on hand and short-term deposits which are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

b) Inventory

The Company's inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overhead costs.

An allowance for obsolete or slow-moving inventories is made where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

c) Equipment

Items of equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of items of equipment have difference useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in net profit (loss).

Laboratory equipment is depreciated on a straight-line basis ranging from 3 to 5 years.

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

d) Significant Accounting Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Share-based compensation

Share-based compensation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

Estimated useful lives of long-lived assets and intangible assets

Management reviews the useful lives of intangible and depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to website content and application and technology development.

Identification and valuation of intangible assets acquired in business combinations

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management, with assistance from an independent valuation expert where necessary, develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, the Company’s significant assumptions include the future net cash flows and the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for no more than one year from the acquisition date.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, which includes intangible assets, are reviewed at each reporting date to determine whether there are any events or changes that are indicators of impairment. If such an indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together in the smallest group of assets that generate cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets or cash generating units (“CGUs”). The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, future discounted cash flows are estimated. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss. The Company evaluates impairment losses for potential reversals (other than goodwill) when events or circumstances warrant such consideration.

Right-of-use assets and lease liability incremental borrowing rate

The Company has applied estimates for the incremental borrowing rate used in lease analysis, which significantly affects the amount of lease liability and right-of-use assets recognized.

Provision for expected credit losses (“ECLs”)

The Company performs impairment testing annually for trade receivables in accordance with IFRS 9. The ECL model requires considerable judgement, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results are used to calculate the run rates of default which are then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Inventory

The Company's inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overhead costs.

An allowance for obsolete or slow-moving inventories is made where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Judgements

The key areas of judgement that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Right-of-use assets and lease liability

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right-of-use assets recognized.

Determination of functional currency

The Company gives priority to the considerations outlined in IAS 21 when determining functional currencies of its entities based on which currency most faithfully represents the economic effects of the underlying transactions and events.

Determination of CGUs

The Company gives priority to the considerations outlined in IAS 36 when determining CGUs based on the smallest identifiable group of assets that generate cash inflows largely independently of other assets or groups of assets.

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable income will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from this process impacts the amount of the deferred tax assets management judges is probable.

e) Loss Per Share

Basic loss per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

f) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

g) Share-based Compensation

The Company uses the fair value-based method of accounting for share-based compensation for all awards of shares and share options granted.

The share option plan allows Company employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

h) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognizes revenues from the sale of graphene and graphene related products at the point in time when it satisfies its performance obligations. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. These criteria are generally met at the time the product is shipped and when control transfers to the customer. Revenue is measured based on the price specified in the sales contract and net of discounts.

i) Financial Instruments

Financial assets – Financial assets are initially measured at fair value plus, in the case of a financial asset not measured at fair value through profit and loss (“FVTPL”), transaction costs. Financial assets are subsequently measured at: (i) FVTPL; (ii) fair value through other comprehensive income (“FVOCI”) or (iii) amortized cost. The classification is based on whether the contractual cash flow characteristics represent “solely payments of principal and interest” as well as the business model under which the financial assets are managed.

Financial liabilities – Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

IFRS 9 uses an expected credit loss impairment model and the impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date.

j) Functional Currency and Foreign Currency Translation

The reporting currency of the Company is the US dollar. The functional currency of the Company is the Canadian dollar ("C$"). The functional currency of Graphene 3D Lab (U.S.) Inc., Graphene Laboratories Inc. and GX Technology LLC. is the US dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

On consolidation the assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange prevailing at the reporting date and their statement of operations are translated at the average exchange rates prevailing during the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of operations.

k) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

l) Intangible Assets

Intangible assets acquired as part of a group of other assets are initially recognized and measured at cost less accumulated amortization and accumulated impairment losses. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred. Intangible assets with finite useful lives are amortized over their estimated useful lives from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Intangible assets not yet available for use or with indefinite lives are not amortized but are tested for impairment at each reporting date. The intangible assets are being amortized on a straight-line basis over their estimated useful life of ten years.

(Unaudited - Expressed in US Dollars)

m) Business Combinations

The Company uses the acquisition method to account for business combinations. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of the net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

4. INTANGIBLE ASSETS

As part of the acquisition of Graphene Laboratories Inc., the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. As at November 30, 2022, the Company's intangible assets are as follows:

Cost:	**$**
Balance, May 31 and February 28, 2023	436,382
Accumulated Amortization:	
Balance, May 31, 2021	218,200
Amortization	43,640
Acquisition of intangible asset (GX Technologies, LLC)	2,776,756
Impairment of intangible asset	(2,776,756)
Balance, May 31, 2022	261,840
Amortization	32,730
Balance, February 28, 2023	294,570
Net Book Value:	
May 31, 2022	174,542
February 28, 2023	141,812

Acquisition of GX Technologies

On August 25, 2021 ("Closing Date"), the Company acquired 100% interests in GX Technologies, LLC ("GX Technologies") an arm's length party. Pursuant to the terms of the agreement, as payment, the Company issued 25,000,000 common shares ("Consideration Shares") to the shareholders of GX Technologies. On Closing Date, the fair value of the Consideration Shares was $0.11 (C$0.14) per common share. The Consideration Shares will be released from escrow over a period of 28 months from the Closing Date as following vesting schedule listed below. The acquisition of GX Technologies was treated as an asset acquisition by the Company as GX Technologies did not have any operating activities at the time of the acquisition.

Vesting Date	**Consideration shares**
4 -month from Closing date (December 25, 2021)	5,000,000
10 -month from Closing date (June 25, 2022)	5,000,000

(Unaudited - Expressed in US Dollars)

16 -month from Closing date (December 25, 2022)	5,000,000
22 -month from Closing date (June 25, 2023)	5,000,000
28 -month from Closing date (December 25, 2023)	5,000,000
Total	**25,000,000**

The following table summarizes the allocation of the purchase price and related acquisition costs to the fair value of the assets acquired and liabilities assumed of GX Technologies at the date of acquisition:

Purchase price (25,000,000 common shares)	$	2,759,818
Total cost of acquisition	**$**	**2,759,818**
Accounts payable and accrued liabilities	$	(16,938)
Intangible asset		2,776,756
Net identifiable assets acquired	**$**	**2,759,818**

During the fiscal year ended May 31, 2022, the Company conducted impairment tests on its intangible assets that are not yet ready for use. The Company tested for impairment its intangible assets that are not ready for use, which is allocated to its only cash generating unit. The recoverable amount of CGU was determined based on value in use which requires the use of assumptions. The calculations use cash flow projections based on financial forecasts approved by management covering a five-year period using the estimated assumptions described below:

- Long term growth rate of 2%
- The discount rate was calculated based on market participant factors at 40.2%.

As a result, the Company recorded an impairment of $2,776,756 to the intangible assets due to the high degree of uncertainty surrounding the future viability of the intangible assets (the GX Technologies intellectual property).

5. AMOUNTS RECEIVABLE

	February 28, 2023	May 31, 2022
	$	$
Trade accounts receivable	27,008	36,310
GST receivable	11,012	15,362
Total	38,020	51,672

6. INVENTORY

	February, 2023	May 31, 2022
	$	$
Raw materials	239,748	166,644
Finished goods	482,348	803,349
Total	722,096	969,993

The cost of inventory is recognized as an expense and included in the cost of goods sold when sold. For the period ended February 28, 2023, the amount of inventory recognized in cost of goods sold was $856,935 (May 31, 2022 - $698,736).

(Unaudited - Expressed in US Dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company entered into a three-year lease agreement for the Company's facilities in Ronkonkoma, New York, USA beginning on January 1, 2018 and ending on December 31, 2020, which required monthly payments of $8,000. Subsequently the Company renewed another three-year lease agreement for the Company's facilities beginning on January 1, 2021 and ending on December 31, 2023, which requires monthly payments of $8,240. Upon adoption of IFRS 16 effective in fiscal 2020, the Company recognized a right-of-use asset and a lease liability of $145,382. On November 22, 2021, the Company amended the lease agreement by increasing the monthly payment from $8,240 to $8,487 during the periods from January 1, 2022 to December 31, 2022. On December 2, 2022, the Company amended the lease agreement by increasing the monthly payment to $8,793. As a result, the Company made an adjustment on the leased liability of $102,670 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA.

On November 23, 2021, the Company entered into another 12-month lease agreement for the expansion of Company's facilities in Cerritos, California, USA beginning on January 1, 2022 and ending on December 31, 2022, which required monthly payments of $7,985. The Company recognized a right-of-use asset and a lease liability of $192,341. The Company used a 6% discount rate, its incremental borrowing rate, to calculate the present value of the future lease payments and the lease interest expense.

RIGHT-OF-USE ASSET

Cost:	**$**
Balance, May 31, 2021	417,593
Addition	192,341
Balance, May 31, 2022	609,934
Addition	102,670
Balance, February, 2023	712,604
Accumulated Amortization:	
Balance, May 31, 2021	183,189
Amortization	133,072
Adjustment on the renewal of contract	181,474
Balance, May 31, 2022	497,735
Amortization	129,312
Balance, February 28, 2023	627,047
Net Book Value:	
May 31, 2022	112,199
February 28, 2023	85,558

LEASE LIABILITY

	$
Balance, May 31, 2021	237,262
Lease interest expense	10,878
Addition	192,341
Payments	(140,039)
Adjustment on the renewal of contract	(186,846)
Balance, May 31, 2022	113,596
Lease interest expense	2,604
Addition	102,670
Payments	(132,887)
Balance, February 28, 2023	85,982

(Unaudited - Expressed in US Dollars)

Current portion of lease liability	**85,982**
Long-term portion of lease liability	**-**

As at February 28, 2023, the Company will have future undiscounted lease payments totaling $87,925.

8. EQUIPMENT

	Laboratory Equipment
Cost:	$
Balance, May 31, 2021	564,266
Additions	106,115
Balance, May 31, 2022	670,381
Additions	28,000
Balance, February 28, 2022	698,381
Accumulated Depreciation:	
Balance, May 31, 2021	536,589
Depreciation expense	18,833
Balance, May 31, 2022	555,422
Depreciation expense	24,194
Balance, February, 2023	579,917
Net Book Value:	
May 31, 2022	114,959
February 28, 2023	118,764

9. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the period ended February 28, 2023 and 2022:

	February 28, 2023	February 28, 2022
	$	$
Salaries, bonuses, fees and benefits	172,538	92,282
Share-based compensation	89,988	-
	262,526	92,282

During the year period February 28, 2023, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of $108,672 (2021 - $108,609).

As at February 28, 2023, the Company had $3,451 (2022 - $3,451) receivable from a director and officer. In addition, the Company had $7,496 (2022 - $7,496) receivable from the spouse of a director and officer. The amounts receivable are unsecured, non-interest bearing and have no fixed terms of repayment.

As at February 28, 2023, the Company owed $1,121 (2022 – Nil) to companies controlled by an officer. The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

Transactions with related parties are incurred in the normal course of operation and recorded at fair value. The amounts due to related parties are included in accounts payable and accrued liabilities.

(Unaudited - Expressed in US Dollars)

10. LICENSE AND OPTION FEES

License and option fees are comprised of a non-refundable payment received at the time of entering into a license and option agreement (the "Agreement") with a US-based clinical-stage biopharmaceutical company. As per the Agreement, the Company received a one-time cash payment of $220,000 by granting the partner an exclusive license to use the intellectual property for a period of two years. Further, the partner will also have an option to purchase the Company's intellectual property rights for an incremental $1,000,000 during the two-year license period. During the year ended May 31, 2021, the cash payment of $220,000 was recognized as income upon transfer of the license as the Company had no significant future performance obligations and collectability of the fees was reasonably assured.

11. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

On August 25, 2021, the Company issued 25,000,000 common shares for the acquisition of GX Technologies LLC for gross proceed of $2,759,818 (C$3,500,000). Please refer to Note 4 for transaction details.

Escrow shares:

As at February 28, 2023, there are 15,000,000 (2021 – nil) common shares subject to escrow agreement, please refer to Note 4 Intangible Assets, Acquisition of GX Technologies for the vesting schedule detail of the escrow shares.

Stock options:

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than the closing share price of the day preceding their grant date.

Continuity of stock options:

	Number of options	Exercise price
Options outstanding – May 31, 2021	7,495,000	C$0.11
Granted during the year	6,900,000	C$0.10
Expired during the year	(845,000)	C$0.21
Forfeited during the year	(100,000)	C$0.12
Options outstanding – May 31, 2022	13,450,000	C$0.10
Expired during the year	(2,650,000)	C$0.12
Options outstanding – February 28, 2023	10,800,000	C$0.09

The fair value of the stock options granted is estimated using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

On March 16, 2022, the Company granted 6,900,000 stock options to certain directors, officers and consultants of the Company with a fair value of C$0.10 at the date of grant. The options are exercisable at C$0.10 per share for a period of five years from the date of grant. Among these options granted, 2,000,000 are subject to a three-year vesting schedule, where 25% of the options will be granted immediately, and 25% will be granted at each anniversary.

(Unaudited - Expressed in US Dollars)

The fair value of the stock options granted is estimated using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

	2023	**2022**
Share price	C$0.11	C$0.08
Risk-free interest rate	1.29%	1.16%
Expected volatility	132.48%	132.31%
Expected dividend yield	$nil	$nil
Expected forfeiture rate	0%	0%
Expected life	5 years	5 years

Based on the Black-Scholes option pricing model and the assumptions outlined above, the Company recorded share-based compensation of $172,479 for the nine-month period ended February 28, 2023 (2022 - Nil). The weighted average fair value of each option granted was $0.08 (2022 - $0.07).

Details of stock options outstanding:

Expiry date	**Exercise price**	**Remaining life (years)**	**Number of stock options outstanding**	**Number of stock options vested and exercisable**
October 14, 2025	C$0.08	2.63	3,900,000	3,900,000
March 16, 2027	C$0.10	4.05	6,900,000	5,400,000

Share purchase warrants:

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share, and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

Continuity of share purchase warrants:

	Number of warrants	**Weighted average exercise price**
Warrants outstanding – May 31, 2020	23,456,761	C$0.116
Warrants granted during the year	14,476,000	C$0.300
Warrants exercised during the year	(13,499,618)	C$0.120
Warrants outstanding – May 31, 2021	24,433,143	C$0.223
Warrants expired during the year	(9,957,143)	C$0.120
Warrants outstanding – May 31, 2022 and February 28, 2023	14,476,000	C$0.293

Details of warrants outstanding:

Expiry date	**Exercise price**	**Remaining life (years)**	**Number of warrants outstanding**
April 12, 2023	C$0.30	0.12	14,476,000

(Unaudited - Expressed in US Dollars)

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the the development and production of innovative graphene-based solutions. The Company does not have any externally imposed capital requirements to which it is subject.

The Company defines its capital as all components of shareholders' equity. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and loan payable.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

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

The following table sets for the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	634,765	-	-	995,637

The Company has determined that the carrying values of its trade accounts receivable, accounts payable and loan payable approximate their fair value due to the short-term maturities of these financial instruments.

i) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for trade and other receivables through established credit monitoring activities. As at February 28, 2023 and 2022, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and trade accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at February 28, 2023 and 2022, the Company is not exposed to significant interest rate risk.

iii) Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the US Dollar, which is the functional currency of the Company. As at February 28, 2023, the Company held US$263,345 (May 31, 2022 – C$1,647,573) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $26,335 (May 31, 2022 - $164,757).

iv) 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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at February 28, 2023, the Company had a working capital surplus of $1,696,886.

As at February 28, 2023	**Up to 1 year**	**1 - 5 years**	**Total**
Accounts payable	168,730	-	208,427
Lease liability	85,682	-	16,472
	254,412	-	224,899

14. SEGMENT DISCLOSURES

The Company operates in one reportable segment – the development, manufacturing, and sale of graphene-enhanced materials. Substantially all of the Company’s revenue was generated in the US and all long-lived assets are located in the US.

15. SUBSEQUENT EVENTS

On April 12, 2023, 14,476,000 unexercised share purchase warrants expired.