G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

(Expressed in US Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Directors of G6 Materials Corp. (formerly Graphene 3D Lab Inc.)

Opinion

We have audited the consolidated financial statements of G6 Materials Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at May 31, 2020 and 2019, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' 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.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions. 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 as issued by the International Accounting Standards Board, 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.

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Auditors' 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 auditors' 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit 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.

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
September 28, 2020

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2020 AND 2019
(Expressed in US Dollars)

	Notes	2020	2019
ASSETS		$	$
Current			
Cash and cash equivalents		561,711	100,169
Amounts receivable	5	8,620	92,161
Inventory	6	162,140	381,106
Prepaid expenses and deposits		51,888	41,303
		784,359	614,739
Equipment	8	65,943	146,650
Right-of-use asset	7	53,562	-
Intangible assets	4	261,822	305,462
		1,165,686	1,066,851
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	310,209	197,980
Loan payable	10	83,300	-
Current portion of lease liability	7	55,577	-
		449,086	197,980
Deferred income tax		-	24,000
		449,086	221,980
SHAREHOLDERS' EQUITY			
Share capital	11	8,299,942	7,426,101
Warrants reserve	11	33,946	33,946
Contributed surplus		2,821,938	2,821,938
Accumulated other comprehensive loss		(82,839)	(95,075)
Deficit		(10,356,387)	(9,342,039)
		716,600	844,871
		1,165,686	1,066,851

Going Concern (Note 2(c))

Approved on behalf of the Board of Directors on September 28, 2020:

"Daniel Stolyarov" Director
Daniel Stolyarov

"John Gary Dyal" Director
John Gary Dyal

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

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in US Dollars)

	Notes	2020	2019
		$	$
REVENUE		922,614	946,834
COST OF GOODS SOLD		(720,369)	(353,870)
		202,245	592,964
EXPENSES			
Amortization of intangible asset	4	43,640	43,640
Amortization of right-of-use asset	7	91,820	-
Depreciation of equipment	8	80,707	91,518
Foreign exchange (gain) loss		7,292	(128)
Lease interest	7	6,195	-
Marketing and investor relations		74,820	86,422
Office and administrative		203,667	217,582
Professional fees	9	375,459	293,126
Regulatory fees		44,712	38,310
Research and development		74,439	133,062
Salaries and benefits	9	220,602	304,026
Travel expenses		17,240	17,304
		(1,240,593)	(1,224,862)
NET LOSS BEFORE INCOME TAXES		(1,038,348)	(631,898)
INCOME TAXES:			
Deferred income taxes recovery	13	24,000	32,525
NET LOSS		(1,014,348)	(599,373)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to income:			
Foreign currency translation income (loss)		12,236	(2,192)
COMPREHENSIVE LOSS		(1,002,112)	(601,565)
LOSS PER SHARE - BASIC AND DILUTED		$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		82,037,317	74,340,872

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

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

(Expressed in US Dollars)

	Notes	2020	2019
		$	$
OPERATING ACTIVITIES			
Net loss		(1,014,348)	(599,373)
Non-cash items:			
Lease interest	7	6,195	-
Amortization of intangible asset	4	43,640	43,640
Amortization of right-of-use asset	7	91,820	-
Depreciation of equipment	8	80,707	91,518
Deferred income tax recovery	13	(24,000)	(32,525)
Foreign exchange loss (gain)		7,292	(128)
		(808,694)	(496,868)
Changes in non-cash working capital items:			
Amounts receivable		83,541	(68,530)
Inventory		218,966	13,505
Prepaid expenses and deposits		(10,585)	24,175
Accounts payable and accrued liabilities		112,229	(675)
		(404,543)	(528,393)
INVESTING ACTIVITIES			
Purchase of equipment	8	-	(16,636)
		-	(16,636)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares (net)	11	873,841	220,384
Proceeds from loans payable	9, 10	168,300	-
Repayment of loans payable	9	(85,000)	-
Principal payments on lease	7	(96,000)	-
		861,141	220,384
Change in cash and cash equivalents		456,598	(324,645)
Effect of exchange rate changes on cash		4,944	(2,064)
Cash and cash equivalents, beginning		100,169	426,878
Cash and cash equivalents, ending		561,711	100,169

Supplemental cash flow information

	2020	2019
	$	$
Cash paid for interest	14,903	-
Cash paid for income taxes	-	-

G6 MATERIALS CORP.
(formerly Graphene 3D Lab Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in US Dollars)

							Accumulated Other Comprehensive		
		Common Shares			Warrants Reserve	Contributed Surplus	Loss	Deficit	Total
	Notes	**#**	**$**	**#**	**$**	**$**	**$**	**$**	**$**
Balance, May 31, 2018		**73,451,814**	**7,205,717**	**457,403**	**33,946**	**2,821,938**	**(92,883)**	**(8,742,666)**	**1,226,052**
Share issued for private placement	11	4,916,760	220,384	4,916,760	-	-	-	-	220,384
Expiration of warrants	11	-	-	(457,403)	-	-	-	-	-
Foreign currency translation loss		-	-	-	-	-	(2,192)	-	(2,192)
Net loss for the year		-	-	-	-	-	-	(599,373)	(599,373)
Balance, May 31, 2019		**78,368,574**	**7,426,101**	**4,916,760**	**33,946**	**2,821,938**	**(95,075)**	**(9,342,039)**	**844,871**
Share issued for private placement	11	18,540,001	873,841	18,540,001	-	-	-	-	873,841
Foreign currency translation loss		-	-	-	-	-	12,236	-	12,236
Net loss for the year		-	-	-	-	-	-	(1,014,348)	(1,014,348)
Balance, May 31, 2020		**96,908,575**	**8,299,942**	**23,456,761**	**33,946**	**2,821,938**	**(82,839)**	**(10,356,387)**	**716,600**

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

1. NATURE OF OPERATIONS

G6 Materials Corp. ("G6" or the "Company"), formerly Graphene 3D Lab Inc., was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, through a reverse acquisition transaction, the Company acquired Graphene 3D Lab (U.S.) Inc. which was deemed to be the continuing entity for financial reporting purposes. Graphene 3D Lab (U.S.) Inc. was incorporated on September 3, 2013 in the State of Delaware, 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").

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

The Company's principal business is the development, manufacturing and sale of proprietary composites and coatings based on graphene and other advanced materials. The Company's wholly owned subsidiary Graphene Laboratories Inc. currently offers over 100 graphene and related products. The Company's 3D printing division offers a portfolio of specialty fused filament fabrication filaments. The Company also holds new proprietary technology encompassing the preparation and separation of atomic layers of graphene.

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

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements incorporate the accounts of the Company and its wholly-owned subsidiaries Graphene 3D Lab (U.S.) Inc. and Graphene Laboratories Inc. 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 28, 2020.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)

b) New Accounting Standards Adopted

The following accounting standard was adopted by the Company effective June 1, 2019:

IFRS 16 Leases – The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaced IAS 17 Leases and this standard substantially carries forward the lessor accounting requirement of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit at that date, subject to permitted practical expedients. Therefore, the Company will not restate comparative information.

The adoption of IFRS 16 resulted in the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the consolidated statements of financial position for a majority of the Company's leases that were considered operating leases under IAS 17. Amortization expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense. IFRS 16 will change the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows, but does not cause a difference in the amount of cash transferred between the parties of a lease. Refer to Note 7 for the impact of adoption of IFRS 16.

c) Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Company incurred a net loss of $1,014,348 for the year ended May 31, 2020 and, as of that date, the Company has an accumulated deficit of $10,356,387. These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. There is no guarantee that the Company will be able to raise this additional financing. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared the novel coronavirus ("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 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 the Company or its suppliers are not able to maintain operations.

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 is subject to an insignificant risk of change in value.

b) Inventory

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

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

c) Equipment

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

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

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

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

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

d) Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the valuation of share-based payments expense, the determination of useful lives of equipment, valuation of inventories and recognition of inventory impairment, the determination of the allowance of doubtful accounts and the useful lives and recoverability of intangible assets. Actual results could differ from these estimates.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next period. Significant areas requiring critical accounting judgements include the Company's ability to carry on as a going concern and the probability that deferred income tax assets would be recovered in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) 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.

g) Share Issue 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.

h) Share-based Compensation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Revenue Recognition

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

The Company recognizes revenues from the sale of graphene and graphene related products at the point in time when it satisfies its performance obligations. The Company satisfies its performance obligations and transfers control over the goods to the customer upon shipment.

Payments received from customers in advance of meeting all of the recognition criteria are recorded as deferred revenue and subsequently recognized as these criteria are met.

j) Financial Instruments

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

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

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

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

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

k) 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. and Graphene Laboratories Inc. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) Intangible Assets

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

n) 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.

(Expressed in US Dollars)

4. INTANGIBLE ASSETS

As part of the acquisition of Graphene Laboratories Inc., the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. The Company intends to continue to further develop this technology over the next few years. As at May 31, 2020, the Company's intangible assets are as follows:

	$
Cost:	
Balance, May 31, 2019 and 2020	436,382
Accumulated Amortization:	
Balance, May 31, 2018	87,280
Amortization	43,640
Balance, May 31, 2019	130,920
Amortization	43,640
Balance, May 31, 2020	174,560
Net Book Value:	
May 31, 2019	305,462
May 31, 2020	261,822

5. AMOUNTS RECEIVABLE

	2020	**2019**
	$	$
Trade accounts receivable	7,325	90,877
GST receivable	1,295	1,284
Total	8,620	92,161

6. INVENTORY

	2020	**2019**
	$	$
Raw materials	63,136	143,711
Finished goods	99,005	237,395
Total	162,140	381,106

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the year ended May 31, 2020, the amount of inventory recognized in cost of goods sold was $690,245 (2019 - $318,978).

(Expressed in US Dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company adopted IFRS 16, Leases as of June 1, 2019 using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the present value of the future lease payments.

The Company entered into a three-year lease agreement for the Company's facilities beginning on January 1, 2018 and ending on December 31, 2020 which requires monthly payments of $8,000. Upon adoption of IFRS 16, the company recognized a right-of-use asset and a lease liability of $145,382. 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, 2019	-
Recognition upon adoption of IFRS 16	145,382
Balance, May 31, 2020	145,382
Accumulated Amortization:	
Balance, May 31, 2019	-
Amortization	91,820
Balance, May 31, 2020	91,820
Net Book Value:	
May 31, 2019	-
May 31, 2020	53,562

LEASE LIABILITY

	$
Balance, May 31, 2019	-
Recognition upon adoption of IFRS 16	145,382
Lease interest expense	6,195
Payments	(96,000)
Balance, May 31, 2020	55,577
Current portion of lease liability	**55,577**
Long-term portion of lease liability	**-**

(Expressed in US Dollars)

8. EQUIPMENT

	Laboratory Equipment
Cost:	$
Balance, May 31, 2018	538,224
Additions	16,636
Balance, May 31, 2019 and 2020	554,860
Accumulated Depreciation:	
Balance, May 31, 2018	316,692
Depreciation expense	91,518
Balance, May 31, 2019	408,210
Depreciation expense	80,707
Balance, May 31, 2020	488,917
Net Book Value:	
May 31, 2019	146,650
May 31, 2020	65,943

9. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities.

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the years ended May 31, 2020 and 2019:

	2020	2019
	$	$
Salaries, bonuses, fees and benefits	**120,000**	170,481

The Company entered into the following transactions with related parties:

a) During the year ended May 31, 2020, the Company incurred a director and officer's salaries expense in the amount of $120,000 (2019 - $170,481).

b) During the year ended May 31, 2020, the Company incurred consulting fees of $50,000 (2019 - $nil) to the spouse of a director and officer.

c) During the year ended May 31, 2020, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of $144,390 (2019 - $144,283).

d) During the year ended May 31, 2020, the Company received a loan of $85,000 (2019 - $nil) from the spouse of a director and officer and made repayments of $85,000 (2019 - $nil). The loan bore interest at 15% and was unsecured. The Company incurred $14,903 (2019 - $nil) in interest charges on the loan. The loan and accrued interest was fully repaid as of May 31, 2020.

(Expressed in US Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

e) As at May 31, 2020, the Company had $6,819 (2019 - $nil) receivable from a director and officer. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

The following amounts were due to related parties:

	2020 $	2019 $
Salary to officers	75,000	19,091
Expense reimbursements to related parties	20,419	13,231
	95,419	32,322

The amounts due to related parties are included in accounts payable and are unsecured, have no fixed repayments and are non-interest bearing.

10. LOAN PAYABLE

	2020 $	2019 $
Loans payable	83,300	-

On May 7, 2020, the Company entered into a loan agreement with a third party under the Small Business Administration Payroll Protection Program and borrowed a total of $83,300 which is forgivable subject to the certain conditions. Subject to the agreement, the loan will be forgivable if the Company will only spend the funds on the Company's payroll, rent, and utilities for the subsequent 8 weeks with appropriate supporting documents. As at May 31, 2020, there was $83,300 in total consisting of principal of loan. Interest of 1% accrues on the loan during the time between the disbursement of the loan and SBA remittances of the forgiveness amount. Loan payments are deferred for the first six months and the loan is set to mature two years after its initial grant.

11. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

a) On March 26, 2019, the Company closed a non-brokered private placement financing issuing 4,916,760 units at a price of C$0.06 per unit for gross proceeds of $220,384 (C$295,006). Each unit consists of one common share and one common share purchase warrant. Each unit entitles the holder to purchase one additional common share at a price of C$0.10 for a period of two years. The share purchase warrants include an acceleration provision whereby if the Company's common shares trade on the TSX Venture Exchange at a volume weighted-average price of C$0.15 or more per common share for any period of at least ten consecutive trading days after four months from the closing date, the Company is entitled to accelerate the expiry date of the share purchase warrants to a date that is at least 30 days from the date that notice of such acceleration is given via a news release by the Company.

(Expressed in US Dollars)

11. SHARE CAPITAL (continued)

b) On October 15, 2019, the Company closed a non-brokered private placement financing issuing 4,240,000 units at a price of C$0.05 per unit for gross proceeds of $160,472 (C$212,000). Each unit consists of one common share and one common share purchase warrant. Each unit entitles the holder to purchase one additional common share at a price of C$0.12 for a period of two years. The share purchase warrants include an acceleration provision whereby if the Company's common shares trade on the TSX Venture Exchange at a volume weighted-average price of C$0.16 or more per common share for any period of at least ten consecutive trading days after four months from the closing date, the Company is entitled to accelerate the expiry date of the share purchase warrants to a date that is at least 30 days from the date that notice of such acceleration is given via a news release by the Company.

c) On May 5, 2020, the Company closed a non-brokered private placement financing issuing 14,300,001 units at a price of C$0.07 per unit for gross proceeds of $713,369 (C$1,001,000). Each unit consists of one common share and one common share purchase warrant. Each unit entitles the holder to purchase one additional common share at a price of C$0.12 for a period of two years. The share purchase warrants include an acceleration provision whereby if the Company's common shares trade on the TSX Venture Exchange at a volume weighted-average price of C$0.16 or more per common share for any period of at least ten consecutive trading days after four months from the closing date, the Company is entitled to accelerate the expiry date of the share purchase warrants to a date that is at least 30 days from the date that notice of such acceleration is given via a news release by the Company.

Escrow shares:

As at May 31, 2020 and 2019, there are no common shares subject to escrow agreements.

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 31,2018	5,215,000	C$0.18
Expired during the period	(1,575,000)	C$0.25
Cancelled during the period	(45,000)	C$0.21
Options outstanding – May 31 2019 and 2020	3,595,000	C$0.14
Vested options – May 31 2019 and 2020	3,595,000	C$0.14

During the year ended May 31, 2019, 1,575,000 options expired unexercised.

During the year ended May 31, 2019, one of the consultants from the Company resigned and subsequently 45,000 options were cancelled.

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.

There were no stock options granted during the years ended May 31, 2020 and 2019.

(Expressed in US Dollars)

11. SHARE CAPITAL (continued)

Details of stock options outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of stock options outstanding	Number of stock options vested and exercisable
August 4, 2021	C$0.21	1.18	645,000	645,000
September 13, 2021	C$0.21	1.29	200,000	200,000
July 28, 2022	C$0.11	2.16	300,000	300,000
November 14, 2022	C$0.12	2.46	2,450,000	2,450,000

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, 2018	457,403	C$0.250
Issued with March 26, 2019 private placement	4,916,760	C$0.100
Warrants expired during the year	(457,403)	C$0.250
Warrants outstanding – May 31, 2019	4,916,760	C$0.100
Issued with October 15, 2019 private placement	4,240,000	C$0.120
Issued with May 5, 2020 private placement	14,300,001	C$0.120
Warrants outstanding – May 31, 2020	23,456,761	C$0.116

Details of warrants outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding
March 26, 2021	C$0.10	0.82	4,916,760
October 15, 2021	C$0.12	1.38	4,240,000
May 5, 2022	C$0.12	1.93	14,300,001

(Expressed in US Dollars)

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the the development and production of 3D graphene printing technology. The Company does not have any externally imposed capital requirements to which it is subject.

The Company defines its capital as all components of shareholders' equity. As at May 31, 2020, the Company had capital resources consisting mainly of cash and cash equivalents. The Company manages the capital structure and makes adjustments to 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. 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:

	2020	2019
Combined statutory tax rate	27.0%	27.0%
	$	$
Income tax recovery at combined statutory rate	(280,354)	(170,612)
Non-deductible items for tax purposes and other items	37,673	28,582
Effect of change in income tax rates	-	3,045
Difference in foreign income tax rates	6,261	-
Change in tax benefits not recognized	212,420	106,460
Income tax recovery	(24,000)	(32,525)

Significant components of the Company's deferred income tax assets are shown below:

	2020	2019
	$	$
Non-capital loss carry forwards	1,993,222	1,765,947
Equipment	1,870	(2,106)
Intangible assets	(68,336)	(79,726)
Share issuance costs	2,175	7,940
Mineral properties	35,198	35,654
Tax benefits not recognized	(1,964,129)	(1,751,709)
Net deferred income tax assets (liabilities)	-	(24,000)

As at May 31, 2020, the Company had non-capital losses carried forward in the United States and Canada of approximately $1,244,000 (2019 - $1,088,000) and $749,000 (2019 - $678,000) respectively available to reduce taxable income. The non-capital losses carried forward expire between 2031 and 2040.

14. FINANCIAL INSTRUMENTS

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

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
Level 3 – Inputs that are not based on observable market data

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	561,711	-	-	561,711

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 trade and other receivables through established credit monitoring activities. As at May 31, 2020 and 2019, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and trade accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at May 31, 2020 and 2019, the Company is not exposed to significant interest rate risk as the outstanding loan payable as at May 31, 2020 carries a 1% fixed variable rate.

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, 2020, the Company held $485,107 (2019 - $713) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $35,185 (2019 - $72).

(Expressed in US Dollars)

14. FINANCIAL INSTRUMENTS

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, 2020, the Company has cash and cash equivalents of $561,711 and a working capital surplus of $335,273.

As at May 31, 2020	Up to 1 year	1 - 5 years	Total
Accounts payable	**310,209**	-	310,000
Loan payable	**83,300**	-	83,300
Lease liability	**56,000**	-	56,000
	449,509	-	449,509

15. SEGMENT DISCLOSURES

The Company operates in one reportable segment – the development, manufacturing and sale of graphene-enhanced materials for 3D printing. Substantially all of the Company's revenue was generated in the U.S. and all long-lived assets are located in the U.S.