
G6 MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023
(Unaudited – Expressed in US Dollars)

NOTICE TO READER

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

The accompanying unaudited condensed interim consolidated financial statements of G6 Materials Corp. (“Corporation”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s independent auditor.

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US Dollars)

As at,	Notes	February 29, 2024 (Unaudited)	May 31, 2023 (Audited)
ASSETS		\$	\$
Current			
Cash and cash equivalents		19,862	390,440
Accounts receivable and other	5	32,681	55,270
Inventory	6	391,920	574,326
Prepaid expenses and deposits	15	66,497	118,588
		510,960	1,138,624
Equipment	8	94,081	111,587
Right-of-use asset	7	261,034	59,890
Intangible assets	4	98,172	130,902
Total assets		964,247	1,441,003
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	629,481	408,910
Loan payable	9	37,270	-
Current portion of lease liability	7	81,140	60,635
		747,891	469,545
Lease liability	7	182,827	-
Total liabilities		930,718	469,545
SHAREHOLDERS' EQUITY			
Share capital	11	16,487,601	16,487,601
Contributed surplus		3,676,739	3,593,663
Accumulated other comprehensive loss		(172,334)	(164,383)
Deficit		(19,958,477)	(18,945,423)
Total shareholders' equity		33,529	971,458
Total liabilities and shareholders' equity		964,247	1,441,003

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

Approved on behalf of the Board of Directors on April 29, 2024:

"Guy Bourgeois" Director
Guy Bourgeois

"John Gary Dyal" Director
John Gary Dyal

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

FOR THE NINE MONTH PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

(Unaudited – Expressed in US Dollars)

	Notes	Three months February 29, 2024	Three months February 28, 2023	Nine months February 29, 2024	Nine months February 28, 2023
		\$	\$	\$	\$
REVENUE		222,273	370,646	841,202	1,219,573
COST OF GOODS SOLD		(123,926)	(194,328)	(664,537)	(708,854)
		\$ 98,347	\$ 176,318	\$ 176,665	\$ 510,719
EXPENSES (Note 17)					
Depreciation and amortization	4,7,8	42,215	52,056	129,830	186,235
Foreign exchange loss		38	81	220	252
Marketing and investor relations		7,874	81,074	122,805	260,845
General and administrative expenses	17	171,233	457,821	849,805	1,897,671
Research and development		26,141	31,812	87,059	172,015
		\$ (247,501)	\$ (622,844)	\$ (1,189,719)	\$ (2,517,018)
NET LOSS		\$ (149,154)	\$ (446,526)	\$ (1,013,054)	\$ (2,006,299)
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified subsequently to loss:					
Foreign currency translation loss		(225)	(518)	(7,951)	(64,308)
LOSS AND COMPREHENSIVE LOSS		\$ (149,379)	\$ (447,044)	\$ (1,021,005)	\$ (2,070,607)
LOSS PER SHARE - BASIC AND DILUTED		\$ (0.01)	\$ (0.03)	\$ (0.06)	\$ (0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		16,367,919	16,367,919	16,367,919	16,367,919

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023
(Unaudited – Expressed in US Dollars)

	Notes	February 29, 2024	February 28, 2023
		\$	\$
OPERATING ACTIVITIES			
Net loss		(1,013,054)	(2,006,299)
Non-cash items:			
Lease interest	7	7,289	2,604
Amortization of intangible asset	4	32,730	32,730
Amortization of right-of-use asset	7	75,245	129,311
Depreciation of equipment	8	21,855	24,194
Share-based compensation	11	83,076	172,479
Foreign exchange loss		220	252
		(792,639)	(1,644,729)
Changes in non-cash working capital items:			
Accounts receivable		22,589	13,652
Inventory		182,406	247,897
Prepaid expenses and deposits		52,091	103,687
Accounts payable and accrued liabilities		220,571	20,311
Cash used in operating activities		(314,982)	(1,259,182)
INVESTING ACTIVITIES			
Purchase of equipment	8	(4,349)	(28,000)
Cash used in investing activities		(4,349)	(28,000)
FINANCING ACTIVITIES			
Loan payable	9	37,270	-
Principal payments on lease	7	(80,346)	(132,888)
Cash used in financing activities		(43,076)	(132,888)
Change in cash and cash equivalents		(362,407)	(1,420,070)
Effect of exchange rate changes on cash		(8,171)	(64,560)
Cash and cash equivalents, beginning		390,440	2,119,429
Cash and cash equivalents, ending		19,862	634,799

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED FEBRUARY 29, 2024 and FEBRUARY 28, 2023
(Unaudited – Expressed in US Dollars)

		Common Shares		Warrants Reserve		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Notes	#	\$	#	\$	\$	\$	\$	\$
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	11	-	-	-	-	172,479	-	-	172,479
Foreign currency translation loss		-	-	-	-	-	(64,308)	-	(64,308)
Net loss for the period		-	-	-	-	-	-	(2,006,299)	(2,006,299)
Balance, February 28, 2023		16,367,919	16,487,601	14,476,000	125,605	3,375,538	(158,352)	(18,228,314)	1,601,778
Balance, May 31, 2023		16,367,919	16,487,601	-	-	3,593,663	(164,383)	(18,945,423)	971,458
Share-based compensation	11	-	-	-	-	83,076	-	-	83,076
Foreign currency translation loss		-	-	-	-	-	(7,951)	-	(7,951)
Net loss for the period		-	-	-	-	-	-	(1,013,054)	(1,013,054)
Balance, February 29, 2024		16,367,919	16,487,601	-	-	3,676,739	(172,334)	(19,958,477)	33,529

G6 MATERIALS CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023
(Unaudited – 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 seven 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 unaudited condensed interim 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 condensed interim 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 condensed interim consolidated financial statements. Such adjustments could be material. As at February 29, 2024, the Company had working capital deficit of \$236,931 (May 31, 2023 – working capital of \$669,079). Net loss for the period ended February 29, 2024 was \$1,013,054. The accumulated deficit as at February 29, 2024 was \$19,958,477 and negative cash flows from operations of \$314,982. 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

The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended May 31, 2023. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended May 31, 2023. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended May 31, 2024.

b) Basis of Consolidation

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

These condensed interim consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on April 29, 2024.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended May 31, 2023.

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 February 29, 2024, the Company's intangible assets consist of intellectual property relating to technology for the manufacture and processing of graphene.

	\$
Cost:	
Balance, May 31, 2023 and February 29, 2024	436,382
Accumulated Amortization:	
Balance, May 31, 2022	261,840
Amortization	43,640
Balance, May 31, 2023	305,480
Amortization	32,730
Balance, February 29, 2024	338,210
Net Book Value:	
May 31, 2023	130,902
February 29, 2024	98,172

5. ACCOUNTS RECEIVABLE

	February 29, 2024	May 31, 2023
	\$	\$
Trade accounts receivable	9,289	42,565
Tax receivable	23,392	12,705
Total	32,681	55,270

As at February 29, 2024, the expected credit loss was \$1,720 (May 31, 2023 - \$1,720) and all of the Company's trade receivables were outstanding more than 90 days.

6. INVENTORY

	February 29, 2024	May 31, 2023
	\$	\$
Raw materials	134,337	-
Finished goods	257,583	574,326
Total	391,920	574,326

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the period ended February 29, 2024, the amount of inventory recognized in cost of goods sold was \$514,286 (February 28, 2023 - \$856,935).

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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 the 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 the 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.

On December 31, 2023, the Company extended the lease for three additional years until December 31, 2026. Pursuant to the extension the Company is required to pay rent of \$9,400 per month. The Company recognized a right-of-use asset and a lease liability of \$276,389. The Company used a 14.5% 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, 2022	609,934
Addition	102,670
Balance, May 31, 2023	712,604
Addition	276,389
Balance, February 29, 2024	988,993
Accumulated Amortization:	
Balance, May 31, 2022	497,735
Amortization	154,979
Balance, May 31, 2023	652,714
Amortization	75,245
Balance, February 29, 2024	727,959
Net Book Value:	
May 31, 2023	59,890
February 29, 2024	261,034

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7. RIGHT-OF-USE ASSET AND LEASE LIABILITY (CONTINUED)**LEASE LIABILITY**

	\$
Balance, May 31, 2022	113,596
Lease interest expense	3,636
Addition	102,670
Payments	(159,267)
Balance, May 31, 2023	60,635
Additions	276,389
Lease interest expense	7,289
Payments	(80,346)
Balance, February 29, 2024	263,967
Current portion of lease liability	81,140
Long-term portion of lease liability	182,827

As at February 29, 2024, the Company will have future undiscounted lease payments totaling \$28,200 remaining for fiscal 2024, \$112,800 for fiscal 2025, \$112,800 for fiscal 2026 and \$65,800 for fiscal 2027.

8. EQUIPMENT

	Laboratory Equipment
Cost:	\$
Balance, May 31, 2022	670,381
Additions	27,998
Balance, May 31, 2023	698,379
Additions	4,349
Balance, February 29, 2024	702,728
Accumulated Depreciation:	
Balance, May 31, 2022	555,422
Depreciation expense	31,370
Balance, May 31, 2023	586,792
Depreciation expense	21,855
Balance, February 29, 2024	608,647
Net Book Value:	
May 31, 2023	111,587
February 29, 2024	94,081

9. LOAN PAYABLE

On January 17, 2024, the Company received loans of \$36,765 (C\$50,000) from a third party. The loan is secured, bears interest at 10% per annum and is due on demand. The loan is secured by all of the Company's property and assets. During the nine months ended February 29, 2024, the Company accrued interest of \$505.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the period ended February 29, 2024 and February 28, 2023:

	February 29, 2024	February 28, 2023
	\$	\$
Salaries, bonuses, fees and benefits	304,553	172,538
Share-based compensation	52,603	89,988
	<u>357,156</u>	<u>262,526</u>

The Company had the following transactions with related parties:

As at February 29, 2024, the Company owed \$338,441 (May 31, 2023 – \$94,759) to related parties. The amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

Transactions with related parties are incurred in the normal course of operation and recorded at fair value.

The amounts due to related parties are included in accounts payable and accrued liabilities.

11. SHARE CAPITAL

On December 14, 2023, the Company proposed a non-brokered equity financing to raise up to \$1,000,000 through the offering of up to 10,000,000 units at a price of \$0.10 per unit. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional share of the Company at an exercise price of \$0.25 for a period of three years from the closing date of the offering. As of the date of these condensed interim consolidated financial statements, the offering has not been completed.

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

- a) During the period ended February 29, 2024, the Company did not issue any common stock.
- b) On July 12, 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:

On August 25, 2021, the Company acquired a 100% interest 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. As at February 29, 2024, there are Nil (May 31, 2023 – 1,000,000) common shares subject to an escrow agreement. The Consideration Shares were released from escrow over a period of 28 months from the Closing Date, shown below.

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11. SHARE CAPITAL (CONTINUED)**Escrow shares (Continued):**

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

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, 2022	1,345,000	C\$1.00
Expired during the year	(265,000)	C\$1.20
Options outstanding– May 31, 2023	1,080,000	C\$0.90
Issued during the period	720,000	C\$0.16
Expired or expired during the period	(685,000)	C\$0.78
Options outstanding – February 29, 2024	1,115,000	C\$0.52

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 August 16, 2023, the Company granted 720,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable at C\$0.16 per share for a period of five years from the date of grant. Among these options granted, 135,000 are subject to a 3-year vesting schedule, where 25% of the options will vest immediately, and 25% will vest at each anniversary.

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 vest immediately, and 25% will vest 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.

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11. SHARE CAPITAL (CONTINUED)**Stock options (Continued):**

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

	2023	2022
Share price	C\$0.16	C\$1.11
Risk-free interest rate	3.83%	1.29%
Expected volatility	213.60%	132.48%
Expected dividend yield	\$nil	\$nil
Expected forfeiture rate	0%	0%
Expected life	5 years	5 years

Based on the Black-Scholes option pricing model and the assumptions outlined above, the Company recorded share-based compensation of \$83,076 for the period ended February 29, 2024 (2023 - \$172,479).

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	1.62	90,000	90,000
October 25, 2024	C\$0.16	0.65	22,500	22,500
October 25, 2024	C\$0.80	0.65	60,000	60,000
October 25, 2024	C\$1.00	0.65	80,000	80,000
January 4, 2025	C\$0.16	0.85	22,500	22,500
January 4, 2025	C\$0.80	0.85	60,000	60,000
January 4, 2025	C\$1.00	0.85	80,000	80,000
March 16, 2027	C\$1.00	3.04	160,000	130,000
August 16, 2028	C\$0.16	4.47	540,000	438,750

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\$(2.93)
Warrants outstanding – May 31, 2023 and February 29, 2024	-	-

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12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the the development and production of innovative graphene-based solutions. The Company does not have any externally imposed capital requirements to which it is subject. As of February 29, 2024, the Company had cash of \$19,862 (May 31, 2023 - \$390,440)

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

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and 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	19,862	-	-	19,862

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 counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for accounts receivable through established credit monitoring activities. As at February 29, 2024, 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 February 29, 2024 and May 31, 2023, the Company is not exposed to significant interest rate risk.

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(Unaudited – Expressed in US Dollars)

13. FINANCIAL INSTRUMENTS (CONTINUED)

iii) Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the US Dollar, which is the functional currency of the Company. As at February 29, 2024, the Company held C\$5,061 (May 31, 2023 - C\$206,711) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by \$12,598 (2023 - \$26,335).

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at February 29, 2024, the Company has cash and cash equivalents of \$19,862 and a working capital deficit of \$236,931.

As at February 29, 2024	Up to 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	629,481	-	629,481
Loan payable	37,270	-	37,270
Current portion of lease liability	81,140	182,827	263,967
	747,891	182,827	930,718

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

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. PREPAID EXPENSES AND DEPOSITS

	February 29, 2024	May 31, 2023
	\$	\$
Deposits and expenses	20,783	10,179
Inventory	45,714	108,409
Total	66,497	118,588

16. CONTINGENCY

On February 29, 2024, a claim was commenced against the Company by Daniel Stolyarov and Elena Polyakova. The claim is based on allegations relating to the enforcement of the former employee’s employment agreements. The plaintiffs are seeking \$819,668 of unpaid salary and damages. On April 11, 2024, the company filed a response to defend the claim and filed a counterclaim against the former employees. The likelihood of outcome of the case or any monetary considerations is not known at this time. Due to this lawsuit, investment and revenue generating opportunities have been significantly hindered.

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17. NATURE OF EXPENSES

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

	For the Nine Months Ended		For the Three Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	\$	\$	\$	\$
Interest	7,721	2,604	6,805	897
Office and administrative	119,458	526,054	24,068	145,618
Professional fees	245,169	376,803	58,237	57,666
Regulatory fees	39,753	40,366	5,360	5,524
Salaries and benefits	353,202	772,687	72,666	190,358
Share-based compensation	83,076	172,479	4,097	56,415
Travel expenses	1,426	6,678	-	1,343
Total	849,805	1,897,671	171,233	457,821

18. SUBSEQUENT EVENTS

On February 22, 2024, the Company entered into a Technology License Agreement (the “Agreement”) with Graphene Corp. (the "Licensor"), a subsidiary of Elcora Advanced Materials Corp., in respect of intellectual property rights associated with graphene coating technology (the "Subject Technology"). The License for the Subject Technology is for a period of up to February 1, 2026 and is non-exclusive, non-sublicensable and non-transferable. In consideration for the license, the Company will issue of 3,333,333 common shares of the Company (the “Shares”) at a deemed price of \$0.09 per Share.

On March 25, 2024, the Company closed the Agreement and issued 3,333,333 common shares of the Company pursuant to the Agreement.