



## **MASON GRAPHITE INC.**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the three and six-month periods ended December 31, 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  
Chief Operating Officer

“Pascale Choquet”

Pascale Choquet  
Chief Financial Officer (Interim)

Laval, Québec

February 25, 2021

# Mason Graphite Inc.

## INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	23,608,682	26,638,101
Sales tax receivable	69,963	508,337
Government assistance receivable	156,500	243,000
Prepaid and other receivables	64,919	102,354
	<u>23,900,064</u>	<u>27,491,792</u>
<b>Non-current assets</b>		
Property, plant and equipment (Note 4)	<u>5,735,947</u>	<u>5,750,000</u>
<b>Total assets</b>	<u><u>29,636,011</u></u>	<u><u>33,241,792</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>2,892,771</u>	<u>3,012,029</u>
<b>Total liabilities</b>	<u><u>2,892,771</u></u>	<u><u>3,012,029</u></u>
<b>EQUITY</b>		
Share capital	107,770,516	107,770,516
Reserves	11,155,844	11,155,844
Deficit	<u>(92,183,120)</u>	<u>(88,696,597)</u>
<b>Total equity</b>	<u><u>26,743,240</u></u>	<u><u>30,229,763</u></u>
<b>Total equity and liabilities</b>	<u><u>29,636,011</u></u>	<u><u>33,241,792</u></u>

Note 1 - Nature of operations and liquidity risk

Note 6 – Subsequent event

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed “Peter Damouni”, Executive director

Signed “Simon Marcotte”, Executive director

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

# Mason Graphite Inc.

## INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

(Unaudited)

	For the three-month periods		For the six-month periods	
	ended December 31,		ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Expenses</b>				
Salaries and consulting fees	262,332	398,161	349,529	641,360
Director fees	82,945	76,744	149,597	124,242
Professional fees	1,565,346	197,986	1,577,396	271,879
General & office expenses	61,435	72,136	107,767	118,146
Travel and accommodation expenses	4,124	58,131	11,337	80,251
Share-based compensation	-	8,625	-	21,563
Communication and promotion expenses	27,217	-	33,776	1,191
Transfer agent and filing fees	149,574	62,151	158,311	74,230
Value-added graphite products study (Note 5)	408,335	615,821	829,936	823,490
Research and development expenses	2,100	2,450	4,200	6,790
Government assistance	(318,214)	(275,577)	(424,169)	(357,830)
Care and maintenance for Lac Guéret project (Note 4)	223,061	-	763,799	-
Depreciation	8,483	6,852	14,053	13,627
Operating net foreign exchange loss	1,634	3,041	2,165	3,066
<b>Operating loss</b>	<b>2,478,372</b>	<b>1,226,521</b>	<b>3,577,697</b>	<b>1,822,005</b>
Share of loss of an associate (Note 3)	-	-	-	374,015
Loss on dilution of investment on associate (Note 3)	-	-	-	583,600
Net gain 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	(44,094)	(120,722)	(91,174)	(171,277)
<b>Loss (profit) and comprehensive loss (profit)</b>	<b>2,434,278</b>	<b>1,105,799</b>	<b>3,486,523</b>	<b>(17,710,339)</b>
<b>Loss (profit) per share</b>				
Basic and diluted	<b>0.02</b>	<b>0.01</b>	<b>0.03</b>	<b>(0.13)</b>

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 six-month periods ended December 31,	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
<b>Profit (loss) for the period</b>	(3,486,523)	17,710,339
Items not affecting cash:		
Share-based compensation	-	21,563
Depreciation	14,053	13,627
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)
Net gain on disposition of investment in associate	-	(20,057,682)
Changes in non-cash operating working capital items:		
Sales tax receivable	438,374	303,137
Government assistance receivable	86,500	(67,000)
Prepaid and other receivable	37,435	85,241
Accounts payable and accrued liabilities	1,074,443	(395,753)
	<u>(1,835,718)</u>	<u>(1,689,913)</u>
<b>Cash flows from financing activities</b>		
Options exercised	-	-
	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Investment in associate	-	(778,000)
Mining tax credit received	-	28,137,802
Acquisition of property, plant and equipment	(1,193,701)	(4,319,231)
	<u>(1,193,701)</u>	<u>23,040,571</u>
Change in cash	(3,029,419)	21,350,658
Cash, beginning of the period	26,638,101	10,618,396
<b>Cash, end of the period</b>	<u>23,608,682</u>	<u>31,969,054</u>
<b>Supplemental information:</b>		
Property, plant and equipment expenditures included in accounts payable and accrued liabilities	1,340,743	2,851,051
Share-based compensation charged to property, plant and equipment	-	29,804

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 \$	
<b>Balance as of July 1, 2020</b>	136,227,585	107,770,516	5,622,949	591,458	4,941,437	(88,696,597)	30,229,763
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,486,523)	(3,486,523)
<b>Balance as of December 31, 2020</b>	<b>136,227,585</b>	<b>107,770,516</b>	<b>5,622,949</b>	<b>591,458</b>	<b>4,941,437</b>	<b>(92,183,120)</b>	<b>26,743,240</b>
<b>Balance as of July 1, 2019</b>	136 227 585	107 770 516	5,622,949	591,458	4,885,277	(62,242,643)	56,627,557
Share-based compensation	-	-	-	-	51,367	-	51,367
Net income and comprehensive income for the period	-	-	-	-	-	17,710,339	17,710,339
<b>Balance as of December 31, 2019</b>	<b>136 227 585</b>	<b>107 770 516</b>	<b>5,622,949</b>	<b>591,458</b>	<b>4,936,644</b>	<b>(44,532,304)</b>	<b>74,389,263</b>

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 and six-month periods ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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### 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 December 31, 2020, the Company had a working capital of \$ 21,007,293, an accumulated deficit of \$ 92,183,120 and a net loss of \$ 3,486,523 for the six-month periods ended that date. Working capital included a cash balance of \$ 23,608,682.

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures for the next 12 months. The Company's ability to continue its development activities of the Lac Guéret project is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt financing, royalty financing and other capital market alternatives. Management is currently seeking such sources of funding. 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 February 25, 2021.

# Mason Graphite Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six-month periods ended December 31, 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 transaction, 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

	IT equipment	Production equipment	Construction in progress	Total
	\$	\$	\$	\$
<b>Balance as of July 1, 2020</b>	<b>173,059</b>	<b>4,951,941</b>	<b>625,000</b>	<b>5,750,000</b>
Depreciation	(14,053)	-	-	(14,053)
<b>Balance as of December 31, 2020</b>	<b>159,006</b>	<b>4,951,941</b>	<b>625,000</b>	<b>5,735,947</b>
<b>As of December 31, 2020</b>				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(59,587)	-	-	(59,587)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
<b>Net book value</b>	<b>159,006</b>	<b>4,951,941</b>	<b>625,000</b>	<b>5,735,947</b>

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 semester of the previous fiscal year, December 31, 2019, where care and maintenance costs were capitalized.

# Mason Graphite Inc.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six-month periods ended December 31, 2020 and 2019

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### 5. ADDITIONALS INFORMATIONS

Value-added graphite products study charges are composed of:

	For the three-month periods ended December 31,		For the six-month periods ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries	141,768	181,181	280,459	214,662
Subcontracting costs	251,669	415,484	524,176	574,712
General & office expenses	4,362	7,637	4,362	11,613
Location	10,536	11,519	20,939	22,503
	<b>408,335</b>	615,821	<b>829,936</b>	823,490

### 6. SUBSEQUENT EVENT

On January 12, 2021, the Company granted 6,925,000 options to directors, officers, consultants and employees of the Company. The weighted average fair value of options granted, as estimated at the time of the grant, was \$0.30 per option. This was calculated using the Black-Scholes pricing model with the following assumptions: option exercise price of \$0.46 which corresponds to the stock price at the time of grant, estimated life of five years, risk-free interest rate of 0.46%, volatility of 83% (based on the Company's historical volatility) and no forecasted dividend yields. The vesting period for 6,925,000 options is one third upon grant, one third vesting one year after the grant, and the last third vesting two years after the grant.