
G6 MATERIALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

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 statements of financial position as at May 31, 2023 and May 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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, 2023 and May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had incurred a net loss, an accumulated deficit and negative cash flows from operations as at and for the year ended May 31, 2023. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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 audits 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 audits 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

September 26, 2023

MNP LLP

Chartered Professional Accountants

MNP

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MAY 31, 2023 AND 2022

(Expressed in US Dollars)

	Notes	2023	2022
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		390,440	2,119,429
Accounts receivable and other	5	55,270	51,672
Inventory	6	574,326	969,993
Prepaid expenses and deposits	16	118,588	219,128
		1,138,624	3,360,222
Equipment	8	111,587	114,959
Right-of-use asset	7	59,890	112,199
Intangible assets	4	130,902	174,542
Total assets		1,441,003	3,761,922
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	408,910	148,420
Current portion of lease liability	7	60,635	113,596
		469,545	262,016
SHAREHOLDERS' EQUITY			
Share capital	10	16,487,601	16,487,601
Warrant reserve		-	125,605
Contributed surplus		3,593,663	3,203,059
Accumulated other comprehensive loss		(164,383)	(94,044)
Deficit		(18,945,423)	(16,222,315)
Total shareholders' equity		971,458	3,499,906
Total liabilities and shareholders' equity		1,441,003	3,761,922

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

Approved on behalf of the Board of Directors on September 26, 2023:

"Daniel Stolyarov" Director
Daniel Stolyarov

"John Gary Dyal" Director
John Gary Dyal

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

FOR THE YEARS ENDED MAY 31, 2023, and 2022

(Expressed in US Dollars)

	Notes	2023	2022
		\$	\$
REVENUE		1,549,874	1,357,799
COST OF GOODS SOLD		(1,353,784)	(808,546)
		196,090	549,253
EXPENSES (Note 17)			
Depreciation and amortization	4,7,8	229,989	195,545
Foreign exchange loss (gain)		(198)	1,616
Marketing and investor relations		338,053	242,075
General and administrative expenses	17	2,110,785	1,889,996
Research and development		240,569	179,377
		(2,919,198)	(2,508,609)
OTHER ITEMS			
Impairment of intangible assets	4	-	(2,776,756)
		-	(2,776,756)
NET LOSS		(2,723,108)	(4,736,112)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to loss:			
Foreign currency translation loss		(70,339)	(202,420)
COMPREHENSIVE LOSS		(2,793,447)	(4,938,532)
LOSS PER SHARE - BASIC AND DILUTED		\$ (0.17)	\$ (0.37)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		16,367,919	12,835,170

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

	Notes	2023	2022
		\$	\$
OPERATING ACTIVITIES			
Net loss		(2,723,108)	(4,736,112)
Non-cash items:			
Lease interest	7	3,636	10,878
Amortization of intangible asset	4	43,640	43,640
Amortization of right-of-use asset	7	154,979	133,072
Depreciation of equipment	8	31,370	18,833
Share-based compensation	10, 17	264,999	179,653
Loss on investment		-	2,776,756
Foreign exchange loss		(198)	1,616
		(2,224,682)	(1,571,664)
Changes in non-cash working capital items:			
Accounts receivable		(3,598)	(26,782)
Inventory		395,667	(583,118)
Prepaid expenses and deposits		72,542	(77,411)
Accounts payable and accrued liabilities		260,490	(24,063)
Cash used in operating activities		(1,499,581)	(2,283,038)
INVESTING ACTIVITIES			
Purchase of equipment	8	-	(106,115)
Cash used in investing activities		-	(106,115)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares (net)	10	-	(26,247)
Principal payments on lease	7	(159,267)	(140,039)
Cash used in financing activities		(159,267)	(166,286)
Change in cash and cash equivalents		(1,658,848)	(2,555,439)
Effect of exchange rate changes on cash		(70,141)	(204,036)
Cash and cash equivalents, beginning		2,119,429	4,878,904
Cash and cash equivalents, ending		390,440	2,119,429

G6 MATERIALS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MAY 31, 2023 AND 2022

(Expressed in US Dollars)

	Notes	Common Shares		Warrants Reserve		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
		#	\$	#	\$	\$	\$	\$	\$
Balance, May 31, 2021		13,867,919	13,754,030	24,433,143	125,605	3,023,406	108,376	(11,486,203)	5,525,214
Shares issued for acquisition of business	4, 10	2,500,000	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		16,367,919	16,487,601	14,476,000	125,605	3,203,059	(94,044)	(16,222,315)	3,499,906
Share-based compensation		-	-	-	-	264,999	-	-	264,999
Foreign currency translation loss		-	-	-	-	-	(70,339)	-	(70,339)
Warrants expired		-	-	(14,476,000)	(125,605)	125,605	-	-	-
Net loss for the year		-	-	-	-	-	-	(2,723,108)	(2,723,108)
Balance, May 31, 2023		16,367,919	16,487,601	-	-	3,593,663	(164,383)	(18,945,423)	971,458

G6 MATERIALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in US Dollars)

1. NATURE OF OPERATIONS

G6 Materials Corp. (“G6” or the “Company”), formerly Graphene 3D Lab Inc., was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, through a reverse acquisition transaction, the Company acquired Graphene 3D Lab (U.S.) Inc. which was deemed to be the continuing entity for financial reporting purposes. Graphene 3D Lab (U.S.) Inc. was incorporated on September 3, 2013 in the State of Delaware, U.S.A. On January 23, 2020, the Company changed its name from Graphene 3D Lab Inc. to G6 Materials Corp. The Company’s shares continue to trade on the TSX Venture Exchange under the same ticker symbol (“GGG”).

The Company currently has 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, 2023, the Company had working capital of \$669,079. Net loss for the year ended May 31, 2023 was \$2,723,108. The accumulated deficit as at May 31, 2023 was \$18,945,423 and negative cash flows from operations of \$1,499,581. 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 interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as in effect on June 1, 2022.

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 September 26, 2023.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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

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

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

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

d) 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.

e) 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. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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f) 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.

g) 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 loss and 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.

h) Revenue Recognition

The Company recognizes revenues from the sale of graphene and graphene related products. Revenue from Contracts with Customers specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company recognizes revenues 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

i) 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.

G6 MATERIALS CORP.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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
Lease liability	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.

j) 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 the parent entity 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.

k) 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.

G6 MATERIALS CORP.

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l) 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 have been expensed in the period incurred as the criteria for the capitalization of these intangible assets have not been met. 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.

m) 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.

n) 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 the 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 estimated future net cash flows and the discount rate applied.

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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 and comprehensive 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.

G6 MATERIALS CORP.

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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.

4. INTANGIBLE ASSETS

On December 8, 2015, as part of the acquisition of Graphene Laboratories Inc., the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. As at May 31, 2023, the Company's intangible assets consist of intellectual property relating to technology for the manufacture and processing of graphene.

	\$
Cost:	
Balance, May 31, 2022 and 2023	436,382
<hr/>	
Accumulated Amortization:	
Balance, May 31, 2021	218,200
Amortization	43,640
Acquisition of intangible asset (GX Technologies, LLC)	2,776,756
Impairment of intangible asset (GX Technologies, LLC)	(2,776,756)
Balance, May 31, 2022	261,840
Amortization	43,640
Balance, May 31, 2023	305,480
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Net Book Value:	
May 31, 2022	174,542
May 31, 2023	130,902

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Acquisition of GX Technologies

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 2,500,000 common shares (“Consideration Shares”) to the shareholders of GX Technologies. On the Closing Date, the fair value of the Consideration Shares was \$1.10 (C\$1.40) per common share. 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. The Consideration Shares will be released from escrow over a period of 28 months from the Closing Date, shown below.

Vesting Date	Consideration shares
4 - months from Closing date (December 25, 2021)	500,000
10 - months from Closing date (June 25, 2022)	500,000
16 - months from Closing date (December 25, 2022)	500,000
22 - months from Closing date (June 25, 2023)	500,000
28 - months from Closing date (December 25, 2023)	500,000
Total	2,500,000

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

Purchase price (2,500,000 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 the intangible asset not ready for use for impairment which is allocated to its only cash generating unit. The recoverable amount of the CGU was determined based on value in use which requires 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 an impairment of \$2,776,756 to the intangible asset due to the high degree of uncertainty surrounding the future viability of the intangible asset (the GX Technologies IP).

5. ACCOUNTS RECEIVABLE

	2023	2022
	\$	\$
Trade accounts receivable	42,565	36,310
Tax receivable	12,705	15,362
Total	55,270	51,672

As at May 31, 2023, the expected credit loss was \$1,720 (2022 - \$10,000) and all of the Company’s trade receivables were outstanding less than 60 days.

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6. INVENTORY

	2023	2022
	\$	\$
Raw materials	-	166,644
Finished goods	574,326	803,349
Total	574,326	969,993

The cost of inventory is recognized as an expense and included in cost of goods sold when sold. For the year ended May 31, 2023, the amount of inventory recognized in cost of goods sold was \$881,819 (2022 - \$755,229).

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company entered into a three-year lease agreement for the Company's facilities in Ronkonkoma, New York, USA beginning on January 1, 2018 and ending on December 31, 2020, which required monthly payments of \$8,000. Subsequently the Company renewed another three-year lease agreement for the Company's facilities beginning on January 1, 2021 and ending on December 31, 2023, which requires monthly payments of \$8,240. Upon adoption of IFRS 16 effective in fiscal 2020, the Company recognized a right-of-use asset and a lease liability of \$145,382. On November 22, 2021, the Company amended the lease agreement by increasing the monthly payment from \$8,240 to \$8,487 during the periods from January 1, 2022 to December 31, 2022. As a result, the Company made an adjustment on the lease liability of \$186,848 in connection with the amendments of lease agreement for the Company's facilities in Ronkonkoma, New York, USA. The Company's internal borrowing rate was 6%. On December 2, 2022, the Company amended the lease agreement by increasing the monthly payment to \$8,793. As a result, the Company increased the lease liability of \$102,670 in connection with the amendments of 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, 2021	417,593
Addition	192,341
Balance, May 31, 2022	609,934
Addition	102,670
Balance, May 31, 2023	712,604
Accumulated Amortization:	
Balance, May 31, 2021	183,189
Amortization	133,072
Adjustment on the renewal of contract	181,474
Balance, May 31, 2022	497,735
Amortization	154,979
Balance, May 31, 2023	652,714
Net Book Value:	
May 31, 2022	112,199
May 31, 2023	59,890

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LEASE LIABILITY

	\$
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
Lease interest expense	3,636
Addition	102,670
Payments	(159,267)
Balance, May 31, 2023	60,635
Current portion of lease liability	60,635
Long-term portion of lease liability	-

As at May 31, 2023, the Company will have future undiscounted lease payments totaling \$61,551 from June 2023 to December 2023.

8. EQUIPMENT

	Laboratory Equipment
Cost:	\$
Balance, May 31, 2021	564,266
Additions	106,115
Balance, May 31, 2022	670,381
Additions	27,998
Balance, May 31, 2023	698,379
Accumulated Depreciation:	
Balance, May 31, 2021	536,589
Depreciation expense	18,833
Balance, May 31, 2022	555,422
Depreciation expense	31,370
Balance, May 31, 2023	586,792
Net Book Value:	
May 31, 2022	114,959
May 31, 2023	111,587

During the year ended May 31, 2023, the Company received equipment of \$27,998 that the Company had prepaid at May 31, 2022.

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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, 2023 and 2022:

	2023	2022
	\$	\$
Salaries, bonuses, fees and benefits	184,538	185,300
Share-based compensation	169,802	93,732
	354,340	279,032

The Company had the following transactions with related parties:

- During the year ended May 31, 2023, the Company incurred consulting fees in the amount of \$Nil (2022 - \$124,663) that were paid to the spouse of a director and officer.
- During the year ended May 31, 2023, the Company incurred professional fees in the amount of \$126,541 (2022 - \$144,987) that were paid to companies controlled by an officer.
- As at May 31, 2023, the Company owed \$94,759 (2022 – receivable of \$3,451) to a director and officer. In addition, the Company had \$Nil (2022 - \$7,496) receivable from the spouse of a director and officer. The amounts receivable are unsecured, non-interest bearing and have no fixed terms of repayment.
- As at May 31, 2023, the Company owed \$98,385 (2022 - \$12,801) 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. SHARE CAPITAL**Authorized:**

Unlimited number of common shares without par value.

Issued and outstanding common stock:

- During the year ended May 31, 2023, the Company did not issue any common stock.
- On August 25, 2021, the Company issued 2,500,000 common shares for the acquisition of GX Technologies LLC for gross proceeds of \$2,759,818 (C\$3,500,000). Please refer to Note 4 for transaction details.
- On June 14, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every 10 old common shares into one new common share. Unless otherwise noted, all share, option, loss per share and warrant information have been retroactively adjusted to reflect this consolidation.

Escrow shares:

As at May 31, 2023, there are 1,000,000 (2022 – 2,000,000) common shares subject to an escrow agreement, please refer to Note 4 Intangible Assets, Acquisition of GX Technologies for the vesting schedule detail of the escrow shares.

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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, 2021	749,500	C\$1.10
Granted during the year	690,000	C\$1.00
Expired during the year	(84,500)	C\$2.10
Forfeited during the year	(10,000)	C\$1.20
Options outstanding– May 31, 2022	1,345,000	C\$1.00
Expired during the year	(265,000)	C\$1.20
Options outstanding– May 31, 2023	1,080,000	\$0.90

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 March 16, 2022, the Company granted 690,000 stock options to certain directors, officers and consultants of the Company with a fair value of C\$0.96 at the date of grant. The options are exercisable at C\$1.00 per share for a period of five years from the date of grant. Among these options granted, 200,000 are subject to a 3-year vesting schedule, where 25% of the options will 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
Share price	C\$1.11
Risk-free interest rate	1.29%
Expected volatility	132.48%
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 \$264,999 for the year ended May 31, 2023 (2022 - \$179,653).

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Details of stock options outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of stock options outstanding	Number of stock options vested and exercisable
October 14, 2025	C\$0.80	3.38	390,000	390,000
March 16, 2027	C\$1.10	4.79	690,000	590,000

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, 2021	2,443,314	C\$2.23
Warrants expired during the year	(995,714)	C\$1.20
Warrants outstanding – May 31, 2022	1,447,600	C\$2.93
Warrants expired during the year	(1,447,600)	C\$(3.00)
Warrants outstanding – May 31, 2023	-	-

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the the development and production of innovative graphene-based solutions. The Company does not have any externally imposed capital requirements to which it is subject. As of May 31, 2023, the Company had cash of \$390,440 (2022 - \$2,119,429)

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.

12. 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:

	2023	2022
Combined statutory tax rate	27.0%	27.0%
	\$	\$
Income tax recovery at combined statutory rate	(735,239)	(1,278,751)
Non-deductible items for tax purposes and other items	53,331	775,519
Difference in foreign income tax rates	34,067	42,802
Tax benefits not recognized	647,841	460,430
Income tax recovery	-	-

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

	2023	2022
	\$	\$
Capital assets	(1,096)	(25,746)
Intangible assets and allowances	(37,246)	(49,064)
Non-capital losses	38,342	74,810
Net deferred income tax assets	-	-

Details of the unrecognized deductible temporary differences are as follows:

	2023	2022
	\$	\$
Non-capital loss carry forwards	13,253,244	10,733,586
Capital assets	-	-
ROU assets	171,933	176,222
Reserve for doubtful accounts	(1,720)	-
Intangible assets	2,776,756	2,776,756
Share issuance costs	41,483	74,241
Mineral properties	148,881	148,881
Tax benefits not recognized	(16,390,577)	(13,909,686)
Net deferred income tax assets	-	-

As at May 31, 2023, the Company has non-capital losses carried forward of approximately \$8,449,000 (2022 - \$6,603,000) in the United States and \$4,939,000 (2022 - \$4,404,000) in Canada available to reduce future years' taxable income. The non-capital losses carried forward expire between 2031 and 2043.

13. FINANCIAL INSTRUMENTS

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

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 – Inputs that are not based on observable market data

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	390,440	-	-	390,440

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.

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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 receivable through established credit monitoring activities. As at May 31, 2023, 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, 2023 and 2022, 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, 2023, the Company held C\$206,711 (2022 - C\$1,647,573) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by \$19,289 (2022 - \$164,757).

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, 2023, the Company has cash and cash equivalents of \$390,440 and a working capital surplus of \$669,079.

As at May 31, 2023	Up to 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	408,910	-	408,910
Current portion of lease liability	60,635	-	60,635
	469,545	-	469,545

As at May 31, 2022	Up to 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	148,420	-	148,420
Current portion of lease liability	113,596	-	113,596
	262,016	-	262,016

14. SEGMENT DISCLOSURES

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

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for the year ended May 31, 2022 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.

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16. PREPAID EXPENSES AND DEPOSITS

	2023	2022
	\$	\$
Deposits and expenses	10,179	149,625
Inventory	108,409	69,504
Total	118,588	219,128

17. NATURE OF EXPENSES

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

For the year ended May 31,	2023	2022
	\$	\$
Lease interest	3,636	10,878
Office and administrative	198,734	286,187
Professional fees	443,407	814,431
Regulatory fees	35,693	69,367
Salaries and benefits	1,149,796	508,590
Share-based compensation	264,999	179,653
Travel expenses	14,520	20,890
Total	2,110,785	1,889,996

18. SUBSEQUENT EVENTS

- a) On June 14, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every 10 old common shares into one new common share. Unless otherwise noted, all share, option, loss per share and warrant information have been retroactively adjusted to reflect this consolidation.
- b) On August 8, 2023, the Company granted 720,000 stock options (the "Options") to acquire 720,000 common shares of the Company at an exercise price of \$0.16 per share until August 8, 2028. Of the options granted, 135,000 options vest over three years in four equal instalments as follows: 25% available upon grant, 25% on the first anniversary, 25% on the second anniversary, and 25% on the third anniversary. The remaining 585,000 of the options vest immediately.