
G6 MATERIALS CORP.
(formerly Graphene 3D Lab Inc.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020
(Unaudited - Expressed in US Dollars)

Notice of non-review of condensed interim consolidated financial statements

The accompanying condensed interim consolidated financial statements for the nine-month period ended February 28, 2021 and February 29, 2020 are the responsibility of management and have been approved by the Board of Directors. The Company's independent auditor has not reviewed these condensed interim consolidated financial statements.

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT FEBRUARY 28, 2021 AND MAY 31, 2020

(Unaudited - Expressed in US Dollars)

	Notes	February 28, 2021	May 31, 2020
ASSETS		\$	\$
Current			
Cash and cash equivalents		521,422	561,711
Amounts receivable	5	30,298	8,620
Inventory	6	496,543	162,140
Prepaid expenses and deposits		57,424	51,888
		1,105,687	784,359
Equipment	8	25,320	65,943
Right-of-use asset	7	257,088	53,562
Intangible assets	4	229,092	261,822
		1,617,187	1,165,686
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	272,284	310,209
Loan payable	10	250,000	83,300
Current portion of lease liability	7	21,073	55,577
		543,357	449,086
Long term portion of lease liability	7	237,263	-
		780,620	449,086
SHAREHOLDERS' EQUITY			
Share capital	11	8,693,541	8,299,942
Warrants reserve	11	33,946	33,946
Contributed surplus	11	3,057,576	2,821,938
Accumulated other comprehensive loss		(71,901)	(82,839)
Deficit		(10,876,595)	(10,356,387)
		836,567	716,600
		1,617,187	1,165,686

Going Concern (Note 2(c))**Subsequent Event** (Note 15)

Approved on behalf of the Board of Directors on April 29, 2021:

"Daniel Stolyarov" Director
Daniel Stolyarov

"John Gary Dyal" Director
John Gary Dyal

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE NINE MONTHS ENDED,

(Unaudited - Expressed in US Dollars)

	Notes	Three months February 28, 2021	Three months February 29, 2020	Nine months February 28, 2021	Nine months February 29, 2020
		\$	\$	\$	\$
REVENUE		263,425	169,237	1,938,991	515,930
COST OF GOODS SOLD		(193,993)	(104,636)	(1,234,047)	(355,310)
		69,432	64,601	704,944	160,620
EXPENSES					
Amortization of intangible asset	4	10,910	10,910	32,730	32,730
Amortization of right-of-use asset	7	22,775	20,779	68,685	62,337
Depreciation of equipment	8	6,914	17,393	40,623	63,845
Foreign exchange loss		1,408	(416)	3,723	20,876
Lease interest	7	2,199	1,212	3,028	5,325
Marketing and investor relations (recovery)		(14,872)	25,581	52,051	54,282
Office and administrative		33,678	32,767	143,775	98,299
Professional fees	9	243,829	79,059	385,221	231,751
Regulatory fees		10,802	18,880	21,999	32,569
Research and development		27,064	11,741	78,684	90,693
Salaries and benefits	9	131,067	70,774	208,390	202,808
Share-based compensation	11	-	-	268,579	-
Travel expenses		599	4,109	964	17,693
		(476,373)	(292,789)	(1,308,452)	(913,208)
OTHER ITEM					
Gain on forgiveness of loan	10	83,300	-	83,300	-
		83,300	-	83,300	-
NET LOSS BEFORE INCOME TAXES		(323,641)	(228,188)	(520,208)	(752,588)
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified subsequently to income:					
Foreign currency translation income (loss)		2,489	1,975	(10,938)	1,644
COMPREHENSIVE LOSS		(321,152)	(226,213)	(531,146)	(750,944)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		82,380,951	82,608,574	97,021,860	82,608,574

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED,

(Unaudited - Expressed in US Dollars)

Notes	February 28, 2021	February 29, 2020
	\$	\$
OPERATING ACTIVITIES		
Net loss	(520,208)	(752,588)
Non-cash items:		
Lease interest	7 3,028	5,325
Amortization of intangible asset	4 32,730	32,730
Amortization of right-of-use asset	7 68,685	62,337
Depreciation of equipment	8 40,623	63,845
Share-based compensation	11 268,579	-
Gain on forgiveness of loan	10 (83,300)	-
Foreign exchange loss	3,723	20,876
	(186,140)	(567,475)
Changes in non-cash working capital items:		
Amounts receivable	(21,678)	86,834
Inventory	(334,403)	170,153
Prepaid expenses and deposits	(5,536)	(22,000)
Accounts payable and accrued liabilities	(37,925)	132,664
	(585,682)	(199,824)
FINANCING ACTIVITIES		
Proceeds from loans payable	250,000	72,988
Proceeds from issuance of common shares (net)	360,658	160,472
Principal payments on lease	7 (72,480)	(72,000)
	538,178	161,460
Change in cash and cash equivalents	(47,504)	(38,364)
Effect of exchange rate changes on cash	7,215	(19,232)
Cash and cash equivalents, beginning	561,711	100,169
Cash and cash equivalents, ending	521,422	42,573

Supplemental cash flow information

	2021	2020
	\$	\$
Cash paid for interest	-	14,903
Cash paid for income taxes	-	-

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

(Unaudited - Expressed in US Dollars)

	Notes	Common Shares		Warrants	Contributed	Accumulated	Deficit	Total	
		#	\$	#	\$	Other Comprehensive Loss \$	\$	\$	
Balance, May 31, 2019		78,368,574	7,426,101	4,916,760	33,946	2,821,938	(95,075)	(9,343,039)	844,871
Share issued for private placement	11	4,240,000	160,472	4,240,000	-	-	-	-	160,472
Foreign currency translation loss		-	-	-	-	-	1,644	-	1,644
Net loss for the period		-	-	-	-	-	-	(752,588)	(752,588)
Balance, February 29, 2020		82,608,574	7,586,573	9,156,760	33,946	2,821,938	(93,431)	(10,095,627)	254,399
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
Share-based compensation	11	-	-	-	-	268,579	-	-	268,579
Exercise of warrants	11	3,892,316	322,571	(3,892,316)	-	-	-	-	322,571
Exercise of options	11	600,000	71,028	-	-	(32,941)	-	-	38,087
Foreign currency translation income		-	-	-	-	-	10,938	-	10,938
Net loss for the period		-	-	-	-	-	-	(520,208)	(520,208)
Balance, February 28, 2021		101,400,891	8,693,541	19,564,445	33,946	3,057,576	(71,901)	(10,876,595)	836,567

G6 MATERIALS CORP.

(formerly Graphene 3D Lab Inc.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(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”).

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 also holds a portfolio of intellectual property which includes but is not limited to 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

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, 2020. 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, 2020. 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, 2021.

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. and Graphene Laboratories Inc. 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, 2021.

G6 MATERIALS CORP.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - Expressed in US Dollars)

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 condensed interim 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 \$520,208 for the period ended February 28, 2021 and, as of that date, the Company has an accumulated deficit of \$10,876,595. 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 the pandemic could have a significant impact on the Company if it or its suppliers are not able to maintain operations.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - 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 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 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) 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - Expressed in US Dollars)

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 and takes 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.

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - Expressed in US Dollars)

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 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - Expressed in US Dollars)

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.

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

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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 February 28, 2021, the Company's intangible assets are as follows:

	\$
Cost:	
Balance, May 31, 2020 and February 28, 2021	436,382
Accumulated Amortization:	
Balance, May 31, 2019	130,920
Amortization	43,640
Balance, May 31, 2020	174,560
Amortization	32,730
Balance, February 28, 2021	207,290
Net Book Value:	
May 31, 2020	261,822
February 28, 2021	229,092

5. AMOUNTS RECEIVABLE

	February 28, 2021	May 31, 2020
	\$	\$
Trade accounts receivable	26,995	7,325
GST receivable	3,303	1,295
Total	30,298	8,620

6. INVENTORY

	February 28, 2021	May 31, 2020
	\$	\$
Raw materials	194,064	63,136
Finished goods	302,479	99,004
Total	496,543	162,140

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the nine months ended February 28, 2021, the amount of inventory recognized in cost of goods sold was \$466,505 (May 31, 2020 - \$690,245).

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - 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. Subsequent to December 31, 2020, 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. 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 company continued using the same 6% discount rate and approach for the recognition and calculation of the renewal three-year lease agreement ending on December 31, 2023.

RIGHT-OF-USE ASSET

	\$
Cost:	
Balance, May 31, 2019	-
Recognition upon adoption of IFRS 16	145,382
Addition	272,211
Balance, May 31, 2020 and February 28, 2021	417,593
Accumulated Amortization:	
Balance, May 31, 2019	-
Amortization	91,820
Balance, May 31, 2020	91,820
Amortization	68,685
Balance, February 28, 2021	160,505
Net Book Value:	
May 31, 2019	-
May 31, 2020	53,562
February 28, 2021	257,088

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
Lease interest expense	3,028
Addition	272,211
Payments	(72,480)
Balance, February 28, 2021	258,336
Current portion of lease liability	21,073
Long-term portion of lease liability	237,263

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021

(Unaudited - Expressed in US Dollars)

8. EQUIPMENT

	Laboratory Equipment
Cost:	\$
Balance, May 31, 2018	538,224
Additions	16,636
Balance, May 31, 2019 and February 28, 2021	554,860
Accumulated Depreciation:	
Balance, May 31, 2019	408,210
Depreciation expense	80,707
Balance, May 31, 2020	488,917
Depreciation expense	40,623
Balance, February 28, 2021	529,540
Net Book Value:	
May 31, 2020	65,943
February 28, 2021	25,320

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 nine months ended February 28, 2021, and May 31, 2020:

	February 28, 2021	May 31, 2020
	\$	\$
Salaries, bonuses, fees and benefits	90,000	120,000

The Company entered into the following transactions with related parties:

- a) During the nine months ended February 28, 2021, the Company incurred a director and officer's salaries expense in the amount of \$90,000 (2020 - \$95,769).
- b) During the nine months ended February 28, 2021 the Company incurred consulting fees of \$90,000 (2020 - \$20,000) to the spouse of a director and officer.
- c) During the nine months ended February 28, 2021, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of \$107,910 (2020 - \$108,066).

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9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) As at February 28, 2021, the Company had \$7,154 (2020 - \$nil) receivable from a director and officer. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

e) During the nine months ended February 28, 2021, the Company issued 3,200,000 (2020- nil) stock options with a fair value of \$168,520 (2020 - \$nil) to related directors and officers of the Company. During the quarter ended February 28, 2021, \$268,579 in total (2020- \$nil) has been included in share-based compensation.

The following amounts were due to related parties:

	February 28, 2021	May 31, 2020
	\$	\$
Salary to officers	-	75,000
Expense reimbursements to related parties	6,841	20,419
	6,841	95,419

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

	February 28, 2021	May 31, 2020
	\$	\$
Loans payable	250,000	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 only spends the funds on the Company's payroll, rent, and utilities for the subsequent 8 weeks with appropriate supporting documents. The \$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. During the quarter ended February 28, 2021, the loan payable of \$83,300 has been fully forgiven as per SBA's review and approval, as a result, the Company recognized a gain of forgiveness of loan of \$83,300.

On September 11, 2020, the Company entered into a loan agreement with an arm's length third-party company, pursuant to which the Company can draw up to an aggregate principal amount of \$1,500,000 dollars on an unsecured basis for 6 months. The Company has agreed to pay a commitment fee of 5% and interest shall accrue on the principal advance under the loan from the date of disbursement at 10% per annum. The loan can be used for any general working capital need, however, the Company expects to use the proceeds to more specifically fund, in whole or in part, inventory purchases, incremental human resources, ongoing research and development, as well as a new production facility. On December 21, 2020, the Company had drawn \$250,000 from the loan. Subsequently, on April 5, 2021 the Company repaid the \$250,000 principal amount of the loan, the commitment fee of \$25,000 and accrued interest of \$10,618.

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11. SHARE CAPITAL**Authorized:**

Unlimited number of common shares without par value.

Issued and outstanding common stock:

- a) On October 15, 2019, the Company closed a non-brokered, private placement financing by 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.
- b) On May 5, 2020, the Company closed a non-brokered, private placement financing by 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.
- c) During the quarter ended February 28, 2021, the Company issued 3,892,316 common shares for the exercise of warrants for net proceed of \$322,571 (C\$405,632).
- d) During the quarter ended February 28, 2021, the Company issued 600,000 common shares for the exercise of options for net proceed of \$38,087 (C\$48,000).

Escrow shares:

As at February 28, 2021 and February 29, 2020, 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.

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11. SHARE CAPITAL (continued)**Stock options:**

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
Granted during the period	5,100,000	C\$0.08
Exercised during the period	(600,000)	C\$0.08
Vested options – February 28, 2021	8,095,000	C\$0.11

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.

On October 14, 2020, the Company granted 5,100,000 stock options to certain directors, officers and consultants of the Company with a weighted average fair value of C\$0.08 at the date of grant. The options are exercisable at C\$0.08 per share for a period of five years from the date of grant.

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:

	2021	2020
Share price	C\$0.08	-
Risk-free interest rate	1.16%	-
Expected volatility	132.31%	-
Expected dividend yield	\$nil	-
Expected forfeiture rate	0%	-
Expected life	5 years	-

The options have various vesting schedules. Based on the Black-Scholes option pricing model and the assumptions outlined above the Company recorded a recovery of share-based compensation of \$268,579 for the quarter ended February 28, 2021 due to the forfeiture of unvested stock options. During the year ended May 31, 2020 the Company recorded share-based compensation of \$nil.

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11. SHARE CAPITAL (continued)**Stock options:**

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	0.43	645,000	645,000
September 13, 2021	C\$0.21	0.54	200,000	200,000
July 28, 2022	C\$0.11	1.41	300,000	300,000
November 14, 2022	C\$0.12	1.71	2,450,000	2,450,000
October 14, 2025	C\$0.08	4.63	4,500,000	4,500,000

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, 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
Warrants exercised during the period	(3,892,316)	C\$0.110
Warrants outstanding – February 28, 2021	19,564,445	C\$0.115

Details of warrants outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding
March 26, 2021	C\$0.10	0.07	1,844,444
October 15, 2021	C\$0.12	0.63	3,920,000
May 5, 2022	C\$0.12	1.18	13,800,001

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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 in order to primarily pursue the development and production of graphene-based products and intellectual property. 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 February 28, 2021, the Company had capital resources consisting mainly of cash and cash equivalents. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

13. FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	521,422	-	-	521,422

i) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for trade and other receivables through established credit monitoring activities. As at February 28, 2021 and February 29, 2020, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and trade accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at February 28, 2021 and February 29, 2020, the Company is not exposed to significant interest rate risk as the outstanding loan payable as at February 28, 2021 carries a 1% fixed variable rate.

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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 28, 2021, the Company held \$390,568 (May 31, 2020 - \$485,107) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by \$39,057 (May 31, 2020 - \$35,185).

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at February 28, 2021, the Company has cash and cash equivalents of \$521,422 and a working capital surplus of \$562,330.

As at February 28, 2021	Up to 1 year	1 - 5 years	Total
Accounts payable	272,284	-	272,284
Loan payable	250,000	-	250,000
Lease liability	258,336	-	258,336
	780,620	-	780,620

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. SUBSEQUENT EVENT

Subsequent to the quarter ended February 28, 2021, the Company issued 9,607,302 common shares for the exercise of warrants for net proceed of \$887,552 (C\$1,115,987).

On April 12, 2021, the Company announced the closing of a non-brokered, private placement financing by issuing 27,071,000 units at a price of C\$0.20 per unit for gross proceeds of \$4,313,073 (C\$5,414,200). Each unit consists of one common share and one-half common share purchase warrant. Each unit entitles the holder to purchase one-half additional common share at a price of C\$0.30 for a period of two years.