

NEWS RELEASE

G6 Materials Reports 2023 Annual Financial Results

Revenue Increased by 14% for Fiscal Year Ended May 31, 2023, Which Was Offset by a 14% Increase in Total Expenses for the Same Period

Ronkonkoma, New York, USA - TheNewswire – September 28, 2023 - G6 Materials Corp. (“G6” or the “Company”) (TSXV: GGG, OTCQB: GPHBF), a high-tech company with expertise in advanced materials and developing innovative composites for a wide range of industrial uses, announces that it has filed its audited financial results for the fiscal year ending May 31, 2023, the highlights of which are included in this news release. The full set of Consolidated Financial Statements and Management Discussion and Analysis can be viewed by visiting G6’s website at www.g6-materials.com or its profile page on SEDAR at www.sedar.com.

Financial Highlights (all amounts expressed in US dollars unless otherwise noted)

- Revenue for the year ended May 31, 2023 was \$1,549,874, up from the \$1,357,799, reported for the same period of the prior year, which was primarily due to a change in sales mix.
- Gross profit for the year ended May 31, 2023 was \$196,090, as compared to the \$549,253 reported for the same period of the prior year, due to higher cost of goods sold from an increase in the shipping costs.
- Total expenses for the year ended May 31, 2023 was \$2,919,198, up from the \$2,561,926, reported for the same period of the prior year, due to an increase in general and administrative expenses, marketing and investor relations, and research and development expenses.
- Comprehensive loss for the year ended May 31, 2023 was \$2,793,447, a significant improvement over the comprehensive loss of \$4,938,532 reported for the same period of the prior year, which was primarily due to the prior year’s inclusion of the \$2,776,756 write-down of the value of its investment in GX Technologies.
- Total assets for the year ended May 31, 2023 was \$1,441,003, from the \$3,761,922 reported for the same period of the prior year.

Management Commentary



“G6’s financial results for the 2023 fiscal year were steady and show that the Company is continuing to move in the right direction. I am pleased with the 14% increase in revenue and also with the significant improvement in comprehensive loss. G6 also continues to operate without any non-current financial liabilities,” said Daniel Stolyarov, President, CTO & Co-CEO of G6 Materials Corp. “I would like to thank our employees, shareholders and all other stakeholders for their support in achieving these results. Going forward, our expectation is that G6’s cost structure will be significantly improved after the changes that were made at the corporate level over the last several months,” added Dr. Stolyarov.

Summary of Key Financial Measures (all amounts expressed in US dollars unless otherwise noted)

The following table contains summary financial information taken from the Company’s quarterly financial reports covering the last five reporting quarters. The information set forth should be read in conjunction with the Company’s audited annual financial statements, prepared in accordance with International Financial Reporting Standards and the related notes thereon.

| | Year ended May 31, 2023 \$ | Year ended May 31, 2022 \$ |
|---|----------------------------------|----------------------------------|
| Revenue | 1,549,874 | 1,357,799 |
| Gross profit | 196,090 | 549,253 |
| Net loss | 2,723,108 | 4,736,112 |
| Comprehensive Loss | 2,793,447 | 4,938,532 |
| Net loss per share prior to common share consolidation ⁽¹⁾ | \$0.02 | \$0.04 |
| Net loss per share post common share consolidation ⁽¹⁾ | \$0.17 | \$0.37 |
| Total assets | 1,441,003 | 3,761,922 |
| Total non-current financial liabilities | - | - |

Commercial Highlights Subsequent to the 2023 Fiscal Year

- Launch of New Thermally Conductive Epoxy Product Line:* On August 9, 2023, the Company announced the launch of a new thermally conductive G6-EPOXY® product line (the “New Product Line”). The first two products of the New Product Line are now available for purchase by consumers on the G6-EPOXY® website via the following link: <https://g6-epoxy.com/collections/thermally-conductive> and on the Graphene Supermarket website via the following link: <https://www.graphene-supermarket.com/collections/thermally-conductive>.

Outlook

Subsequent to the 2023 fiscal year, the Company is focused on improving its working capital position by increasing sales of its new epoxy product line and its Breathe+ line of air purifiers, as well as through other means. G6 is also focused on evolving its strategic partnership with Singapore-based MADE Advanced Materials PTE LTD (“MADE”), which possesses an expertise in fiber composites. MADE’s role

in the strategy partnership is to provide customers, optimized designs and an optimized composite manufacturing process, while G6's role is to provide graphene-based resin formulations and other graphene-based expertise.

About G6 Materials Corp.

G6 Materials Corp. is a high-tech company with expertise in advanced materials that creates value developing innovative composites for a wide range of industrial uses. Graphene Laboratories Inc., a wholly owned subsidiary of G6, sells a range of graphene-based products and other materials, including but not limited to conductive epoxies, high-performance composites, and R&D materials, with numerous customers from among the Fortune 500 list of companies, as well as NASA and leading universities. Graphene Laboratories Inc. has entered the global air filtration market with Breathe⁺, a line of medical-grade HEPA air filtration products enhanced with advanced performance graphene material.

G6 has identified new graphene-based applications to accelerate growth into the future. Accordingly, the Company has a valuable IP portfolio currently comprising five granted patents. The Company's management team and employees have a deep understanding of graphene technology based on decades of aggregate academic and commercial experience. Graphene Laboratories Inc., a wholly owned subsidiary of G6 located in Ronkonkoma, New York, has established its premium research laboratory and scalable production facility equipped with advanced analytical and material processing equipment.

The Company's e-commerce websites are listed below:

- Breathe⁺: Medical-grade HEPA air filtration enhanced with advanced performance graphene material, for more information, visit www.breatheplus.tech
- Conductive Epoxies: Adhesive materials distributed under the G6-Epoxy™ trade name and can be purchased at www.g6-epoxy.com
- R&D Materials: Graphene Laboratories Inc. currently offers over 100 graphene and related products available at www.graphene-supermarket.com

Forward-Looking Information

This news release contains forward-looking statements within the meaning of the applicable securities legislation that is based on expectations, estimates and projections as at the date of this news release. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. "Forward-looking information" in this news release includes but is not limited to information about the graphene-enhanced air purifier (including efficacy, potential

commercialization and patent pending thereof); information about the potential for the Company's long-term growth; the business goals and objectives of the Company, and other forward-looking information concerning the intentions, plans and future actions of the parties to the transactions described herein and the terms thereon.

The forward-looking information in this news release reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Risk factors that could cause actual results to differ materially include, but are not limited to, the risk that actual results in commercial applications of the graphene-enhanced air purifier may differ significantly from the Test Results; the Test Results may not be accepted by applicable regulatory agencies required to approve commercialization of the graphene-enhanced air purifier; the Company may not receive required approvals from regulatory agencies to commercialize the graphene-enhanced air purifier; the Company may not achieve further stages of commercialization of the graphene-enhanced air purifier as anticipated, or at all; the Company patent pending (US20210346831A1) may not be granted; the Company may not achieve anticipated commercial gains or profitability from the sale of Breathe⁺ Pro Advanced Antimicrobial Graphene Air Filtration System as currently anticipated, or at all; risks associated with adoption by industries of graphene-based products health and environmental factors affecting adoption of these technologies; the company may fail to obtain appropriate government approvals or accreditation related to the business' operations and technological processes; the market conditions and demand for its product as well as the market prices of such products being developed by the company may change over time; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; competition; dilution; and the volatility of our common share price and volume.

The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Commercial Inquiries

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Investor Inquiries



G6 Materials
TSXV: GGG OTCQB: GPHBF

Nick Kuzyk, Investor Relations
Telephone: 1-(866)-324-4244
Email: investors@g6-materials.com

ON BEHALF OF THE BOARD: Daniel Stolyarov, President, CTO & Co-CEO

For more information on G6 Materials Corp., please visit www.G6-Materials.com or its profile page on SEDAR at www.sedar.com.

SOURCE: G6 Materials Corp.

G6 MATERIALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

To the Shareholders of G6 Materials Corp.:

Opinion

We have audited the consolidated financial statements of G6 Materials Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and May 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2023 and May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had incurred a net loss, an accumulated deficit and negative cash flows from operations as at and for the year ended May 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

September 26, 2023

MNP LLP

Chartered Professional Accountants

MNP

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MAY 31, 2023 AND 2022

(Expressed in US Dollars)

| | Notes | 2023 | 2022 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | 390,440 | 2,119,429 |
| Accounts receivable and other | 5 | 55,270 | 51,672 |
| Inventory | 6 | 574,326 | 969,993 |
| Prepaid expenses and deposits | 16 | 118,588 | 219,128 |
| | | 1,138,624 | 3,360,222 |
| Equipment | 8 | 111,587 | 114,959 |
| Right-of-use asset | 7 | 59,890 | 112,199 |
| Intangible assets | 4 | 130,902 | 174,542 |
| Total assets | | 1,441,003 | 3,761,922 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 9 | 408,910 | 148,420 |
| Current portion of lease liability | 7 | 60,635 | 113,596 |
| | | 469,545 | 262,016 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 10 | 16,487,601 | 16,487,601 |
| Warrant reserve | | - | 125,605 |
| Contributed surplus | | 3,593,663 | 3,203,059 |
| Accumulated other comprehensive loss | | (164,383) | (94,044) |
| Deficit | | (18,945,423) | (16,222,315) |
| Total shareholders' equity | | 971,458 | 3,499,906 |
| Total liabilities and shareholders' equity | | 1,441,003 | 3,761,922 |

Going Concern (Note 1)**Subsequent Events** (Note 18)

Approved on behalf of the Board of Directors on September 26, 2023:

"Daniel Stolyarov" Director
Daniel Stolyarov

"John Gary Dyal" Director
John Gary Dyal

G6 MATERIALS CORP.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE YEARS ENDED MAY 31, 2023, and 2022

(Expressed in US Dollars)

| | Notes | 2023 | 2022 |
|---|--------------|--------------------|-------------|
| | | \$ | \$ |
| REVENUE | | 1,549,874 | 1,357,799 |
| COST OF GOODS SOLD | | (1,353,784) | (808,546) |
| | | 196,090 | 549,253 |
| EXPENSES (Note 17) | | | |
| Depreciation and amortization | 4,7,8 | 229,989 | 195,545 |
| Foreign exchange loss (gain) | | (198) | 1,616 |
| Marketing and investor relations | | 338,053 | 242,075 |
| General and administrative expenses | 17 | 2,110,785 | 1,889,996 |
| Research and development | | 240,569 | 179,377 |
| | | (2,919,198) | (2,508,609) |
| OTHER ITEMS | | | |
| Impairment of intangible assets | 4 | - | (2,776,756) |
| | | - | (2,776,756) |
| NET LOSS | | (2,723,108) | (4,736,112) |
| OTHER COMPREHENSIVE LOSS | | | |
| Items that may be reclassified subsequently to loss: | | | |
| Foreign currency translation loss | | (70,339) | (202,420) |
| COMPREHENSIVE LOSS | | (2,793,447) | (4,938,532) |
| LOSS PER SHARE - BASIC AND DILUTED | | \$ (0.17) | \$ (0.37) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | 16,367,919 | 12,835,170 |

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

| | Notes | 2023 | 2022 |
|--|--------|--------------------|--------------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Net loss | | (2,723,108) | (4,736,112) |
| Non-cash items: | | | |
| Lease interest | 7 | 3,636 | 10,878 |
| Amortization of intangible asset | 4 | 43,640 | 43,640 |
| Amortization of right-of-use asset | 7 | 154,979 | 133,072 |
| Depreciation of equipment | 8 | 31,370 | 18,833 |
| Share-based compensation | 10, 17 | 264,999 | 179,653 |
| Loss on investment | | - | 2,776,756 |
| Foreign exchange loss | | (198) | 1,616 |
| | | (2,224,682) | (1,571,664) |
| Changes in non-cash working capital items: | | | |
| Accounts receivable | | (3,598) | (26,782) |
| Inventory | | 395,667 | (583,118) |
| Prepaid expenses and deposits | | 72,542 | (77,411) |
| Accounts payable and accrued liabilities | | 260,490 | (24,063) |
| Cash used in operating activities | | (1,499,581) | (2,283,038) |
| INVESTING ACTIVITIES | | | |
| Purchase of equipment | 8 | - | (106,115) |
| Cash used in investing activities | | - | (106,115) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of common shares (net) | 10 | - | (26,247) |
| Principal payments on lease | 7 | (159,267) | (140,039) |
| Cash used in financing activities | | (159,267) | (166,286) |
| Change in cash and cash equivalents | | (1,658,848) | (2,555,439) |
| Effect of exchange rate changes on cash | | (70,141) | (204,036) |
| Cash and cash equivalents, beginning | | 2,119,429 | 4,878,904 |
| Cash and cash equivalents, ending | | 390,440 | 2,119,429 |

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MAY 31, 2023 AND 2022

(Expressed in US Dollars)

| | Notes | Common Shares | | Warrants Reserve | | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Total |
|--|-------|-------------------|-------------------|-------------------|----------------|---------------------|--------------------------------------|---------------------|------------------|
| | | # | \$ | # | \$ | \$ | \$ | \$ | \$ |
| Balance, May 31, 2021 | | 13,867,919 | 13,754,030 | 24,433,143 | 125,605 | 3,023,406 | 108,376 | (11,486,203) | 5,525,214 |
| Shares issued for acquisition of business | 4, 10 | 2,500,000 | 2,759,818 | - | - | - | - | - | 2,759,818 |
| Share issuance cost in connection with private placement | | - | (26,247) | - | - | - | - | - | (26,247) |
| Share-based compensation | | - | - | - | - | 179,653 | - | - | 179,653 |
| Warrants expired | | - | - | (9,957,143) | - | - | - | - | - |
| Foreign currency translation loss | | - | - | - | - | - | (202,420) | - | (202,420) |
| Net loss for the year | | - | - | - | - | - | - | (4,736,112) | (4,736,112) |
| Balance, May 31, 2022 | | 16,367,919 | 16,487,601 | 14,476,000 | 125,605 | 3,203,059 | (94,044) | (16,222,315) | 3,499,906 |
| Share-based compensation | | - | - | - | - | 264,999 | - | - | 264,999 |
| Foreign currency translation loss | | - | - | - | - | - | (70,339) | - | (70,339) |
| Warrants expired | | - | - | (14,476,000) | (125,605) | 125,605 | - | - | - |
| Net loss for the year | | - | - | - | - | - | - | (2,723,108) | (2,723,108) |
| Balance, May 31, 2023 | | 16,367,919 | 16,487,601 | - | - | 3,593,663 | (164,383) | (18,945,423) | 971,458 |

G6 MATERIALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

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, U.S.A. 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”).

The Company currently has five US patents granted and five patent applications filed. 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 May 31, 2023, the Company had working capital of \$669,079. Net loss for the year ended May 31, 2023 was \$2,723,108. The accumulated deficit as at May 31, 2023 was \$18,945,423 and negative cash flows from operations of \$1,499,581. 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 and Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as in effect on June 1, 2022.

b) Basis of Consolidation

These 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 consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on September 26, 2023.

G6 MATERIALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

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.

When parts of items of equipment have different 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) Income Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

G6 MATERIALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

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 loss and 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

The Company recognizes revenues from the sale of graphene and graphene related products. Revenue from Contracts with Customers specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company recognizes revenues 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.

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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 |
| Lease liability | 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 the parent entity are translated into USD 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.

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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 have been expensed in the period incurred as the criteria for the capitalization of these intangible assets have not been met. 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.

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.

n) 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 the 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 estimated future net cash flows and the discount rate applied.

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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 and comprehensive 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.

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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.

4. INTANGIBLE ASSETS

On December 8, 2015, 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 May 31, 2023, the Company's intangible assets consist of intellectual property relating to technology for the manufacture and processing of graphene.

| | |
|--|----------------|
| | \$ |
| Cost: | |
| Balance, May 31, 2022 and 2023 | 436,382 |
| <hr/> | |
| 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 (GX Technologies, LLC) | (2,776,756) |
| Balance, May 31, 2022 | 261,840 |
| Amortization | 43,640 |
| Balance, May 31, 2023 | 305,480 |
| <hr/> | |
| Net Book Value: | |
| May 31, 2022 | 174,542 |
| May 31, 2023 | 130,902 |

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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 2,500,000 common shares (“Consideration Shares”) to the shareholders of GX Technologies. On the Closing Date, the fair value of the Consideration Shares was \$1.10 (C\$1.40) per common share. 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. The Consideration Shares will be released from escrow over a period of 28 months from the Closing Date, shown below.

| Vesting Date | Consideration shares |
|---|-----------------------------|
| 4 - months from Closing date (December 25, 2021) | 500,000 |
| 10 - months from Closing date (June 25, 2022) | 500,000 |
| 16 - months from Closing date (December 25, 2022) | 500,000 |
| 22 - months from Closing date (June 25, 2023) | 500,000 |
| 28 - months from Closing date (December 25, 2023) | 500,000 |
| Total | 2,500,000 |

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

| | | |
|--|-----------|------------------|
| Purchase price (2,500,000 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 asset not yet ready for use. The Company tested the intangible asset not ready for use for impairment which is allocated to its only cash generating unit. The recoverable amount of the 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 asset due to the high degree of uncertainty surrounding the future viability of the intangible asset (the GX Technologies IP).

5. ACCOUNTS RECEIVABLE

| | 2023 | 2022 |
|---------------------------|---------------|---------------|
| | \$ | \$ |
| Trade accounts receivable | 42,565 | 36,310 |
| Tax receivable | 12,705 | 15,362 |
| Total | 55,270 | 51,672 |

As at May 31, 2023, the expected credit loss was \$1,720 (2022 - \$10,000) and all of the Company’s trade receivables were outstanding less than 60 days.

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6. INVENTORY

| | 2023 | 2022 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Raw materials | - | 166,644 |
| Finished goods | 574,326 | 803,349 |
| Total | 574,326 | 969,993 |

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the year ended May 31, 2023, the amount of inventory recognized in cost of goods sold was \$881,819 (2022 - \$755,229).

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. As a result, the Company made an adjustment on the lease liability of \$186,848 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA. The Company's internal borrowing rate was 6%. On December 2, 2022, the Company amended the lease agreement by increasing the monthly payment to \$8,793. As a result, the Company increased the lease 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, May 31, 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 | 154,979 |
| Balance, May 31, 2023 | 652,714 |
| Net Book Value: | |
| May 31, 2022 | 112,199 |
| May 31, 2023 | 59,890 |

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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 | 3,636 |
| Addition | 102,670 |
| Payments | (159,267) |
| Balance, May 31, 2023 | 60,635 |
| Current portion of lease liability | 60,635 |
| Long-term portion of lease liability | - |

As at May 31, 2023, the Company will have future undiscounted lease payments totaling \$61,551 from June 2023 to December 2023.

8. EQUIPMENT

| | Laboratory Equipment |
|----------------------------------|---------------------------------|
| Cost: | \$ |
| Balance, May 31, 2021 | 564,266 |
| Additions | 106,115 |
| Balance, May 31, 2022 | 670,381 |
| Additions | 27,998 |
| Balance, May 31, 2023 | 698,379 |
| Accumulated Depreciation: | |
| Balance, May 31, 2021 | 536,589 |
| Depreciation expense | 18,833 |
| Balance, May 31, 2022 | 555,422 |
| Depreciation expense | 31,370 |
| Balance, May 31, 2023 | 586,792 |
| Net Book Value: | |
| May 31, 2022 | 114,959 |
| May 31, 2023 | 111,587 |

During the year ended May 31, 2023, the Company received equipment of \$27,998 that the Company had prepaid at May 31, 2022.

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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 year ended May 31, 2023 and 2022:

| | 2023 | 2022 |
|--------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries, bonuses, fees and benefits | 184,538 | 185,300 |
| Share-based compensation | 169,802 | 93,732 |
| | 354,340 | 279,032 |

The Company had the following transactions with related parties:

- During the year ended May 31, 2023, the Company incurred consulting fees in the amount of \$Nil (2022 - \$124,663) that were paid to the spouse of a director and officer.
- During the year ended May 31, 2023, the Company incurred professional fees in the amount of \$126,541 (2022 - \$144,987) that were paid to companies controlled by an officer.
- As at May 31, 2023, the Company owed \$94,759 (2022 – receivable of \$3,451) to a director and officer. In addition, the Company had \$Nil (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 May 31, 2023, the Company owed \$98,385 (2022 - \$12,801) to companies controlled by an officer. The amounts due are unsecured, non-interest bearing and has 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.

10. SHARE CAPITAL**Authorized:**

Unlimited number of common shares without par value.

Issued and outstanding common stock:

- During the year ended May 31, 2023, the Company did not issue any common stock.
- On August 25, 2021, the Company issued 2,500,000 common shares for the acquisition of GX Technologies LLC for gross proceeds of \$2,759,818 (C\$3,500,000). Please refer to Note 4 for transaction details.
- On June 14, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every 10 old common shares into one new common share. Unless otherwise noted, all share, option, loss per share and warrant information have been retroactively adjusted to reflect this consolidation.

Escrow shares:

As at May 31, 2023, there are 1,000,000 (2022 – 2,000,000) common shares subject to an escrow agreement, please refer to Note 4 Intangible Assets, Acquisition of GX Technologies for the vesting schedule detail of the escrow shares.

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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 the date of grant.

Continuity of stock options:

| | Number of options | Exercise price |
|--|------------------------------|---------------------------|
| Options outstanding– May 31, 2021 | 749,500 | C\$1.10 |
| Granted during the year | 690,000 | C\$1.00 |
| Expired during the year | (84,500) | C\$2.10 |
| Forfeited during the year | (10,000) | C\$1.20 |
| Options outstanding– May 31, 2022 | 1,345,000 | C\$1.00 |
| Expired during the year | (265,000) | C\$1.20 |
| Options outstanding– May 31, 2023 | 1,080,000 | \$0.90 |

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 690,000 stock options to certain directors, officers and consultants of the Company with a fair value of C\$0.96 at the date of grant. The options are exercisable at C\$1.00 per share for a period of five years from the date of grant. Among these options granted, 200,000 are subject to a 3-year vesting schedule, where 25% of the options will be granted immediately, and 25% will be granted at each anniversary.

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:

| | 2022 |
|--------------------------|---------|
| Share price | C\$1.11 |
| Risk-free interest rate | 1.29% |
| Expected volatility | 132.48% |
| Expected dividend yield | \$nil |
| Expected forfeiture rate | 0% |
| Expected life | 5 years |

Based on the Black-Scholes option pricing model and the assumptions outlined above, the Company recorded share-based compensation of \$264,999 for the year ended May 31, 2023 (2022 - \$179,653).

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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\$0.80 | 3.38 | 390,000 | 390,000 |
| March 16, 2027 | C\$1.10 | 4.79 | 690,000 | 590,000 |

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, 2021 | 2,443,314 | C\$2.23 |
| Warrants expired during the year | (995,714) | C\$1.20 |
| Warrants outstanding – May 31, 2022 | 1,447,600 | C\$2.93 |
| Warrants expired during the year | (1,447,600) | C\$(3.00) |
| Warrants outstanding – May 31, 2023 | - | - |

11. 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. As of May 31, 2023, the Company had cash of \$390,440 (2022 - \$2,119,429)

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.

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. The significant differences are as follows:

| | 2023 | 2022 |
|---|------------------|-------------|
| Combined statutory tax rate | 27.0% | 27.0% |
| | \$ | \$ |
| Income tax recovery at combined statutory rate | (735,239) | (1,278,751) |
| Non-deductible items for tax purposes and other items | 53,331 | 775,519 |
| Difference in foreign income tax rates | 34,067 | 42,802 |
| Tax benefits not recognized | 647,841 | 460,430 |
| Income tax recovery | - | - |

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Details of deferred tax assets (liabilities) are as follows:

| | 2023 | 2022 |
|----------------------------------|----------|----------|
| | \$ | \$ |
| Capital assets | (1,096) | (25,746) |
| Intangible assets and allowances | (37,246) | (49,064) |
| Non-capital losses | 38,342 | 74,810 |
| Net deferred income tax assets | - | - |

Details of the unrecognized deductible temporary differences are as follows:

| | 2023 | 2022 |
|---------------------------------|--------------|--------------|
| | \$ | \$ |
| Non-capital loss carry forwards | 13,253,244 | 10,733,586 |
| Capital assets | - | - |
| ROU assets | 171,933 | 176,222 |
| Reserve for doubtful accounts | (1,720) | - |
| Intangible assets | 2,776,756 | 2,776,756 |
| Share issuance costs | 41,483 | 74,241 |
| Mineral properties | 148,881 | 148,881 |
| Tax benefits not recognized | (16,390,577) | (13,909,686) |
| Net deferred income tax assets | - | - |

As at May 31, 2023, the Company has non-capital losses carried forward of approximately \$8,449,000 (2022 - \$6,603,000) in the United States and \$4,939,000 (2022 - \$4,404,000) in Canada available to reduce future years' taxable income. The non-capital losses carried forward expire between 2031 and 2043.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities 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 | 390,440 | - | - | 390,440 |

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

G6 MATERIALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

i) Credit risk

Credit risk is the risk of financial loss to the Company if counter-party 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 accounts receivable through established credit monitoring activities. As at May 31, 2023, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and 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 May 31, 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 May 31, 2023, the Company held C\$206,711 (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 \$19,289 (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 May 31, 2023, the Company has cash and cash equivalents of \$390,440 and a working capital surplus of \$669,079.

| As at May 31, 2023 | Up to 1 year | 1 - 5 years | Total |
|--|---------------------|--------------------|--------------|
| Accounts payable and accrued liabilities | 408,910 | - | 408,910 |
| Current portion of lease liability | 60,635 | - | 60,635 |
| | 469,545 | - | 469,545 |

| As at May 31, 2022 | Up to 1 year | 1 - 5 years | Total |
|--|---------------------|--------------------|--------------|
| Accounts payable and accrued liabilities | 148,420 | - | 148,420 |
| Current portion of lease liability | 113,596 | - | 113,596 |
| | 262,016 | - | 262,016 |

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 U.S. and all long-lived assets are located in the U.S.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for the year ended May 31, 2022 to reflect the current year's presentation. The adjustments were not considered material and did not affect the Company's consolidated net loss and comprehensive loss.

G6 MATERIALS CORP.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022(Expressed in US Dollars)

16. PREPAID EXPENSES AND DEPOSITS

| | 2023 | 2022 |
|-----------------------|---------|---------|
| | \$ | \$ |
| Deposits and expenses | 10,179 | 149,625 |
| Inventory | 108,409 | 69,504 |
| Total | 118,588 | 219,128 |

17. NATURE OF EXPENSES

The nature of the Company's corporate and administrative expenses is as follows:

| For the year ended May 31, | 2023 | 2022 |
|----------------------------|-----------|-----------|
| | \$ | \$ |
| Lease interest | 3,636 | 10,878 |
| Office and administrative | 198,734 | 286,187 |
| Professional fees | 443,407 | 814,431 |
| Regulatory fees | 35,693 | 69,367 |
| Salaries and benefits | 1,149,796 | 508,590 |
| Share-based compensation | 264,999 | 179,653 |
| Travel expenses | 14,520 | 20,890 |
| Total | 2,110,785 | 1,889,996 |

18. SUBSEQUENT EVENTS

- a) On June 14, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every 10 old common shares into one new common share. Unless otherwise noted, all share, option, loss per share and warrant information have been retroactively adjusted to reflect this consolidation.
- b) On August 8, 2023, the Company granted 720,000 stock options (the "Options") to acquire 720,000 common shares of the Company at an exercise price of \$0.16 per share until August 8, 2028. Of the options granted, 135,000 options vest over three years in four equal instalments as follows: 25% available upon grant, 25% on the first anniversary, 25% on the second anniversary, and 25% on the third anniversary. The remaining 585,000 of the options vest immediately.

G6 MATERIALS CORP.

Management Discussion and Analysis For the year ended May 31, 2023

This Management Discussion and Analysis (“MD&A”) of G6 Materials Corp. (the “Company” or “G6”) provides analysis of the Company’s financial results for the year ended May 31, 2023, and 2022. The following information should be read in conjunction with the consolidated financial statements and notes for the year ended May 31, 2023, which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in US dollars unless otherwise noted. Canadian dollars are indicated by the symbol “C\$”.

This discussion contains forward-looking statements and information that are based on the beliefs of management and reflect the Company’s current expectations. When used in this MD&A, the words “estimate”, “project”, “belief”, “anticipate”, “intend”, “expect”, “plan”, “predict”, “may” or “should” and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the marketing and sale of securities, the need for additional financing, reliance on key personnel, the potential for conflicts of interest among certain officers or directors with certain other projects, and the volatility of the Company’s common share price and volume. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

There are many important factors that could cause the Company’s actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, but are not limited to, risks related to the Company’s current and proposed business such as failure of the business strategy, stable supply prices, demand and market prices for the Company’s products; demand and value of the Company’s intellectual property; government regulations; risks related to the Company’s operations, such as additional financing requirements and access to capital, reliance on key and qualified personnel, insurance, competition, reliable supply chains; risks related to the Company and its business generally such as potential exposure to tax under Canadian and US income tax laws, laws and regulations relating to cross-border mergers and acquisitions, infringement of intellectual property rights, product liability, environmental protection, currency exchange rates and conflicts of interest.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company’s forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While the Company may elect to, it does not undertake to update this information at any particular time.

1.1 DATE OF REPORT

This report is prepared as of September 27, 2023.

1.2 COMPANY OVERVIEW

G6 Materials Corp., formerly known as Graphene 3D Lab Inc. (the “Company” or “G6”), was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, the Company acquired Graphene 3D Lab (U.S.) Inc. (“Graphene 3D U.S.”) through a reverse acquisition/takeover transaction (“Transaction”). The historical operations, assets and liabilities of Graphene 3D U.S. were deemed to be the continuing entity for financial reporting purposes. Graphene 3D U.S. was incorporated on September 3, 2013 in the State of Delaware, USA.

On August 11, 2014, the Company's common shares resumed trading on the TSX Venture Exchange ("TSX-V") under the symbol "GGG". On October 7, 2014, the Company began trading on OTCQB, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group, under the symbol "GPHBF".

Graphene 3D U.S. is a C-corporation, organized on September 3, 2013 under the laws of the State of Delaware. The founders of the corporation include Daniel Stolyarov, Ph.D., the current President & Co-CEO, and Elena Polyakova, Ph.D., the current Co-CEO. Founding team members have many years' worth of combined experience in 3D printing, material production, R&D, and the commercialization of new materials. Graphene 3D U.S. was initially a spinout of Graphene Laboratories Inc. ("Graphene Laboratories" or "GLI"). On August 12, 2015, the Company entered a Share Exchange Agreement ("SEA") to acquire all of the issued and outstanding shares of GLI. This transaction was reviewed and accepted for filing by the TSX Venture Exchange and closed on December 8, 2015. Graphene Laboratories now operates as a wholly owned subsidiary of the Company.

On January 23, 2020, the Company changed its name from Graphene 3D Lab Inc. to G6 Materials Corp. ("G6"). The Company's shares continue to trade on the TSX-V under the same ticker symbol "GGG".

On August 25, 2021 ("Closing Date"), the Company acquired 100% interests in GX Technologies, LLC ("GX Technologies").

1.3 NATURE OF BUSINESS

G6 Materials Corp. is a technology company creating value through the development of innovative graphene-based solutions. Historically, it has been in the business of developing, manufacturing, and marketing proprietary products based on graphene and other advanced materials. The Company's target industries include but are not limited to aerospace, automotive, healthcare, marine, medical prosthetics and various branches of the military.

In 2020, the Company shifted its primary strategic focus to pursuing the large market opportunity created by the global coronavirus pandemic with respect to the sale of air purification and filtration products. Based on graphene having extraordinary antiviral and antibacterial properties, the Company recognized that it was well positioned to play a unique role in satisfying customer demand for existing air filtration products while also developing advanced purification products to address a gap in the market by applying its graphene-based expertise.

The Company's most active subsidiary over its history has been the wholly owned Graphene Laboratories Inc. ("Graphene Labs"). Graphene Labs has grown to offer over 100 graphene and related products to a large client list of historical customers worldwide, including Fortune 500 technology companies and major research universities. Some of the Company's notable historical clients are NASA, Ford, GE, Apple, Xerox, Samsung, Harvard University, IBM and Stanford University. In addition, the Company is engaged in developing high performance composites to be used in the pharmaceutical and biotechnology industries.

Graphene is a novel material with a variety of outstanding properties. It is currently available in the market at various grades, with performance characteristics such as mechanical strength and conductivity improving with fewer atomic layers. Graphene Labs' patented manufacturing process provides separation and enrichment of graphene nanoplatelets, improving the quality of graphene nanoplatelets.

The Company also currently has seven patents granted, two Notices of Allowances issued by USPTO and three patents pending. The patent applications and the granted patents cover technology for graphene manufacturing and applications as well as for non-graphene related technology.

More specifically, and presented alphabetically, the Company operates in the following areas:

Air Purification and Hygiene Products

In 2020, the Company shifted its primary strategic focus to pursuing the large market opportunity created by the global coronavirus pandemic with respect to the sale of air purification and filtration products. The Company is offering these products under the trademark "G6 Wellness®" duly registered by US Patent and Trademark Office. Based on graphene having extraordinary antiviral and antibacterial properties, the Company recognized that it was well-positioned to play a unique role in satisfying customer demand for existing air filtration products while also developing advanced purification products to address a gap in the market by applying its graphene-based expertise. The Company has filed a provisional patent application No. US20210346831A1 that covers the method of manufacturing the graphene oxide based antiviral coating. Currently, the Company is working on commercializing this technology and developing consumer products and systems based on this concept. In particular, the Company developed and launched the "Breathe+®" air purifier and consumable air filter enhanced with graphene oxide and manufacturing according to the Company's proprietary technology. The Company engaged an

independent testing laboratory to perform various microbial tests of the air purifier being developed, which were announced as having a 99.9% efficacy rate against randomly selected pathogenic microorganisms.

Conductive Adhesives

Through research and development, the Company has been able to create innovative products with unique properties by using a proprietary mix of high-performance carbon fillers to achieve superb electrical, mechanical and thermal properties for electrically conductive adhesives. The Company's specialty adhesive epoxies are well suited for use in the aerospace, automotive, electronics, and communication industries, among others. The Company is working with several large European manufacturers in the field of flexible electronics and sensors and helping them to adopt the properties of the products to their manufacturing processes. Adhesive materials produced by the Company are distributed under the G6-Epoxy™ trade name and can be purchased at: <https://g6-epoxy.com/>.

High Performance Composites

The Company develops advanced composite material formulations based on graphene additives. The graphene additives developed by the Company are used to improve the performance of fiber composite laminates, including carbon fiber and fiberglass composites. Such composites are used in various industries including but not limited to construction, automotive and aerospace. In particular, the Company has developed formulations for carbon fiber and fiberglass laminated composites for use in marine vessels and their structures. When compared to other composite materials commonly used for shipbuilding, laminated composites enhanced with graphene have much better fatigue resistance, better shock absorbent properties and lower water absorption rates, thereby improving a vessel's resilience in the harsh sea environment and extending its service life. The Company is planning to pursue this commercial opportunity to market these novel material formulations to shipbuilders in the US and abroad. The specifications and technical information about these materials could be found on the Company's web site at: <https://g6-materials.com/advanced-materials-and-composites/>

Precious Metal Extraction

The company acquired GX Technology LLC, that has been developing of using graphene composite materials for precious metal extraction. The Company continued the research and development in this field. The U.S. Patent Application No. 63/375,122, was filed summarizing these technological developments. The Company will be continuing and expanding the research work in this area.

R&D Materials

Graphene Supermarket (Graphene R&D Materials): The Company's suite of graphene products and various substrates is available online at the Graphene Supermarket e-commerce platform (www.graphene-supermarket.com). Graphene Supermarket was originally founded in 2010 and has been one of the longest-serving e-commerce websites catering to the research & development field, with thousands of customers spanning the Fortune 500, leading universities, and other institutions throughout more than 100 countries. Graphene Supermarket offers a broad range of graphene nanomaterials, including CVD-grown graphene on foils and wafers, graphene nanopowder, graphene oxide, graphene in solution, and reduced graphene oxide. G6 is a world leader in the development, manufacturing, and marketing of graphene and other advanced materials as well as composites based on these nanomaterials. These diverse materials have a wide spectrum of commercial, research and military applications.

The Company's IP Portfolio

The Company is constantly working on development of new technology and on expanding its Intellectual property portfolio. At the moment the company has seven US patents issued, two patent applications that received a Notice of allowance and three patent applications pending. The company IP portfolio covers companies in a variety of technological fields including the methods and recipes for materials related to 3D Printing, composite materials and use of graphene heat recovery in cryptocurrency mining. In particular, Patent US 11,104,577 was granted and it is pertaining to the preparation and separation of the atomic layers of graphene. This technological breakthrough represents a new, energy efficient and chemically efficient process to manufacture, sort and classify graphene nanoparticles, thereby resulting in the potential for large-scale production of high-grade graphene.

1.4 RECENT HIGHLIGHTS & DEVELOPMENTS

Corporate Developments

On July 12, 2022, the Company announced the launch of a product called Breathe+ Pro Advanced Antimicrobial Graphene Air

Filtration System which is now available at www.breatheplus.tech and on Amazon. The Breathe+ Pro[®] Air Purifier utilizes innovative air filters that contain activated carbon with graphene oxide coating (“Graphene Filter”) developed by G6’s research team. The antiviral and antimicrobial efficacy of the Breathe+ Pro[®] Air Purifier was verified by independent testing conducted by The Intertek Group plc (“Independent Lab Test”) and accordingly the Breathe+ Pro Air Purifier equipped with Graphene Filter removed 99.9% of the pathogenic microorganisms (model viruses and bacteria) over the duration of the test.

During August 2022, the Company’s auditors changed from Manning Elliott LLP to MNP LLP.

On October 26, 2022, the Company completed and reported its year-end audited financial statements on SEDAR and rectified the management cease trade order.

On December 6, 2022, the Company Graphene Laboratories Inc. (“GLI”), has entered into a Strategic Partnership Agreement (the “SPA” or the “Agreement”) with Singapore-based MADE Advance Materials PTE LTD. (“MADE”). The Agreement encapsulates the collaboration between GLI and MADE which is focused on production collaboration and the potential joint development of intellectual property (“Joint IP”). MADE and GLI intend to explore the possibility of using the fibre composites with graphene-enhanced resin (the Collaborative Project”) as necessary to meet specific terms provided by a third-party client.

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

Mr. Rob Scott resigned as Chief Financial Officer on May 26, 2023.

Mr. Guy Bourgeois was appointed as a director of the Company on May 29, 2023.

Mr. Jeff Dare resigned as the Corporate Secretary on May 26, 2023.

Mr. Kevin Cornish was appointed as Chief Financial Officer and Corporate Secretary of the Company effective May 30, 2023.

Mr. Anastios Arimo resigned from the Board of Directors on May 31, 2023.

On June 14, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every 10 old common shares into one new common share.

On August 8, 2023, the Company granted 720,000 stock options (the “Options”) to acquire 720,000 common shares of the Company at an exercise price of \$0.16 per share until August 8, 2028. Of the options granted, 135,000 options vest over three years in four equal instalments as follows: 25% available upon grant, 25% on the first anniversary, 25% on the second anniversary, and 25% on the third anniversary. The remaining 585,000 of the options vest immediately.

1.5 RESULTS OF OPERATIONS

Year ended May 31, 2023 compared with the year ended May 31, 2022

During the year ended May 31, 2023, the Company reported a net loss of \$2,723,108 compared to a net loss of \$4,736,112 for the year ended May 31, 2022. The decrease in net loss was primarily the result of the write-down of the value of its investment in GX Technologies in fiscal 2022 which was offset by lower gross profit, an increase in general and administrative expenses as well as marketing and investor relations expenses in fiscal 2023.

Research and development expenditures are summarized as follows (expressed in US dollars, unless otherwise noted):

| | Quarter ended May 31, 2023 | Quarter ended Feb 28, 2023 ⁽¹⁾ | Quarter ended Nov 30, 2022 ⁽¹⁾ | Quarter ended Aug 31, 2022 ⁽¹⁾ | Quarter ended May 31, 2022 ⁽²⁾ | Quarter ended Feb 28, 2022 ⁽³⁾ | Quarter ended Nov 30, 2021 ⁽³⁾ | Quarter ended Aug 31, 2021 |
|-----------------------------|----------------------------|---|---|---|---|---|---|----------------------------|
| R&D personnel | 25,317 | 29,502 | 24,558 | 25,987 | 12,643 | 29,502 | 25,288 | 26,967 |
| R&D equipment and supplies | 20,216 | 9,220 | 18,961 | 53,660 | (181,266) | 163,049 | 29,347 | 15,862 |
| Patent registration expense | 23,051 | - | 2,487 | 7,610 | 20,576 | 1,724 | - | 35,645 |
| Total R&D expenses | 68,584 | 38,722 | 46,006 | 87,257 | (148,007) | 194,275 | 54,635 | 78,474 |

⁽¹⁾ Patent registration expenses decreased during the first three quarters of fiscal 2023 as the Company was granted patents that were previously in progress.

⁽²⁾ During the quarter ended May 31, 2022, the Company reversed the accrued R&D equipment and supplies of \$151,600 as a result of the testing of Graphene Oxide was cancelled during the period.

⁽³⁾ During the quarter ended February 28, 2022 and November 30, 2021, the Company increased its expenditures on R&D equipment and supplies expense primarily due to the preparation for expansion into new product lines.

1.6 SELECTED FINANCIAL INFORMATION

The following table contains selected financial information (expressed in US dollars, unless otherwise noted) for the Company for the year ended May 31, 2023 as compared to the year ended May 31, 2022. The information set forth should be read in conjunction with the audited annual financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”), and the related notes thereon.

| | Year ended May 31, 2023 \$ | Year ended May 31, 2022 \$ |
|---|----------------------------------|----------------------------------|
| Revenue | 1,549,874 | 1,357,799 |
| Gross profit | 196,090 | 549,253 |
| Net loss | 2,723,108 | 4,736,112 |
| Comprehensive Loss | 2,793,447 | 4,938,532 |
| Net loss per share prior to common share consolidation ⁽¹⁾ | \$0.02 | \$0.04 |
| Net loss per share post common share consolidation ⁽¹⁾ | \$0.17 | \$0.37 |
| Total assets | 1,441,003 | 3,761,922 |
| Total non-current financial liabilities | - | - |

⁽¹⁾ For comparative purposes the Company has presented net loss per share both prior to the ten to one common share consolidation on June 14, 2023, and post ten to one common share consolidation on June 14, 2023.

1.7 SUMMARY OF QUARTERLY RESULTS

The following table contains summary financial information (expressed in US dollars, unless otherwise noted) taken from the Company’s quarterly and annual financial reports covering the last eight reporting quarters. The information set forth should be read in conjunction with the audited annual financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”), and the related notes thereon. The Company has reclassified certain fulfillment fees in fiscal 2022 from general and administrative costs to conform with current period presentation. These costs were immaterial in 2022.

| | Quarter ended May 31, 2023 ⁽¹⁾ \$ | Quarter ended Feb 28, 2023 ⁽²⁾ \$ | Quarter ended Nov 30, 2022 ⁽³⁾ \$ | Quarter ended Aug 31, 2022 ⁽⁴⁾ \$ | Quarter ended May 31, 2022 ⁽⁵⁾ \$ | Quarter ended Feb 28, 2022 ⁽⁵⁾ \$ | Quarter ended Nov 30, 2021 ⁽⁶⁾ \$ | Quarter ended Aug 31, 2021 ⁽⁷⁾ \$ |
|---|--|--|--|--|--|--|--|--|
| Revenue | 330,301 | 370,646 | 490,527 | 358,400 | 358,540 | 337,921 | 320,204 | 341,134 |
| Cost of goods sold | (281,894) | (316,426) | (529,994) | (225,470) | (174,744) | (131,175) | (332,975) | (169,652) |
| Gross profit | 48,407 | 54,220 | (39,467) | 132,930 | 183,796 | 206,746 | (12,771) | 171,482 |
| Operating expenses | (765,216) | (500,746) | (872,419) | (780,817) | (539,593) | (628,846) | (597,494) | (742,676) |
| Other income/ (expenses) | - | - | - | - | - | - | - | - |
| Net income (loss) | (716,809) | (446,526) | (911,886) | (647,887) | (3,132,553) | (422,100) | (610,265) | (571,194) |
| Comprehensive income (loss) | (782,840) | (447,044) | (936,580) | (626,983) | (3,137,058) | (404,142) | (650,304) | (747,028) |
| Net income (loss) per share (basic and diluted) | (\$0.03) | (\$0.03) | (\$0.06) | (\$0.05) | (\$0.25) | (\$0.04) | (\$0.04) | (\$0.04) |
| Total assets | 1,441,003 | 1,856,490 | 2,217,306 | 3,122,687 | 3,761,922 | 6,916,831 | 7,215,304 | 8,034,770 |
| Shareholders’ equity | 971,458 | 1,602,078 | 1,992,407 | 2,872,171 | 3,499,906 | 6,457,311 | 6,861,453 | 7,538,004 |

⁽¹⁾ During the quarter ended May 31, 2023, the increase in net loss was primarily due to an increase in operating expenses, particularly salaries and wages and share-based compensation.

⁽²⁾ The decrease in net loss was primarily due to favorable product sales mix and lower general and administrative and professional fees expenses.

⁽³⁾ The increase in cost of goods sold and decrease in gross profit was primarily the result of an increase in fulfillment fees.

⁽⁴⁾ The increase in net loss was primarily due to the sales mix and increased general and administrative expenses. General and administrative expenses were higher due to the launch of the new Breathe+ products.

⁽⁵⁾ The increase in gross profit for the quarter ended May 31, 2022 and February 28, 2022, was primarily due to the steady increases in sales and an improved management on the inventory and cost allocation, yet partial offset by the increase in the shipping costs as a result of the pandemic effect. The increase in net loss for the quarter ended May 31, 2022, related to a \$2,776,756 impairment of the GX Technologies, LLC intangible assets recorded during the quarter.

⁽⁶⁾ The decrease in gross profit for the quarter ended November 30, 2021, was primarily due to significant increase in the shipping costs of direct materials and customer shipments mainly from the imports of air purification materials and wellness products, resulting in increasing costs of goods sold.

⁽⁷⁾ The quarter-over-quarter increase in gross profit for the quarter ended August 31, 2021, was primarily due to the stable increase in sales yet partially offset by the increase in the shipping costs of direct materials and customer shipments mainly from the imports of air purification materials, resulting in a continual increase in costs of goods sold. Meanwhile, the Company successfully closed and completed the acquisition of GX Technologies by issuing 25,000,000 common shares, resulting in the dramatic increases in cash, total assets and equity. The period over period decline in sales and gross profit as compared to August 31, 2020 is largely attributable to the company's transition to selling its own branded products from 3rd party products and to supply chain delays in the current period which reduced the amount of product available for sale.

1.8 LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2023, the Company had working capital surplus of \$669,079 (2022 - \$3,098,206). As at May 31, 2023, cash and cash equivalents totaled \$390,440 (2022 - \$2,119,429). The Company has generated additional funds from the recent sales of goods and reserved some of the net proceeds of options and warrants exercised as well as the private placement from the prior year.

Cash used in operating activities during the year ended May 31, 2023 was \$1,499,581 (2022 - \$2,283,038). Cash used in investing activities during the year ended May 31, 2023 was \$Nil (2022 - \$106,115). Cash used in investing activities in 2022 related to the purchase of equipment. Cash spent from financing activities during the year ended May 31, 2023 was \$159,267 (2022 - \$166,286). The main use of funds for financing activities was the payment of principal of lease payments and the payment for the share issuance cost.

As at May 31, 2023, the Company's share capital was \$16,487,601 (2022 - \$16,487,601), which represented 16,367,919 issued and outstanding common shares without par value. As at May 31, 2023, warrant reserves was \$Nil (2022 - \$125,605) and contributed surplus was \$3,593,663 (2022 - \$3,203,059). As at May 31, 2023, the Company's retained losses increased to \$18,945,423 (2022 - \$16,222,315) due to the net loss of \$2,723,108 incurred during the fiscal year ended May 31, 2023.

The Company's ability to meet its administrative expenses and complete its planned research and development activities and its ramp-up of commercial operations is ultimately dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future.

1.9 COMMITMENTS

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. As a result, the Company made an adjustment on the lease liability of \$186,848 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA. The Company's internal borrowing rate was 6%. On December 2, 2022, the Company amended the lease agreement by increasing the monthly payment to \$8,793. As a result, the Company increased the lease 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. The lease was not renewed upon expiration on December 31, 2022.

RIGHT-OF-USE ASSET

| | \$ |
|---------------------------------------|---------|
| Cost: | |
| Balance, May 31, 2021 | 417,593 |
| Addition | 192,341 |
| Balance, May 31, 2022 | 609,934 |
| Addition | 102,670 |
| Balance, May 31, 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 | 154,979 |
| Balance, May 31, 2023 | 652,714 |
| Net Book Value: | |
| May 31, 2022 | 112,199 |
| May 31, 2023 | 59,890 |

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 | 3,636 |
| Addition | 102,670 |
| Payments | (159,267) |
| Balance, May 31, 2023 | 60,635 |
| Current portion of lease liability | 60,635 |
| Long-term portion of lease liability | - |

1.10 RELATED PARTIES TRANSACTIONS AND BALANCES

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the year ended May 31, 2023 and 2022:

| | 2023 | 2022 |
|--------------------------------------|---------|---------|
| | \$ | \$ |
| Salaries, bonuses, fees and benefits | 184,538 | 185,300 |
| Share-based compensation | 169,802 | 93,732 |
| | 354,340 | 279,032 |

The Company had the following transactions with related parties:

- During the year ended May 31, 2023, the Company incurred consulting fees in the amount of \$Nil (2022 - \$124,663) that were paid to the spouse of a director and officer.
- During the year ended May 31, 2023, the Company incurred professional fees in the amount of \$126,541 (2022 - \$144,987) that were paid to companies controlled by an officer.
- As at May 31, 2023, the Company owed \$94,759 (2022 – receivable of \$3,451) to a director and officer. In addition, the

Company had \$Nil (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.

- d) As at May 31, 2023, the Company owed \$98,385 (2022 - \$12,801) to companies controlled by an officer. The amounts due are unsecured, non-interest bearing and has 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.

1.11 RISKS AND UNCERTAINTIES

An investment in the Company's securities involves a high degree of risk. Potential investors should carefully consider the following information about these risks. If any of the following risks actually occurs, the business, financial condition and prospects of the Company could be materially adversely affected. In that case, the value of any securities of the Company could also decline and investors could lose all or part of their investment.

The risks and uncertainties described below are those that the Company's management believes are material, but these risks and uncertainties may not be the only ones that the Company may face. Additional risks and uncertainties, including those that management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in Management Discussion and Analysis.

An investment in the securities of the Company is highly speculative.

Risks Related to Business and Industry

If the market does not develop as we expect, our products may not be accepted by the market. As such:

- there is significant competition in the Company's market, which could make it difficult to attract customers and cause the Company to reduce prices and incur lower gross margins;
- the long sales cycle for many of the Company's products makes the timing of revenues difficult to predict;
- the Company may not be able to generate operating profits;
- the Company plans to grow rapidly, which will place strains on the management team and other resources;
- the Company may not be able to hire the number of skilled employees that it needs to achieve its business plan;
- loss of key management, sales or customer service personnel could adversely affect the Company's results of operations;
- if the Company's manufacturing facilities are disrupted, sales of its products could be disrupted and the Company could incur unforeseen costs;
- global economic, political, biological and social conditions may harm the Company's ability to do business, increase its costs, and negatively affect its stock price;
- the Company may need to raise additional capital from time to time to achieve its growth strategy and may be unable to do so on attractive terms; and the Company's operating results and financial condition may fluctuate on a quarterly and annual basis.

The Company's operating results and financial condition may fluctuate due to many factors, including those listed below and those identified throughout this "Risk Factors" section:

- the development of new competitive systems or processes by others;
- the entry of new competitors into the Company's market, whether by established or new companies;
- changes in the size and complexity of the Company's organization, including its international operations;

- levels of sales of the Company's products and services to new and existing customers;
- the geographic distribution of the Company's sales;
- changes in product developer preferences or needs;
- delays between the Company's expenditures to develop, acquire or license new technologies and processes, and the generation of sales related thereto;
- the Company's ability to timely and effectively scale its business during periods of sequential quarterly or annual growth;
- limitations or delays in the Company's ability to reduce its expenses during periods of declining sequential quarterly or annual revenue;
- changes in the Company's pricing policies or those of its competitors, including its responses to price competition;
- changes in the amount the Company spends in marketing and other efforts;
- the volatile global economy;
- general economic and industry conditions that affect customer demand and product development trends;
- changes in accounting rules and tax and other laws;
- becoming subject to personal injury, property damage, product liability, warranty and other claims involving allegedly defective products that the Company supplies, which could result in material expense, diversion of management time and attention and damage to its business reputation;
- potential failure of efficacy tests and any other tests of the Company's proprietary technologies related to air purification intellectual property, products or services;
- potential failure to obtain the required accreditations for the Company's intellectual property, products or services from regulatory authorities or other agencies in the United States or other national or regional jurisdictions;
- interruptions associated with supplier-based delays or operational interruptions of manufacturing partners;
- inadequacy of insurance for potential liabilities; and
- a partially uninsured claim of significant size, which, if successful, could materially adversely affect the Company's business, financial condition, results of operations and liquidity.

Risks Related to Intellectual Property

The Company may not be able to obtain patent protection or otherwise adequately protect or enforce our intellectual property rights, which could impair its competitive position in the following ways:

- obtaining and maintaining the Company's patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and its patent protection could be reduced or eliminated for non-compliance with these requirements;
- the Company may incur substantial costs defending against third-party infringement claims as a result of litigation or other proceedings; and
- the failure to expand the Company's intellectual property portfolio could adversely affect the growth of its business and results of operations.

Risks Related to COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company continues to closely monitor developments in the novel coronavirus ("COVID-19") pandemic, including the potential impact on the Company's operations. The impact of COVID-19 is uncertain and COVID-19 could have a significant impact on the Company if G6 or its suppliers are not able to maintain operations.

1.12 OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares with no par value. As at the date of this MD&A, the following common shares, options and share purchase warrants were outstanding:

| | Number of Shares | Exercise Price | Expiry Date |
|---|-------------------------|-----------------------|--------------------|
| Issued and Outstanding Common Shares | 16,367,919 | | |
| Stock Options | 390,000 | C\$0.80 | October 14, 2025 |
| | 690,000 | C\$1.10 | March 16, 2027 |
| | 720,000 | C\$0.16 | August 8, 2028 |
| Fully Diluted as of the filing date of this MD&A | 18,167,919 | | |

OTCQB Listing

The Company has been verified to trade on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group (OTCQX: OTCM) and began trading October 7, 2014. Euro Pacific Capital, Inc. is a qualified Principal American Liaison ("PAL") and has submitted a Letter of Introduction for the Company in accordance with the standards for trading on OTCQB.

1.13 OPERATING SEGMENTS

The Company operates in one reportable segment – the research, development and manufacturing of graphene-enhanced materials. Substantially all of the Company's revenue was generated in the U.S. and all capital assets are located in the U.S.

1.14 CRITICAL 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 the 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 estimated 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 and comprehensive 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.

1.15 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities 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 | 390,440 | - | - | 390,440 |

The Company has determined that the carrying values of its accounts receivable, accounts payable and accrued liabilities 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 counter-party 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 accounts receivable through established credit monitoring activities. As at May 31, 2023, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and 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 May 31, 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 May 31, 2023, the Company held C\$206,711 (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 \$19,289 (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 May 31, 2023, the Company has cash and cash equivalents of \$390,440 and a working capital surplus of \$669,079.

| As at May 31, 2023 | Up to 1 year | 1 - 5 years | Total |
|--|---------------------|--------------------|--------------|
| Accounts payable and accrued liabilities | 408,910 | - | 408,910 |
| Current portion of lease liability | 60,635 | - | 60,635 |
| | 469,545 | - | 469,545 |

| As at May 31, 2022 | Up to 1 year | 1 - 5 years | Total |
|--|---------------------|--------------------|--------------|
| Accounts payable and accrued liabilities | 148,420 | - | 148,420 |
| Current portion of lease liability | 113,596 | - | 113,596 |
| | 262,016 | - | 262,016 |

APPROVAL

The Board of Directors of G6 has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

ADDITIONAL INFORMATION

Additional information related to G6 is on SEDAR at www.sedar.com and the Company's website <http://www.G6-Materials.com>.