G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Unaudited - Expressed in US Dollars)

Notice of non-review of condensed interim consolidated financial statements

The accompanying condensed interim consolidated financial statements for the nine month period ended February 28, 2022 and 2021 are the responsibility of management and have been approved by the Board of Directors. The Company's independent auditor has not reviewed these condensed interim consolidated financial statements.

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2022 AND MAY 31, 2021
(Unaudited - Expressed in US Dollars)

	Notes	February 28, 2022	May 31, 2021
ASSETS		**$**	**$**
Current			
Cash and cash equivalents		2,620,445	4,878,904
Amounts receivable	5	35,494	24,890
Inventory	6	568,760	386,875
Prepaid expenses and deposits		447,899	141,717
		3,672,598	5,432,386
Equipment	8	121,741	27,677
Right-of-use asset	7	160,284	234,404
Intangible assets	4	2,962,208	218,182
		6,916,831	5,912,649
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	298,442	150,173
Current portion of lease liability	7	39,772	87,529
		338,214	237,702
Long-term portion of lease liability	7	121,306	149,733
		459,520	387,435
SHAREHOLDERS' EQUITY			
Share capital	12	16,487,601	13,754,030
Warrants reserve	12	125,605	125,605
Contributed surplus		3,023,406	3,023,406
Accumulated other comprehensive income (loss)		(89,539)	108,376
Deficit		(13,089,762)	(11,486,203)
		6,457,311	5,525,214
		6,916,831	5,912,649

Subsequent Event (Note 17)

Approved on behalf of the Board of Directors on April 29, 2022:

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

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED,
(Unaudited - Expressed in US Dollars)

	Notes	Three months February 28, 2022	Three months February 28, 2021	Nine months February 28, 2022	Nine months February 28, 2021
		$	$	$	$
REVENUE		337,921	263,425	999,259	1,938,991
COST OF GOODS SOLD		(130,012)	(193,993)	(580,485)	(1,234,047)
		207,909	69,432	418,774	704,944
EXPENSES					
Amortization of intangible asset	4	10,910	10,910	32,730	32,730
Amortization of right-of-use asset	7	39,618	22,775	84,986	68,685
Depreciation of equipment	8	5,726	6,914	12,051	40,623
Foreign exchange loss		3,217	1,408	6,284	3,723
Lease interest	7	2,610	2,199	8,945	3,028
Marketing and investor relations		36,404	(14,872)	176,971	52,051
Office and administrative		116,500	33,678	265,049	143,775
Professional fees	9	124,643	243,829	722,365	385,221
Regulatory fees		25,689	10,802	65,639	21,999
Research and development		194,275	27,064	327,384	78,684
Salaries and benefits	9	62,455	131,067	301,736	208,390
Share-based compensation	11	-	-	-	268,579
Travel expenses		7,962	599	18,193	964
		(630,009)	(476,373)	(2,022,333)	(1,308,452)
OTHER ITEM					
Gain on forgiveness of loan	10	-	83,300	-	83,300
		-	83,300	-	83,300
NET LOSS BEFORE INCOME TAXES		(422,100)	(323,641)	(1,603,559)	(520,208)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified subsequently to income:					
Foreign currency translation income (loss)		17,958	2,489	(197,915)	(10,938)
COMPREHENSIVE LOSS		(404,142)	(321,152)	(1,801,474)	(531,146)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		128,351,697	82,380,951	128,351,697	97,021,860

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

G6 MATERIALS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED,
(Unaudited - Expressed in US Dollars)

	Notes	February 28, 2022	February 28, 2021
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(1,603,559)	(520,208)
Non-cash items:			
Lease interest	7	8,945	3,028
Amortization of intangible asset	4	32,730	32,730
Amortization of right-of-use asset	7	84,986	68,685
Depreciation of equipment	8	12,051	40,623
Share-based compensation	11	-	268,579
Gain on forgiveness of loan	10	-	(83,300)
Foreign exchange loss		6,284	3,723
		(1,458,563)	(186,140)
Changes in non-cash working capital items:			
Amounts receivable		(10,604)	(21,678)
Inventory		(181,885)	(334,403)
Prepaid expenses and deposits		(306,182)	(5,536)
Accounts payable and accrued liabilities		125,959	(37,925)
		(1,831,275)	(585,682)
INVESTING ACTIVITIES			
Purchase of equipment	8	(106,115)	-
		(106,115)	-
FINANCING ACTIVITIES			
Proceeds from loans payable		-	250,000
Proceeds from issuance of common shares (net)	12	(26,247)	360,658
Principal payments on lease	7	(90,624)	(72,480)
		(116,871)	538,178
Change in cash and cash equivalents		(2,054,261)	(47,504)
Effect of exchange rate changes on cash		(204,198)	7,215
Cash and cash equivalents, beginning		4,878,904	561,711
Cash and cash equivalents, ending		2,620,445	521,422

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

G6 MATERIALS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Unaudited - Expressed in US Dollars)

	Notes	Common Shares #	Common Shares $	Warrants Reserve #	Warrants Reserve $	Contributed Surplus $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total $
Balance, May 31, 2020		**96,908,575**	**8,299,942**	**23,456,761**	**33,946**	**2,821,938**	**(82,839)**	**(10,356,387)**	**716,600**
Share-based compensation	11	-	-	-	-	268,579	-	-	268,579
Exercise of warrants	11	3,892,316	322,571	(3,892,316)	-	-	-	-	322,571
Exercise of options	11	600,000	71,028	-	-	(32,941)	-	-	38,087
Foreign currency translation income		-	-	-	-	-	10,938	-	10,938
Net loss for the period		-	-	-	-	-	-	(520,208)	(520,208)
Balance, February 28, 2021		**101,400,891**	**8,693,541**	**19,564,445**	**33,946**	**3,057,576**	**(71,901)**	**(10,876,595)**	**836,567**
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)
Foreign currency translation loss		-	-	-	-	-	(197,915)	-	(197,915)
Net loss for the period		-	-	-	-	-	-	(1,603,559)	(1,603,559)
Balance, February 28, 2022		**163,679,193**	**16,487,601**	**24,433,143**	**125,605**	**3,023,406**	**(89,539)**	**(13,089,762)**	**6,457,311**

The accompanying notes are an integral part of these condensed interim 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.

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 composites and coatings based on graphene and other advanced materials. 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 currently has five US patents granted and four 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 760 Koehler Avenue, Ronkonkoma, New York.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

a) Basis of Presentation

The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended May 31, 2021. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2021. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended May 31, 2022.

b) Basis of Consolidation

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

These condensed interim consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on April 29, 2022.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)

c) New Accounting Standards Adopted

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

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

b) Inventory

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

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

c) Equipment

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgements

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

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

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share-based Compensation (continued)

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

i) Revenue Recognition

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

The Company recognizes revenues from the sale of graphene and graphene related products at the point in time when it satisfies its performance obligations. The Company satisfies its performance obligations and transfers control over the goods to the customer upon shipment. Payments received from customers in advance of meeting all of the recognition criteria are recorded as deferred revenue and subsequently recognized as these criteria are met.

j) Financial Instruments

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

l) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

m) Intangible Assets

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

n) Business combinations

The Company uses the acquisition method to account for business combinations. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of the net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

(Unaudited - Expressed in US Dollars)

4. INTANGIBLE ASSETS

As part of the acquisition of Graphene Laboratories Inc., the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. As at February 28, 2022, the Company's intangible assets are as follows:

	$
Cost:	
Balance, May 31, 2021 and February 28, 2022	436,382
Accumulated Amortization:	
Balance, May 31, 2020	174,560
Amortization	43,640
Balance, May 31, 2021	218,200
Amortization	32,730
Balance, February 28, 2022	250,930
Net Book Value:	
May 31, 2021	218,182
February 28, 2022	185,452

Acquisition of GX Technologies

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**

(Unaudited - Expressed in US Dollars)

5. AMOUNTS RECEIVABLE

	February 28, 2022	May 31, 2021
	$	$
Trade accounts receivable	18,640	20,392
GST receivable	16,854	4,498
Total	35,494	24,890

6. INVENTORY

	February 28, 2022	May 31, 2021
	$	$
Raw materials	222,305	221,819
Finished goods	346,455	165,056
Total	568,760	386,875

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the period ended February 28, 2022, the amount of inventory recognized in cost of goods sold was $526,461 (May 31, 2021 - $1,013,810).

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

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

The Company entered into a three-year lease agreement for the Company's facilities in Ronkonkoma, New York, USA beginning on January 1, 2018 and ending on December 31, 2020, which required monthly payments of $8,000, and 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. The Company used a 6% discount rate, its incremental borrowing rate to calculate the present value of the future lease payments and the lease interest expense. The Company continued using the same 6% discount rate and approach for the recognition and calculation of the renewal three-year lease agreement ending on December 31, 2023. Subsequently, 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 of the adoption of IFRS 16, the Company made an adjustment on the leased asset of $181,475 and leased liability of $186,846 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. As a result of the adoption of IFRS 16, 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.

(Unaudited - Expressed in US Dollars)

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

RIGHT-OF-USE ASSET

	$
Cost:	
Balance, May 31, 2020	145,382
Addition	272,211
Balance, May 31, 2021	417,593
Addition	192,341
Balance, February 28, 2022	609,934
Accumulated Amortization:	
Balance, May 31, 2020	91,820
Amortization	91,369
Balance, May 31, 2021	183,189
Amortization	84,986
Adjustment on the renewal of contract	181,475
Balance, February 28, 2022	449,650
Net Book Value:	
May 31, 2021	234,404
February 28, 2022	160,284

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	8,945
Addition	192,341
Payments	(90,624)
Adjustment on the renewal of contract	(186,846)
Balance, February 28, 2022	161,078
Current portion of lease liability	**39,772**
Long-term portion of lease liability	**121,306**

(Unaudited - Expressed in US Dollars)

8. EQUIPMENT

	Laboratory Equipment
Cost:	$
Balance, May 31, 2020	554,860
Additions	9,406
Balance, May 31, 2021	564,266
Additions	106,115
Balance, February 28, 2022	670,381
Accumulated Depreciation:	
Balance, May 31, 2020	488,917
Depreciation expense	47,612
Balance, May 31, 2021	536,589
Depreciation expense	12,051
Balance, February 28, 2022	548,640
Net Book Value:	
May 31, 2021	27,677
February 28, 2022	121,741

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management includes directors and officers of the Company. The Company incurred the following key management compensation charges during the period ended February 28, 2022 and 2021:

	February 28, 2022	February 28, 2021
	$	$
Salaries, bonuses, fees and benefits	141,899	90,000
	141,899	90,000

The Company entered into the following transactions with related parties:

a) During the period ended February 28, 2022, the Company incurred a director and officer's salaries expense in the amount of $141,899 (2021 - $90,000).

b) During the period ended February 28, 2022, the Company incurred consulting fees of $92,042 (2021 - $90,000) to the spouse of a director and officer.

c) During the period ended February 28, 2022, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of $108,609 (2021 - $107,910).

(Unaudited - Expressed in US Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) As at February 28, 2022, the Company had $3,451 (May 31, 2021 - $3,451) receivable from a director and officer. Also, the Company had $7,496 (May 31, 2021 - $7,057) receivable from the spouse of a director and officer. The amounts are unsecured, non-interest bearing and has no fixed terms of repayment.

The following amounts were due to related parties:

	February 28, 2022 $	May 31, 2021 $
Salary to officers	-	-
Expense reimbursements to related parties	-	12,588
	-	12,588

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

10. LOAN PAYABLE

	February 28, 2022 $	May 31, 2021 $
Loans 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 is forgivable subject to the certain conditions. In accordance with the terms of the agreement, the loan will be forgivable if the Company only spends the funds on the Company's payroll, rent, and utilities for the subsequent 8 weeks with appropriate supporting documents. The $83,300 in total consisting of principal of loan. Interest of 1% accrues on the loan during the time between the disbursement of the loan and SBA remittances of the forgiveness amount. Loan payments are deferred for the first six months and the loan is set to mature two years after its initial grant. During the 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.

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 February 28, 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.

(Unaudited - 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
Expired during the period	(845,000)	C$0.21
Forfeited during the period	(100,000)	C$0.12
Options outstanding and vested – February 28, 2022	6,550,000	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.

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:

	February 28, 2022	May 31, 2021
Share price	-	C$0.08
Risk-free interest rate	-	1.16%
Expected volatility	-	132.31%
Expected dividend yield	-	$nil
Expected forfeiture rate	-	0%
Expected life	-	5 years

Based on the Black-Scholes option pricing model and the assumptions outlined above the Company recorded share-based compensation of $nil for the period ended February 28, 2022 (May 31, 2021 - $268,579).

(Unaudited - 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	0.41	300,000	300,000
November 14, 2022	C$0.12	0.71	2,350,000	2,350,000
October 14, 2025	C$0.08	3.63	3,900,000	3,900,000

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 period	(3,800,000)	C$0.120
Warrants outstanding – February 28, 2022	20,633,143	C$0.242

Details of warrants outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding
May 5, 2022	C$0.12	0.18	6,157,143
April 12, 2023	C$0.30	1.12	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 in order 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 makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

14. FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	2,620,445	-	-	2,620,445

The Company has determined that the carrying values of its trade accounts receivable, accounts payable 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 trade and other receivables through established credit monitoring activities. As at February 28, 2022 and 2021, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and trade accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at February 28, 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 February 28, 2022, the Company held C$1,865,145 (May 31, 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 $186,515 (May 31, 2021 - $463,198).

(Unaudited - Expressed in US Dollars)

15. FINANCIAL INSTRUMENTS

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at February 28, 2022, the Company has cash and cash equivalents of $2,620,445 and a working capital surplus of $3,334,384.

As at February 28, 2022	**Up to 1 year**	**1 - 5 years**	**Total**
Accounts payable	298,442	-	298,442
Lease liability	39,772	121,306	161,078
	338,214	121,306	459,520

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. SUBSEQUENT EVENT

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.