NEWS RELEASE

G6 Materials Reports 2022 Annual Financial Results

Gross Profit Increased by 16% for Year Ended May 31, 2021, Which Offset a Decrease in Revenue for the Same Period

Ronkonkoma, New York, USA - TheNewswire – October 26, 2022 - G6 Materials Corp. ("G6" or the "Company") (TSXV: GGG, OTCQB: GPHBF), a high-tech company with expertise in advanced materials and developing innovative composites for a wide range of industrial uses, is pleased to announce that it has filed its audited financial results for the fiscal year ending May 31, 2022, the highlights of which are included in this news release. The full set of Consolidated Financial Statements and Management Discussion and Analysis can be viewed by visiting G6's website at www.g6-materials.com or its profile page on SEDAR at www.sedar.com.

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

- Revenue for the year ended May 31, 2022 was $1,357,799, from the $1,939,663 reported for the same period of the prior year, which was primarily due to restructuring a change in sales mix by shifting the Company's focus to the launch of its own brand of air purifiers.
- Gross profit for the year ended May 31, 2022 was $602,570, an improvement from the $517,393 reported for the same period of the prior year, due to improved management on the inventory and cost allocation, yet partial offset by the increase in the shipping costs as a result of the pandemic effect.
- Total expenses for the year ended May 31, 2022 was $2,561,926, from the $1,950,509 reported for the same period of the prior year, due to an increase in general and administrative expenses related to establishing a reinforced accounting department to facilitate the business' expansion as well as additional marketing expenses associated with the launch of the Company's proprietary line of Breathe+ products.
- Comprehensive loss for the year ended May 31, 2022 was $4,938,532, as compared to a comprehensive loss of $938,601 reported for the same period of the prior year, which was primarily due to the $2,776,756 write-down of the value of its investment in GX Technologies due to the asset being deemed to be not ready for use based on accounting principles, lower sales of air purification products, as well as the increase in general and administrative expenses, marketing and investor relations expenses.
- Total assets for the year ended May 31, 2022 was $3,761,922, from the $5,912,649 reported for the same period of the prior year.

Management Commentary

"The Company's improvement in gross profit from the 2021 to the 2022 fiscal year was a notable highlight, despite the decrease in revenue from the previous fiscal year. We expect revenues to increase in the near future as more of our air purification units became available for purchase by consumers through third-party websites and they have begun selling at a faster pace," said Daniel Stolyarov, President & CEO of G6 Materials Corp. "G6 continues to operate without any non-current financial liabilities, which is a trend that we are proud to continue based on our conservative deployment of capital," added Mr. Stolyarov.

Summary of Key Financial Measures

(all amounts expressed in US dollars unless otherwise noted)

	Year ended May 31, 2022 $	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Revenue	1,357,799	1,939,663	922,614
Gross profit	602,570	517,393	202,245
Net loss	4,736,112	1,129,816	1,014,348
Comprehensive Loss	4,938,532	938,601	1,002,112
Net loss per share	$0.04	$0.01	$0.01
Total assets	3,761,922	5,912,649	1,165,686
Total non-current financial liabilities	-	149,733	-

Commercial Highlights Subsequent to the 2022 Fiscal Year

- *Launch of Breathe+ Pro Advanced Antimicrobial Graphene Air Filtration System:* On July 12, 2022, the Company announced the launch and immediate availability of the Breathe+ Pro Advanced Antimicrobial Graphene Air Filtration System at www.breatheplus.tech and on Amazon (NASDAQ: AMZN). The Breathe+ Pro Air Purifier utilizes innovative air filters that contain activated carbon with graphene oxide coating developed by G6's research team.

Outlook

Subsequent to the 2022 fiscal year, the Company is focused on increasing its sales of air purification products with the goal of achieving improved financial results in the 2023 fiscal year and continuing the early trend of positive customer reviews of its products. Advancing other strategic initiatives and assessing their results, including but not limited to battery-related research, is also a key goal for the next fiscal year. Additionally, the Company is focused on evolving certain commercial relationships and research-based partnerships in its effort to expand its network as a pioneer in developing graphene-enhanced solutions.

About G6 Materials Corp.

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

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

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

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

Forward-Looking Information

This news release contains forward-looking statements within the meaning of the applicable securities legislation that is based on expectations, estimates and projections as at the date of this news release. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. "Forward-looking information" in this news release includes but is not limited to information about the graphene-enhanced air purifier (including efficacy, potential commercialization and patent pending thereof); information about the potential for the Company's long-term growth; the business goals and objectives of the Company, and other forward-looking information concerning the intentions, plans and future actions of the parties to the transactions described herein and the terms thereon.

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

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

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

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

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

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

SOURCE: G6 Materials Corp.

G6 MATERIALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021
(Expressed in US Dollars)

Independent Auditor's Report

To the Shareholders of G6 Materials Corp.:

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had a positive working capital as at May 31, 2022 but incurred a net loss, an accumulated deficit and negative cash flows from operations for the years ended May 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements for the year ended May 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on September 28, 2021.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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 auditor's report is Leanne Bjalek.

Calgary, Alberta

MNP LLP

October 25, 2022

Chartered Professional Accountants

MNP

G6 MATERIALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2022 AND 2021
(Expressed in US Dollars)

	Notes	2022	2021
ASSETS		**$**	**$**
Current			
Cash and cash equivalents		2,119,429	4,878,904
Accounts receivable	5	51,672	24,890
Inventory	6	969,993	386,875
Prepaid expenses and deposits	18	219,128	141,717
		3,360,222	5,432,386
Equipment	8	114,959	27,677
Right-of-use asset	7	112,199	234,404
Intangible assets	4	174,542	218,182
		3,761,922	5,912,649
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	148,420	150,173
Current portion of lease liability	7	113,596	87,529
		262,016	237,702
Long-term portion of lease liability	7	-	149,733
		262,016	387,435
SHAREHOLDERS' EQUITY			
Share capital	12	16,487,601	13,754,030
Warrants reserve	12	125,605	125,605
Contributed surplus		3,203,059	3,023,406
Accumulated other comprehensive income (loss)		(94,044)	108,376
Deficit		(16,222,315)	(11,486,203)
		3,499,906	5,525,214
		3,761,922	5,912,649

Going Concern (Note 1)

Approved on behalf of the Board of Directors on October 25, 2022:

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

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2022, and 2021
(Expressed in US Dollars)

	Notes	2022	2021
		$	$
REVENUE		1,357,799	1,939,663
COST OF GOODS SOLD		(755,229)	(1,422,270)
		602,570	517,393
EXPENSES (note 17)			
Depreciation and amortization	4,7,8	195,545	182,681
Foreign exchange loss		1,616	6,135
Marketing and investor relations		242,075	147,968
General and administrative expenses	19	1,943,313	1,448,103
Research and development		179,377	165,622
		(2,561,926)	(1,950,509)
OTHER ITEMS			
Gain on forgiveness of loan	10	-	83,300
License and option fees	11	-	220,000
Impairment of intangible assets	4	(2,776,756)	-
		(2,776,756)	303,300
NET LOSS BEFORE INCOME TAXES		(4,736,112)	(1,129,816)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to income:			
Foreign currency translation income (loss)		(202,420)	191,215
COMPREHENSIVE LOSS		(4,938,532)	(938,601)
LOSS PER SHARE - BASIC AND DILUTED		$ (0.04)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		128,351,697	103,351,697

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

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021
(Expressed in US Dollars)

	Notes	2022	2021
		$	$
OPERATING ACTIVITIES			
Net loss		(4,736,112)	(1,129,816)
Non-cash items:			
Lease interest	7	10,878	6,674
Amortization of intangible asset	4	43,640	43,640
Amortization of right-of-use asset	7	133,072	91,369
Depreciation of equipment	8	18,833	47,672
Share-based compensation	12	179,653	268,579
Gain on forgiveness of loan	10	-	(83,300)
Gain (loss) on investment		2,776,756	-
Foreign exchange loss		1,616	6,135
		(1,571,664)	(749,047)
Changes in non-cash working capital items:			
Accounts receivable		(26,782)	(16,270)
Inventory		(583,118)	(224,735)
Prepaid expenses and deposits		(77,411)	(89,829)
Accounts payable and accrued liabilities		(24,063)	(160,036)
Cash used in operating activities		(2,283,038)	(1,239,917)
INVESTING ACTIVITIES			
Purchase of equipment	8	(106,115)	(9,406)
Cash used in investing activities		(106,115)	(9,406)
FINANCING ACTIVITIES			
Proceeds from loans payable	-	-	250,000
Proceeds from issuance of common shares (net)	12	(26,247)	4,190,108
Proceeds from exercise of options	12	-	77,593
Proceeds from exercise of warrants	12	-	1,210,935
Repayment of loans payable	-	-	(250,000)
Principal payments on lease	7	(140,039)	(97,200)
Cash provided by (used in) financing activities		(166,286)	5,381,436
Change in cash and cash equivalents		(2,555,439)	4,132,113
Effect of exchange rate changes on cash		(204,036)	185,080
Cash and cash equivalents, beginning		4,878,904	561,711
Cash and cash equivalents, ending		2,119,429	4,878,904

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

G6 MATERIALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2022 AND 2021
(Expressed in US Dollars)

		Common Shares		Warrants Reserve		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Notes	**#**	**$**	**#**	**$**	**$**	**$**	**$**	**$**
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 issued for private placement	12	27,071,000	4,313,073	13,535,500	-	-	-	-	4,313,073
Share issuance costs	12	-	(214,624)	940,500	91,659	-	-	-	(122,965)
Share issued for exercise of options	12	1,200,000	144,704	-	-	(67,111)	-	-	77,593
Share issued for exercise of warrants	12	13,499,618	1,210,935	(13,499,618)	-	-	-	-	1,210,935
Share-based compensation	12	-	-	-	-	268,579	-	-	268,579
Foreign currency translation income		-	-	-	-	-	191,215	-	191,215
Net loss for the year		-	-	-	-	-	-	(1,129,816)	(1,129,816)
Balance, May 31, 2021		**138,679,193**	**13,754,030**	**24,433,143**	**125,605**	**3,023,406**	**108,376**	**(11,486,203)**	**5,525,214**
Share issued for acquisition of business	4, 12	25,000,000	2,759,818	-	-	-	-	-	2,759,818
Share issuance cost in connection with private placement		-	(26,247)	-	-	-	-	-	(26,247)
Share-based compensation		-	-	-	-	179,653			179,653
Warrants expired		-	-	(9,957,143)	-	-	-	-	-
Foreign currency translation loss		-	-	-	-	-	(202,420)	-	(202,420)
Net loss for the year		-	-	-	-	-	-	(4,736,112)	(4,736,112)
Balance, May 31, 2022		**163,679,193**	**16,487,601**	**14,476,000**	**125,605**	**3,203,059**	**(94,044)**	**(16,222,315)**	**3,499,906**

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.

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

The Company currently has five US patents granted and five patent applications filed. The patent applications and the granted patents cover technology for graphene manufacturing and applications as well as for non-graphene related technology.

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

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material. As at May 31, 2022, the Company had working capital of $3,098,206 compared to working capital of $5,194,695 at May 31, 2021. Net loss for the year ended May 31, 2022 was $4,736,112 (2021 – net loss of $1,129,816). The accumulated deficit as at May 31, 2022 was $16,222,315 and negative cash flows from operations of $2,238,038 (May 31, 2021 - $1,239,917). The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs as they come due. However, there is uncertainty with respect to the Company's ability to generate sufficient earnings to fully fund its operating activities without raising additional capital. The application of the going concern assumption is dependent upon the Company's ability to continue to generate future profitable operations and/or obtain additional financing. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

a) Basis of Presentation and Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (”IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) as in effect on June 1, 2021.

b) Basis of Consolidation

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

These consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on October 25, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

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

b) Inventory

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

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

c) Equipment

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgements

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

Estimates

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

Share-based compensation

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

Estimated useful lives of long-lived assets and intangible assets

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

Identification and valuation of intangible assets acquired in business combinations

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

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

Impairment of non-financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgements(continued)

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

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

Provision for expected credit losses ("ECLs")

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

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

Taxes

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

Inventory

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

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

Judgements

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

Right-of-use assets and lease liability

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

Determination of functional currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgements(continued)

Determination of CGUs

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

Taxes

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

e) 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 Issuance Costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 loss, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

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

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 and accrued liabilities	Amortized cost
Loan payable	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments(continued)

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., Graphene Laboratories Inc. and GX Technology LLC. is the US dollar.

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

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

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.

(Expressed in US Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. INTANGIBLE ASSETS

As part of the acquisition of Graphene Laboratories Inc., the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. As at May 31, 2022, the Company's intangible assets are as follows:

	$
Cost:	
Balance, May 31, 2021 and 2022	436,382
Accumulated Amortization:	
Balance, May 31, 2020	174,560
Amortization	43,640
Balance, May 31, 2021	218,200
Amortization	43,640
Acquisition of intangible asset (GX Technologies, LLC)	2,776,756
Impairment of intangible asset	(2,776,756)
Balance, May 31, 2022	261,840
Net Book Value:	
May 31, 2021	218,182
May 31, 2022	174,542

<u>Acquisition of GX Technologies</u>

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

Vesting Date	**Consideration shares**
4 -month from Closing date (December 25, 2021)	5,000,000
10 -month from Closing date (June 25, 2022)	5,000,000
16 -month from Closing date (December 25, 2022)	5,000,000
22 -month from Closing date (June 25, 2023)	5,000,000
28 -month from Closing date (December 25, 2023)	5,000,000
Total	**25,000,000**

(Expressed in US Dollars)

4. INTANGIBLE ASSETS (continued)

Acquisition of GX Technologies (continued)

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

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

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

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

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

5. ACCOUNTS RECEIVABLE

	2022	2021
	$	$
Trade accounts receivable	36,310	20,392
GST receivable	15,362	4,498
Total	51,672	24,890

6. INVENTORY

	2022	2021
	$	$
Raw materials	166,644	221,819
Finished goods	803,349	165,056
Total	969,993	386,875

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the year ended May 31, 2022, the amount of inventory recognized in cost of goods sold was $698,736 (2021 - $1,013,810).

(Expressed in US Dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company entered into a three-year lease agreement for the Company's facilities in Ronkonkoma, New York, USA beginning on January 1, 2018 and ending on December 31, 2020, which required monthly payments of $8,000. Subsequently the Company renewed another three-year lease agreement for the Company's facilities beginning on January 1, 2021 and ending on December 31, 2023, which requires monthly payments of $8,240. Upon adoption of IFRS 16 effective in fiscal 2020, the Company recognized a right-of-use asset and a lease liability of $145,382. On November 22, 2021, the Company amended the lease agreement by increasing the month payment from $8,240 to $8,487 during the periods from January 1, 2022 to December 31, 2022. As a result, the Company made an adjustment on the leased liability of $186,848 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA.

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

RIGHT-OF-USE ASSET

	$
Cost:	
Balance, May 31, 2020	145,382
Addition	272,211
Balance, May 31, 2021	417,593
Addition	192,341
Balance, May 31, 2022	609,934
Accumulated Amortization:	
Balance, May 31, 2020	91,820
Amortization	91,369
Balance, May 31, 2021	183,189
Amortization	133,072
Adjustment on the renewal of contract	181,474
Balance, May 31, 2022	497,735
Net Book Value:	
May 31, 2021	234,404
May 31, 2022	112,199

(Expressed in US Dollars)

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

LEASE LIABILITY

	$
Balance, May 31, 2020	55,577
Lease interest expense	6,674
Addition	272,211
Payments	(97,200)
Balance, May 31, 2021	237,262
Lease interest expense	10,878
Addition	192,341
Payments	(140,039)
Adjustment on the renewal of contract	(186,846)
Balance, May 31, 2022	113,596
Current portion of lease liability	**113,596**
Long-term portion of lease liability	**-**

As at May 31, 2022, the Company will have future undiscounted lease payments totaling $115,302 from June 2022 to December 2022.

8. EQUIPMENT

	Laboratory Equipment
Cost:	$
Balance, May 31, 2020	554,860
Additions	9,406
Balance, May 31, 2021	564,266
Additions	106,115
Balance, May 31, 2022	670,381
Accumulated Depreciation:	
Balance, May 31, 2020	488,917
Depreciation expense	47,672
Balance, May 31, 2021	536,589
Depreciation expense	18,833
Balance, May 31, 2022	555,422
Net Book Value:	
May 31, 2021	27,677
May 31, 2022	114,959

(Expressed in US Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the year ended May 31, 2022 and 2021:

	2022 $	2021 $
Salaries, bonuses, fees and benefits	185,300	194,231
Share-based compensation	93,732	110,592
	279,032	304,823

The Company had the following transactions with related parties:

a) During the year ended May 31, 2022, the Company incurred consulting fees in the amount of $124,663 (2021 - $119,995) that was paid to the spouse of a director and officer.

b) During the year ended May 31, 2022, the Company incurred professional fees in the amount of $144,987 (2021 - $143,796) that were paid to companies controlled by an officer.

c) As at May 31, 2022, the Company had $3,451 (2021 - $3,451) receivable from a director and officer. In addition, the Company had $7,496 (2021 - $7,057) receivable from the spouse of a director and officer. The amounts receivable are unsecured, non-interest bearing and have no fixed terms of repayment.

d) As at May 31, 2022, the Company owed $12,801 (2021 - $12,588) to companies controlled by an officer. The amounts due are unsecured, non-interest bearing and has no fixed terms of repayment.

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

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

10. LOAN PAYABLE

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 was later forgiven given certain conditions. In accordance with the terms of the agreement, the loan was going to 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. Interest of 1% accrued on the loan during the time between the disbursement of the loan and SBA remittances of the forgiveness amount. Loan payments were deferred for the first six months and the loan is set to mature two years after its initial grant. During the year-ended May 31, 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 and 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. As at May 31, 2022, the balance of the loan was $nil (2021 – nil).

11. LICENSE AND OPTION FEES

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

12. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

a) On April 12, 2021, the Company closed 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 full warrant entitles the holder to purchase one additional common share at a price of C$0.30 for a period of two years. The Company incurred cash share issuance costs of $122,965 and in addition, the Company issued 940,500 finders' warrants. Each finders' warrant is exercisable at a price of C$0.30 for a period of two years. The finders' warrants were valued at $91,659 using the Black-Scholes option pricing model, based on a share price of C$0.20, a risk-free interest rate of 0.27%, an expected volatility of 140.26%, a dividend rate of nil, and an expected life of two years. During the period ended November 30, 2021, the Company paid share issuance cost of $26,247 in cash in connection with this private placement closed on April 12, 2021.

b) During the year ended May 31, 2021, the Company issued 13,499,618 common shares for the exercise of warrants for net proceed of $1,210,935 (C$1,512,619).

c) During the year ended May 31, 2021, the Company issued 1,200,000 common shares for the exercise of options for net proceed of $77,593 (C$96,000).

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

Escrow shares:

As at May 31, 2022, there are 20,000,000 (2021 - nil) common shares subject to escrow agreement, please refer to Note 4 Intangible Assets, Acquisition of GX Technologies for the vesting schedule detail of the escrow shares.

(Expressed in US Dollars)

12. SHARE CAPITAL (continued)

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, 2020	3,595,000	C$0.14
Granted during the year	5,100,000	C$0.08
Exercised during the year	(1,200,000)	C$0.08
Options outstanding and vested – May 31, 2021	7,495,000	C$0.11
Granted during the year	6,900,000	C$0.10
Expired during the year	(845,000)	C$0.21
Forfeited during the year	(100,000)	C$0.12
Options outstanding and vested – May 31, 2022	13,450,000	C$0.10

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 fair value of C$0.07 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 and vested on the grant date.

On March 16, 2022, the Company granted 6,900,000 stock options to certain directors, officers and consultants of the Company with a fair value of C$0.10 at the date of grant. The options are exercisable at C$0.10 per share for a period of five years from the date of grant. Among these options granted, 2,000,000 are subject to a 3-year vesting schedule, where 25% of the options will be granted immediately, and 25% will be granted at each anniversary.

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

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

	2022	2021
Share price	C$0.11	C$0.08
Risk-free interest rate	1.29%	1.16%
Expected volatility	132.48%	132.31%
Expected dividend yield	$nil	$nil
Expected forfeiture rate	0%	0%
Expected life	5 years	5 years

Based on the Black-Scholes option pricing model and the assumptions outlined above, the Company recorded share-based compensation of $179,653 for the year ended May 31, 2022 (2021 - $268,579). The weighted average fair value of each option granted was $0.08 (2021 - $0.07).

(Expressed in US Dollars)

12. SHARE CAPITAL (continued)

Stock options: (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
July 28, 2022	C$0.11	0.16	300,000	300,000
November 14, 2022	C$0.12	0.46	2,350,000	2,350,000
October 14, 2025	C$0.08	3.38	3,900,000	3,900,000
March 16, 2027	C$0.10	4.79	6,900,000	5,400,000

Share purchase warrants:

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

Continuity of share purchase warrants:

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

Details of warrants outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding
April 12, 2023	C$0.30	0.87	14,476,000

13. MANAGEMENT OF CAPITAL

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

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

(Expressed in US Dollars)

14. 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:

	2022	2021
Combined statutory tax rate	27.0%	27.0%
	$	$
Income tax recovery at combined statutory rate	(1,278,751)	(305,050)
Non-deductible items for tax purposes and other items	775,519	(278,382)
Difference in foreign income tax rates	42,802	3,366
Tax benefits not recognized	460,430	580,066
Income tax recovery	-	-

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

	2022	2021
	$	$
Capital assets	(25,746)	-
Intangible assets	(49,064)	(56,946)
Non-capital losses	74,810	56,946
Net deferred income tax assets	-	-

Details of the unrecognized deductible temporary differences are as follows:

	2022	2021
	$	$
Non-capital loss carry forwards	10,733,586	9,145,130
Capital assets	-	46,948
ROU assets	176,222	-
Intangible assets	2,776,756	-
Share issuance costs	74,241	81,985
Mineral properties	148,881	148,881
Tax benefits not recognized	(13,909,686)	(9,422,944)
Net deferred income tax assets	-	-

As at May 31, 2022, the Company has non-capital losses carried forward of approximately $6,603,000 (2021 - $5,880,000) in the United States and $4,404,000 (2021 - $3,672,000) in Canada available to reduce future years' taxable income. The non-capital losses carried forward expire between 2031 and 2042.

15. FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	2,119,429	-	-	2,119,429

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

i) Credit risk

Credit risk is the risk of financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for accounts receivables through established credit monitoring activities. As at May 31, 2022 and 2021, the Company’s maximum exposure to credit risk is the carrying value of cash and cash equivalents and accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at May 31, 2022 and 2021, the Company is not exposed to significant interest rate risk.

iii) Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the US Dollar, which is the functional currency of the Company. As at May 31, 2022, the Company held C$1,647,573 (2021 - C$5,591,743) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $164,757 (2021 - $463,198).

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, 2022, the Company has cash and cash equivalents of $2,119,429 and a working capital surplus of $3,098,206.

As at May 31, 2022	**Up to 1 year**	**1 - 5 years**	**Total**
Accounts payable	148,420	-	148,420
Lease liability	113,596	-	113,596
	262,016	-	262,016

(Expressed in US Dollars)

16. 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.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for the year ended May 31, 2021 to reflect the current year's presentation. The adjustments were not considered material and did not affect the Company's consolidated net loss and comprehensive loss.

18. PREPAID EXPENSES AND DEPOSITS

	2022	**2021**
	$	$
Deposits and expenses	149,625	88,527
Inventory	69,504	53,190
Total	219,128	141,717

19. NATURE OF EXPENSES

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

For the year ended May 31,	**2022**	**2021**
	$	$
Lease interest	10,878	6,674
Office and administrative	339,504	211,253
Professional fees	814,431	747,566
Regulatory fees	69,367	38,015
Salaries and benefits	508,590	171,897
Share-based compensation	179,653	268,579
Travel expenses	20,890	4,119
Total	1,943,313	1,448,103

G6 MATERIALS CORP.

Management Discussion and Analysis
For the year ended May 31, 2022

This Management Discussion and Analysis ("MD&A") of G6 Materials Corp. (the "Company" or "G6") provides analysis of the Company's financial results for the year ended May 31, 2022 and 2021. The following information should be read in conjunction with the consolidated financial statements and notes for the year ended May 31, 2022, which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in US dollars unless otherwise noted. Canadian dollars are indicated by the symbol "C$".

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

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

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

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

1.1 DATE OF REPORT

This report is prepared as of October 25, 2022.

1.2 COMPANY OVERVIEW

G6 Materials Corp., formerly known as Graphene 3D Lab Inc. (the "Company" or "G6"), was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, the Company acquired Graphene 3D Lab (U.S.) Inc. ("Graphene 3D U.S.") through a reverse acquisition/takeover transaction ("Transaction"). The historical operations, assets and liabilities of Graphene 3D U.S. are included as the comparative figures as at and for the period ended May 31, 2014, which is deemed to be the continuing entity for financial reporting purposes. Graphene 3D U.S. was incorporated on September 3, 2013 in the State of Delaware, U.S.A.

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

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

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

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

1.3 NATURE OF BUSINESS

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

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

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

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

The Company also currently has five patents granted and five patent applications filed with the US Patent and Trademark Office. The patent applications and the granted patents cover technology for graphene manufacturing and applications as well as for non-graphene related technology.

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

Air Purification and Hygiene Products

In 2020, the Company shifted its primary strategic focus to pursuing the large market opportunity created by the global coronavirus pandemic with respect to the sale of air purification and filtration products. The Company is offering these products under the trademark "G6 Wellness®" duly registered by US Patent and Trademark Office.

Based on graphene having extraordinary antiviral and antibacterial properties, the Company recognized that it was well-positioned to play a unique role in satisfying customer demand for existing air filtration products while also developing advanced purification products to address a gap in the market by applying its graphene-based expertise. The Company has filed a provisional patent application No. US20210346831A1 that covers the method of manufacturing the graphene oxide based antiviral coating. Currently, the Company is working on commercializing this technology and developing consumer products and systems based on this concept. The Company engaged an independent testing laboratory to perform various microbial tests of the air purifier prototype being developed, which were announced as having a 99.9% efficacy rate against randomly selected pathogenic microorganisms. The Company is currently working with a manufacturer partner overseas to make the air purifier to be sold in the US market. It is also planning to obtain all necessary government accreditations and certifications necessary to start offering this new product in US.

Conductive Epoxies

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

High Performance Composites

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

R&D Materials

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

Graphene Enrichment Process Patent

The Company was granted the US Patent US 11,104,577 pertaining to the preparation and separation of the atomic layers of graphene. This technological breakthrough represents a new, energy efficient and chemically efficient process to manufacture, sort and classify graphene nanoparticles, thereby resulting in the potential for large-scale production of high-grade graphene. This patent relates to graphene nanoplatelets ("GNP"). Specifically, the patent covers a new, energy efficient and chemically non-invasive process that significantly lowers the cost of preparing and separating high-quality GNPs that is only a few atomic layers thick.

1.4 RECENT HIGHLIGHTS & DEVELOPMENTS

Corporate Developments

On September 7, 2021, the Company announced the results of the antimicrobial efficacy test on a prototype of G6's proprietary graphene-based air purifier (the "Lab Test") conducted by a US-based microbiological laboratory of The Intertek Group plc. The test showed that the concentration of pathogenic microorganisms present in the testing chamber was reduced by 99.9% over the duration of the experiment. Two different pathogens were randomly chosen to be tested under each experiment, which were the E. coli bacteria and the Phi-X174 bacteriophage.

On September 9, 2021, the Company's President and Chief Executive Officer, Daniel Stolyarov, issued a letter to shareholders highlighting the Company's pivotal year and outlining its near-term goals. On September 27, 2021, the Company announced that updates had been made to its corporate website and investor presentation, the enhancements of which reflected the Company's financing closing, acquisition of GX Technologies and increased corporate activity.

On November 29, 2021, the Company announced that it had successfully installed and commenced the use of a new pilot-scale graphene oxide reactor (the "New Reactor") at its facility in Ronkonkoma, New York. The New Reactor significantly increases the Company's graphene oxide production capacity five-fold. The Company expects the graphene oxide produced to be used in the manufacturing of G6's products, including but not limited to air purifiers and graphene-enhanced resins and composites.

On December 1, 2021, the Company announced that its wholly-owned subsidiary, Graphene Laboratories, Inc., was opening new location in Cerritos, California. The new location is a 3,895 square foot office and warehouse facility located at 16220 Manning Way in Cerritos, California, and will be mainly used as a distribution center for the Company's products. In addition, the Company has also engaged the services of a California-based third-party logistics company to increase its distribution capacity.

On December 14, 2021, the Company announced that its wholly-owned subsidiary, Graphene Laboratories, Inc., recently received ISO 9001 certification ("ISO 9001") for its manufacturing facility in Ronkonkoma, New York. Obtaining ISO 9001 was a prerequisite for G6 to enter into an exclusive five-year supply agreement with a global micro connector company headquartered in Europe. Although the terms of the agreement are confidential, the Company's client is well known in the design, manufacture and sale of flexible printed circuits. Pursuant to the terms and conditions of the agreement, G6 shall supply its products for a variety of smartcard applications.

On January 17, 2022, the Company announced that its wholly-owned subsidiary, Graphene Laboratories, Inc., had entered into a Testing Services Agreement with the U.S. Army Engineer Research & Development Center in Vicksburg, Mississippi. The Company will assess the ability of graphene oxide materials to solve environmental challenges through the adsorptive removal of contaminants.

On March 1, 2022, the Company announced the launch of its redesigned website for Graphene Supermarket (GSM) at www.graphene-supermarket.com. The redesigned website features an updated visual identity, along with an improved user interface and more streamlined and accessible website design experience for customers.

On March 21, 2022, the Company announced the expansion of its executive leadership and operations team to support the Company in its next phase of growth. Elena Polyakova rejoined G6 as Co-Chief Executive Officer and Director, while Roman Rabinovich stepped down as a member of the Board of Directors. The Company also hired Scott Pelt as Financial Controller and Matthew Abenante, IRC as Head of Investor Relations. Further, the Company also granted 6,900,000 options to Officers of the Company, its Directors, Employees, and Service providers. The options are exercisable at a price C$0.10 for five years. Among these options granted, 2,000,000 are subject to a 3-year vesting schedule, where 25% of the options will be granted immediately, and 25% will be granted at each anniversary.

On July 12, 2022, the Company announced the launch of a product called Breathe+ Pro Advanced Antimicrobial Graphene Air Filtration System which is now available at www.breatheplus.tech and on Amazon. The Breathe+ Pro Air Purifier utilizes innovative air filters that contain activated carbon with graphene oxide coating ("Graphene Filter") developed by G6's research team. The antiviral and antimicrobial efficacy of the Breathe+ Pro Air Purifier was verified by independent testing conducted by The Intertek Group plc ("Independent Lab Test") and accordingly the Breathe+ Pro Air Purifier equipped with Graphene Filter removed 99.9% of the pathogenic microorganisms (model viruses and bacteria) over the duration of the test.

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

On September 29, 2022, the Company applied for, and was granted, a management cease trade order ("MCTO") under National Policy 12-203 – Management Cease Trade Orders ("NP 12-203"). The Company needed additional time in order for MNP LLP to complete their year-end audit of the Company's financial statements.

Financial Update

On August 25, 2021 ("Closing Date"), the Company acquired 100% interests in GX Technologies, LLC ("GX Technologies"). Pursuant to the terms of the agreement, as payment, the Company issued 25,000,000 common shares ("Consideration Shares") to the shareholders of GX Technologies. On Closing Date, the fair market value of the Consideration Shares was $0.11 (C$0.14) per common share. The Consideration Shares will be released from escrow over a period of 28 months from the Closing Date as following vesting schedule:

Vesting Date	Consideration shares

4 -month from Closing date (December 25, 2021)	5,000,000
10 -month from Closing date (June 25, 2022)	5,000,000
16 -month from Closing date (December 25, 2022)	5,000,000
22 -month from Closing date (June 25, 2023)	5,000,000
28 -month from Closing date (December 25, 2023)	5,000,000
Total	**25,000,000**

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

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

The GX acquisition brought together the work GX has invested in developing graphene oxide applications in environmental remediation and precious metal sectors and G6's expertise in the graphene oxide necessary to advance these projects. The acquisition joins the Army Corp of Engineers exclusive license and Cooperative Research and Development Agreement held by GX with the technical abilities of G6. It also resulted in members of the GX management, which has successfully raised US $700m in equity funding for public companies, joining G6 board in the capacity of a director and an advisor.

During the fiscal year ended May 31, 2022, the Company conducted impairment tests on its intangible asset not yet ready for use. According to the rules stated in IAS 36, given the intangible assets were not yet ready for use, and there is uncertainty surrounding the future viability of the intangible assets (the GX Technologies IP), the Company is required to impair the assets. Therefore, as at May 31, 2022, the Company wrote-down the intangible assets to a net book value of nil.

While current accounting rules dictate that the Company write down this asset due to uncertainty in estimating and supporting future revenues, management places significant value on this asset. The license agreement (PLA) with the Army Corp of Engineers and certain patents acquired with this acquisition are essential components to Graphene Oxide-Chitosan filtration technology for the removal of contaminants and the extraction of certain metals. Management continues to maintain the PLA and has an ongoing Cooperative Research and Development Agreement with the Army Corp. of Engineers to develop the commercial product. The Company has applied for an additional related patent and continues to invest in in R&D to bring this technology to market which management believe will generate material revenues for the Company.

1.5 RESULTS OF OPERATIONS

Year ended May 31, 2022 compared with the year ended May 31, 2021

During the year ended May 31, 2022, the Company reported a net loss of $4,938,532 compared to a net loss of $938,601 in 2021. The increase in net loss was primarily the result of lower sales of air purification products, the increase in general and administrative expenses, marketing and investor relations expenses, and the write-down of the value of its investment in GX Technologies.

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

	Quarter ended May 31, 2022	Quarter ended Feb 28, 2022	Quarter ended Nov 30, 2021	Quarter ended Aug 31, 2021	Quarter ended May 31, 2021	Quarter ended Feb 28, 2021	Quarter ended Nov 30, 2020	Quarter ended Aug 31, 2020
R&D personnel (recovery)	12,643	29,502	25,288	26,967	(15,154)	15,132	21,559	18,461
R&D equipment and supplies	(181,266)	163,049	29,347	15,862	79,445	7,212	1,145	350
Patent registration expense	20,576	1,724	-	35,645	22,647	4,720	7,685	2,420
Total R&D expenses	(1)(148,007)	(2)194,275	(2)54,635	(3)78,474	(4)86,938	(5)27,064	(5)30,389	21,231

(1) During the quarter ended May 31, 2022, the Company reversed the accrued R&D equipment and supplies of $151,600 as a result of the testing of Graphene Oxide was cancelled during the period.
(2) During the quarter ended February 28, 2022 and November 30, 2021, the Company increased its expenditures on R&D equipment and supplies expense primarily due to the preparation for expansion into new product lines.

(3) During the quarter ended August 31, 2021, the Company increased its expenditures on patent registration expense primarily due to the preparation and development of business expansion.

(4) During the quarter ended May 31, 2021, the Company increased its expenditures on R&D equipment and supplies primarily due to the preparation of business expansion yet partially offset by the reallocation of R&D personnel costs into direct labour cost in cost of goods sold.

(5) During the quarter ended February 28, 2021 and November 30, 2020, the Company increased its expenditures on R&D personnel primarily due to the receipt of a one-time US$220,000 cash payment related to the License and Option Agreement, the payment of which is not expected to recur over the next two years.

1.6 SELECTED FINANCIAL INFORMATION

The following table contains selected financial information (expressed in US dollars, unless otherwise noted) for the Company for the year ended May 31, 2022 as compared to the years ended May 31, 2021 and May 31, 2020. The information set forth should be read in conjunction with the audited annual financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and the related notes thereon.

	Year ended May 31, 2022 $	Year ended May 31, 2021 $	Year ended May 31, 2020 $
Revenue	1,357,799	1,939,663	922,614
Gross profit	602,570	517,393	202,245
Net loss	4,736,112	1,129,816	1,014,348
Comprehensive Loss	4,938,532	938,601	1,002,112
Net loss per share	$0.04	$0.01	$0.01
Total assets	3,761,922	5,912,649	1,165,686
Total non-current financial liabilities	-	149,733	-

Non-current financial liabilities consist of the long-term portion of the finance lease obligation and deferred tax liability related to the acquisition of GLI in December 2015.

1.7 SUMMARY OF QUARTERLY RESULTS

The following table contains summary financial information (expressed in US dollars, unless otherwise noted) taken from the Company's quarterly and annual financial reports covering the last eight reporting quarters. The information set forth should be read in conjunction with the audited annual financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and the related notes thereon.

	Quarter ended May 31, 2022 (1) $	Quarter ended Feb 28, 2022 (1) $	Quarter ended Nov 30, 2021 (2) $	Quarter ended Aug 31, 2021 (3) $	Quarter ended May 31, 2021 (4) $	Quarter ended Feb 28, 2021 (5) $	Quarter ended Nov 30, 2020 (6) $	Quarter ended Aug 31, 2020 (7) $
Revenue	358,540	337,921	320,204	341,134	220,672	263,425	506,140	949,426
Cost of goods sold	(174,744)	(130,012)	(280,821)	(169,652)	(478,223)	(193,993)	(237,236)	(512,818)
Gross profit	183,796	207,909	39,383	171,482	(257,551)	69,432	268,904	436,608
Operating expenses	(539,593)	(630,009)	(649,648)	(742,676)	(642,057)	(476,373)	(530,525)	(301,554)
Other income/ (expenses)	-	-	-	-	-	83,300	-	220,000
Net income (loss)	(3,132,553)	(422,100)	(610,265)	(571,194)	(899,609)	(323,641)	(261,621)	355,054
Comprehensive income (loss)	(3,137,058)	(404,142)	(650,304)	(747,028)	(407,455)	(321,152)	(320,759)	361,933
Net income (loss) per share (basic and diluted)	($0.024)	($0.001)	($0.001)	($0.002)	($0.008)	($0.002)	($0.002)	$0.004
Total assets	3,761,922	6,916,831	7,215,304	8,034,770	5,912,649	1,617,187	1,342,561	1,472,872
Shareholders' equity	3,499,906	6,457,311	6,861,453	7,538,004	5,525,214	836,567	802,039	855,942

(1) The increase in gross profit for the quarter ended May 31 and February 28, 2022, was primarily due to the steady increases in sales and an improved management on the inventory and cost allocation, yet partial offset by the increase in the shipping costs as a result of the pandemic effect.

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

(3) The quarter-over-quarter increase in gross profit for the quarter ended August 31, 2021, was primarily due to the stable increase in sales yet partially offset by the increase in the shipping costs of direct materials and customer shipments mainly from the imports of air purification materials, resulting in a continual increase in costs of goods sold. Meanwhile, the Company successfully closed and completed the acquisition of GX Technologies by issuing 25,000,000 common shares, resulting in the dramatic increases in cash, total assets and equity. The period over period decline in sales and gross profit as compared to

August 31, 2020 is largely attributable to the company's transition to selling its own branded products from 3rd party products and to supply chain delays in the current period which reduced the amount of product available for sale.

(4) In this quarter, the Company successfully closed and raised more than $4.3 million in connection with the private placement at a price of C$0.20 per unit, resulting in the dramatic increases in cash, total assets and equity.

The negative gross profit for the quarter ended May 31, 2021, was due to a number of factors including supply chain disruption related to the pandemic, in particular delays of the delivery of the goods from our manufacturing partners overseas during the previous quarter, resulting in a decrease in revenue. There was also an increase in the shipping costs of direct materials and customer shipments mainly from the imports of air purification materials, resulting in significant increases in cost of goods sold. Finally, in the quarter the Company recorded its annual inventory adjustment. IFRS requires that the inventory value should be recorded at the lower of cost or net realized value. The recording of this adjustment resulted in negative gross profit for the quarter.

(5) The decrease in gross profit for the quarter ended February 28, 2021, was primarily due to supply chain disruption related to the pandemic, in particular delays of the delivery of the goods from our manufacturing partners overseas during the previous quarter, resulting in decreasing in revenue. In addition, there was an increase in the shipping costs of direct materials and customer shipments mainly from the imports of air purification materials, resulting in increasing costs of goods sold.

(6) The increase in revenue and gross profit for the quarter ended November 30, 2020, in comparison with the same period of the prior year, was due to the continuing strong demand for the Company's new offering of air purification products. The revenue was also from graphene-related consulting services provided to third-party clients with a higher margin. The operating loss for the period was reduced by the forgiveness of a loan payable of $83,300. The loan amount was provided under the Small Business Administration ("SBA") Payroll Protection Program and has been fully forgiven as per SBA's review and approval.

(7) The increase in revenue and gross profit for the quarter ended August 31, 2020, in comparison with the previous quarters, was due to the strong demand for the Company's new offering of air purification products as well as from graphene-related consulting services provided to third-party clients. In addition, included in other income/(expenses) was the receipt of a one-time US$220,000 cash payment related to the License and Option Agreement, the payment of which is not expected to recur over the next two years.

1.8 LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2022, the Company had working capital surplus of $3,098,206 (2021 - $5,194,684). As at May 31, 2022, cash and cash equivalents totaled $2,119,429 (2021 - $4,878,904). The Company has generated additional funds from the recent sales of goods and reserved some of the net proceeds of options and warrants exercised as well as the private placement from the prior year.

Cash used in operating activities during the year ended May 31, 2022 was $2,283,038 (2021 - $1,239,917). Cash used in investing activities during the year ended May 31, 2022 was $106,115 (2021 - $9,406). Cash spent from financing activities during the year ended May 31, 2022 was $166,286 (2021 - generated $5,381,436). The main contributor was the principal of lease payments and the payment for the share issuance cost.

As at May 31, 2022, the Company's share capital was $16,487,601 (2021 - $13,754,030), which represented 163,679,193 issued and outstanding common shares without par value. As at May 31, 2022, warrant reserves was $125,605 (2021 - $125,605) and contributed surplus was $3,203,059 (2021 - $3,023,406). As at May 31, 2022, the Company's retained losses increased to $16,222,315 (2021 - $11,486,203) due to the net loss of $4,736,112 incurred during the fiscal year ended May 31, 2022.

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

1.9 COMMITMENTS

The Company entered into a three-year lease agreement for the Company's facilities in Ronkonkoma, New York, USA beginning on January 1, 2018 and ending on December 31, 2020, which required monthly payments of $8,000. Subsequently the Company renewed another three-year lease agreement for the Company's facilities beginning on January 1, 2021 and ending on December 31, 2023, which requires monthly payments of $8,240. Upon adoption of IFRS 16 effective in fiscal 2020, the Company recognized a right-of-use asset and a lease liability of $145,382. On November 22, 2021, the Company amended the lease agreement by increasing the month payment from $8,240 to $8,487 during the periods from January 1, 2022 to December 31, 2022. As a result, the Company made an adjustment on the leased liability of $186,848 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA.

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

discount rate, its incremental borrowing rate to calculate the present value of the future lease payments and the lease interest expense.

RIGHT-OF-USE ASSET

	$
Cost:	
Balance, May 31, 2020	145,382
Addition	272,211
Balance, May 31, 2021	417,593
Addition	192,341
Balance, May 31, 2022	609,934
Accumulated Amortization:	
Balance, May 31, 2020	91,820
Amortization	91,369
Balance, May 31, 2021	183,189
Amortization	133,072
Adjustment on the renewal of contract	181,474
Balance, May 31, 2022	497,735
Net Book Value:	
May 31, 2021	234,404
May 31, 2022	112,199

LEASE LIABILITY

	$
Balance, May 31, 2020	55,577
Lease interest expense	6,674
Addition	272,211
Payments	(97,200)
Balance, May 31, 2021	237,262
Lease interest expense	10,878
Addition	192,341
Payments	(140,040)
Adjustment on the renewal of contract	(186,846)
Balance, May 31, 2022	113,595
Current portion of lease liability	**113,595**
Long-term portion of lease liability	**-**

1.10 RELATED PARTIES TRANSACTIONS AND BALANCES

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the year ended May 31, 2022 and 2021:

	2022 $	2021 $
Salaries, bonuses, fees and benefits	185,300	194,231
Share-based compensation	93,732	110,592
	279,032	304,823

The Company had the following transactions with related parties:

a) During the year ended May 31, 2022, the Company incurred consulting fees in the amount of $124,663 (2021 - $119,995) that was paid to the spouse of a director and officer.

b) During the year ended May 31, 2022, the Company incurred professional fees in the amount of $144,987 (2021 - $143,796) that were paid to companies controlled by an officer.

c) As at May 31, 2022, the Company had $3,451 (2021 - $3,451) receivable from a director and officer. In addition, the Company had $7,496 (2021 - $7,057) receivable from the spouse of a director and officer. The amounts receivable are unsecured, non-interest bearing and has no fixed terms of repayment.

d) As at May 31, 2022, the Company owed $12,801 (2021 - $12,588) to companies controlled by an officer. The amounts due are unsecured, non-interest bearing and has no fixed terms of repayment.

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

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

1.11 RISKS AND UNCERTAINTIES

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

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

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

<u>Risks Related to Business and Industry</u>

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

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

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

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

Risks Related to Intellectual Property

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

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

- the failure to expand the Company's intellectual property portfolio could adversely affect the growth of its business and results of operations.

<u>Risks Related to COVID-19</u>

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

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

1.12 OUTSTANDING SHARE DATA

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

	Number of Shares	**Exercise Price**	**Expiry Date**
Issued and Outstanding Common Shares	163,679,193		
Warrants	14,476,000	C$0.30	April 12, 2023
Stock Options	2,350,000	C$0.12	November 13, 2022
	3,900,000	C$0.08	October 14, 2025
	6,900,000	C$0.10	March 16, 2027
Fully Diluted at October 25, 2022	**191,305,193**		

OTCQB Listing

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

1.13 OPERATING SEGMENTS

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

1.14 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates

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

Share-based compensation

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

Estimated useful lives of long-lived assets and intangible assets

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

Identification and valuation of intangible assets acquired in business combinations

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

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

Impairment of non-financial assets

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

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

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

Provision for expected credit losses ("ECLs")

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

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

Taxes

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

Inventory

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

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

Judgements

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

Right-of-use assets and lease liability

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

Determination of functional currency

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

Determination of CGUs

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

Taxes

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

1.15 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	2,119,429	-	-	2,119,429

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

i) Credit risk

Credit risk is the risk of financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for accounts receivables through established credit monitoring activities. As at May 31, 2022 and 2021, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at May 31, 2022 and 2021, the Company is not exposed to significant interest rate risk.

iii) Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the US Dollar, which is the functional currency of the Company. As at May 31, 2022, the Company held C$1,647,573 (2021 - C$5,591,743) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $164,757 (2021 - $463,198).

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, 2022, the Company has cash and cash equivalents of $2,119,429 and a working capital surplus of $3,098,206.

As at May 31, 2022	**Up to 1 year**	**1 - 5 years**	**Total**
Accounts payable	148,420	-	148,420
Lease liability	113,596	-	113,596
	262,016	-	262,016

APPROVAL

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

ADDITIONAL INFORMATION

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