



MASON GRAPHITE INC.

CONDENSED INTERIM FINANCIAL STATEMENTS **For the three-month periods ended September 30, 2020 and 2019** (Expressed in Canadian dollars) (Unaudited)



Management's responsibility for financial reporting

Management is responsible for the preparation and presentation of the accompanying condensed interim financial statements, which includes ensuring that significant accounting judgments and estimates are made in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions for which objective judgment is required.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the condensed interim financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Audit Committee has the responsibility of meeting with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reports its findings to the Board for its consideration in approving the condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Jean L'Heureux"

Jean L'Heureux
Chef Operations Officer

" Pascale Choquet "

Pascale Choquet
Chief Financial Officer (Interim)

Laval, Québec

November 26th, 2020

Mason Graphite Inc.

INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

	<u>September 30,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
	\$	\$
ASSETS		
Current assets		
Cash	25,259,869	26,638,101
Sales tax receivable	121,420	508,337
Government assistance	110,000	243,000
Prepaid and other receivables	64,974	102,354
	<u>25,556,263</u>	<u>27,491,792</u>
Non-current assets		
Property, plant and equipment (Note 4)	<u>5,744,430</u>	<u>5,750,000</u>
Total assets	<u><u>31,300,693</u></u>	<u><u>33,241,792</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>2,123,175</u>	<u>3,012,029</u>
Total liabilities	<u>2,123,175</u>	<u>3,012,029</u>
EQUITY		
Share capital	107,770,516	107,770,516
Reserves	11,155,844	11,155,844
Deficit	(89,748,842)	(88,696,597)
Total equity	<u>29,177,518</u>	<u>30,229,763</u>
Total equity and liabilities	<u><u>31,300,693</u></u>	<u><u>33,241,792</u></u>

Note 1 - Nature of operations and liquidity risk

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "Gilles Gingras", Director

Signed "François Laurin", Director

The notes to the financial statements are an integral part of these condensed interim financial statements.

Mason Graphite Inc.

INTERIM STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in Canadian dollars)

(Unaudited)

	For the three-month periods ended September 30,	
	2020	2019
	\$	\$
Expenses		
Salaries and consulting fees	87,197	243,199
Director fees	66,652	47,498
Professional fees	12,050	73,893
General office expenses	46,332	46,010
Travel and accommodation expenses	7,213	22,120
Share-based compensation	-	12,938
Communication and promotion expenses	6,559	1,191
Transfer agent and filing fees	8,737	12,079
Value-added graphite product expenses (Note 5)	421,601	207,669
Research and development expenses	2,100	4,340
Government assistance	(105,955)	(82,253)
Care and maintenance for Lac Gueret project (Note 4)	540,738	-
Depreciation	5,570	6,775
Operating net foreign exchange loss	531	24
Operating loss	1,099,325	595,483
Share of loss of an associate (Note 3)	-	374,015
Loss (gain) on dilution of investment in associate (Note 3)	-	583,600
Net gain (net loss) on financial assets at fair value through profit or loss (Note 3)	-	(261,000)
Net gain on disposition of investment in associate (Note 3)	-	(20,057,682)
Finance income	(47,080)	(50,555)
Net loss (net income) and comprehensive loss (income)	1,052,245	(18,816,139)
Net loss (net income) per share		
Basic and diluted	\$0.01	(\$0.14)

The notes to the financial statements are an integral part of these condensed interim financial statements.

Mason Graphite Inc.
INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	For the three-month periods ended September 30,	
	2020	2019
	\$	\$
Cash flows from operating activities		
(Net loss) net income	(1,052,245)	18,816,139
Items not affecting cash:		
Share-based compensation	-	12,938
Depreciation	5,570	6,775
Share of loss of an associate	-	374,015
Loss on dilution of investment on associate	-	583,600
Net gain on financial assets at fair value through profit or loss	-	(261,000)
Gain on disposition of investment in an associate	-	(20,057,682)
Changes in non-cash operating working capital items:		
Sales tax receivable	386,917	354,704
Government assistance	133,000	(44,400)
Prepaid and other receivables	37,380	93,172
Accounts payable and accrued liabilities	304,847	(471,064)
	<u>(184,531)</u>	<u>(592,803)</u>
Cash flows from investing activities		
Exercise of warrants	-	(778,000)
Disposition of an investment in an associate	-	28,137,802
Acquisition of property, plant and equipment	(1,193,701)	(2,630,338)
	<u>(1,193,701)</u>	<u>24,729,464</u>
Change in cash	(1,378,232)	24,136,661
Cash, beginning of the period	26,638,101	10,618,396
Cash, end of the period	<u>25,259,869</u>	<u>34,755,057</u>
Supplemental information:		
Property, plant and equipment accounted for in accounts payable and accrued liabilities	1,340,743	3,590,568
Share-based compensation charged to property, plant and equipment	-	18,375

The notes to the financial statements are an integral part of these condensed interim financial statements.

Mason Graphite Inc.

INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Reserves				Equity
	Number	Amount	Warrants	Broker warrants	Options	Deficit	
		\$	\$	\$	\$	\$	\$
Balance as of July 1, 2020	136,227,585	107,770,516	5,622,949	591,458	4,941,437	(88 696 597)	30 229 763
Net income and comprehensive income for the period						(1 052 245)	(1 052 245)
Balance as of September 30, 2020	136,227,585	107,770,516	5,622,949	591,458	4,941,437	(89 748 842)	29 177 518
Balance adjusted as of July 1, 2018	136,227,585	107,770,516	5,622,949	591,458	4,885,277	(62,242,643)	56,627,557
Share-based compensation	-	-	-	-	31,315	-	31,315
Net income and comprehensive income for the period	-	-	-	-	-	18,816,139	18,816,139
Balance as of September 30, 2019	136,227,585	107,770,516	5,622,949	591,458	4,916,592	(43,426,504)	75,475,011

The notes to the financial statements are an integral part of these condensed interim financial statements.

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Mason Graphite Inc. ("Mason Graphite" or the "Company") was incorporated on March 15, 2011 under the *Business Corporations Act* (Ontario) and was continued under the *Canada Business Corporations Act* effective March 3, 2016. The Company's head office is located at 3030 Le Carrefour Boulevard, Suite 600, Laval QC H7T 2P5 Canada.

Until the quarter ended March 31st, 2020, Mason Graphite was engaged in the development of its 100% owned Lac Guéret graphite property located in Québec, Canada. Substantially, all of the Company's efforts were devoted to financing and developing this property. The Company has a National Instrument 43-101 compliant technical report for its mineral reserve and resource estimate and for a feasibility study on the Lac Guéret property.

Since April 2020, given the current oversupply of graphite on world markets and the unfavourable capital market conditions for natural resources projects, the Company has decided to postpone, until further notice, the development of the Lac Guéret mine and concentrator (first transformation Lac Guéret project). Management has now given priority to the second transformation project (coated spherical graphite or VAP). This project will now be the main focus of the Company's resources.

Although the Company has taken steps to verify title to the property, these procedures do not guarantee the Company's title thereto. Property title may be subject to government licensing registration or regulation, unregistered prior agreements, unregistered claims, aboriginal claims, or non-compliance with regulatory and environmental requirements.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the most recent reporting period.

As of September 30, 2020, the Company had a working capital of \$ 23,433,088, an accumulated deficit of \$ 89,748,842 and a net loss of \$ 1,052,245 for the three-month period then ended. Working capital included a cash balance of \$ 25,259,869.

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures of the value-added graphite product for the next 12 months. To obtain additional financing, which the Company can do in various ways, including through strategic partnerships, joint venture agreements, debt project financing or other options offered by financial markets. Management continues to assess all these possibilities. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

In March 2020, the COVID-19 epidemic was declared to be a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our activities is not known at the moment but could include an impact on our ability to obtain financing.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 26th, 2020.

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended June 30, 2020.

The preparation of the condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year.

3. INVESTMENT IN ASSOCIATE

On September 9, 2019, the Company sold 22,188,333 common shares for a total net consideration of \$ 28,137,802. These common shares, which represented 18.3% of NanoXplore and had been acquired through various private placements. The carrying amount of the investment in NanoXplore as of September 9, 2019 was \$ 8,080,120, resulting in a net gain of \$ 20,057,682. After this sale, Mason Graphite no longer holds any ordinary shares of NanoXplore.

The sale of the shares in the associate resulted in a taxable capital gain of approximately \$11,825,000, against which non-capital losses will be applied and, for a large portion of these losses, no assets of future tax had been recorded.

4. PROPERTY, PLANT AND EQUIPMENT

	<u>IT equipment</u>	<u>Production equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	\$	\$	\$	\$
Balance as of July 1, 2020	173,059	4,951,941	625,000	5,750,000
Additions	-	-	-	-
Depreciation	(5,570)	-	-	(5,570)
Charge for impairment	-	-	-	-
Balance as of September 30, 2020	167,489	4,951,941	625,000	5,744,430
As of September 30, 2020				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(51,104)	-	-	(51,104)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	167,489	4,951,941	625,000	5,744,430

Following the decision to postpone, until further notice, the development of the Lac Guéret mine and concentrator (first transformation of the Lac Guéret project), the care and maintenance costs of the Lac Guéret project have been expensed. as they are incurred, compared to the corresponding quarter of the previous fiscal year, September 30, 2019, where care and maintenance costs were capitalized.

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

5. ADDITIONALS INFORMATIONS

Value-added graphite products study charges are composed of:

	For the three-month periods ended September 30,	
	2020	2019
	\$	\$
Salaries	138,691	33,481
Subcontracting costs	272,507	159,228
General & office expenses	-	3,976
Location	10,403	10,984
	421,601	207,669