



MASON GRAPHITE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)



Management’s responsibility for financial reporting

Management is responsible for the preparation and presentation of the accompanying condensed consolidated 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 consolidated 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 consolidated 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 Operations Officer

“ Pascale Choquet ”

Pascale Choquet
Chief Financial Officer (Interim)

Laval, Québec

November 25, 2021

Mason Graphite Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

	September 30, 2021	June 30, 2021
	\$	\$
ASSETS		
Current assets		
Cash	14,336,348	20,125,836
Sales tax receivable	237,451	6,865
Government assistance	124,275	162,700
Prepaid and other receivables	66,626	64,461
	<u>14,764,700</u>	<u>20,359,862</u>
Non-current assets		
Deferred charges for an upcoming transaction (Note 4)	-	255,447
Prepayment for the transaction (Note 4)	-	176,350
Intangible assets (Note 4)	9,380,509	-
Property, plant and equipment (Note 3)	5,711,612	5,718,782
	<u>29,856,821</u>	<u>26,510,441</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,786,035	1,618,559
	<u>1,786,035</u>	<u>1,618,559</u>
EQUITY		
Share capital	107,819,916	107,819,916
Reserves	12,624,598	12,313,973
Deficit	(96,330,595)	(95,242,007)
	24,113,919	24,891,882
Non-controlling interest (Note 4)	3,956,857	-
	<u>28,070,786</u>	<u>24,891,882</u>
Total equity and liabilities	<u>29,856,821</u>	<u>26,510,441</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "Peter Damouni" _____, Director

Signed "François Perron" _____, Director

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

Mason Graphite Inc.

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Expressed in Canadian dollars)

(Unaudited)

	For the three-month periods ended September 30,	
	2021	2020
	\$	\$
Expenses		
Salaries and consulting fees	215,960	87,197
Director fees	52,902	66,652
Professional fees	35,494	12,050
General office expenses	56,769	46,332
Travel and accommodation expenses	1,457	7,213
Share-based compensation	310,625	-
Communication and promotion expenses	42,278	6,559
Transfer agent and filing fees	23,625	8,737
Value-added graphite product expenses (Note 5)	201,935	421,601
Research and development expenses	6,573	2,100
Government assistance	(140,448)	(105,955)
Care and maintenance for Lac Gueret project	119,092	540,738
Amortization of intangible assets	78,768	-
Depreciation of property, plant and equipment	7,170	5,570
Operating net foreign exchange loss (gain)	(2,297)	531
Operating loss	1,009,903	1,099,325
Finance income	(25,082)	(47,080)
Net loss and comprehensive loss	984,821	1,052,245
Attributable to:		
Company shareholders	958,546	1,052,245
Non-controlling interest (Note 4)	26,275	-
Net loss per share		
Basic and diluted	\$0.01	\$0.01

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

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

	For the three-month periods ended September 30,	
	2021	2020
	\$	\$
Cash flows from operating activities		
Net loss	(984,821)	(1,052,245)
Items not affecting cash:		
Share-based compensation	310,625	-
Amortization of intangible assets	78,768	-
Depreciation of property, plant and equipment	7,170	5,570
Changes in non-cash operating working capital items:		
Sales tax receivable	(230,586)	386,917
Government assistance	38,425	133,000
Prepaid and other receivables	(2,164)	37,380
Accounts payable and accrued liabilities	201,667	304,847
	<u>(580,916)</u>	<u>(184,531)</u>
Cash flows from investing activities		
Acquisition of intangible assets (Note 4)	(5,384,922)	-
Acquisition of property, plant and equipment	-	(1,193,701)
	<u>(5,384,922)</u>	<u>(1,193,701)</u>
Change in cash	(5,965,838)	(1,378,232)
Cash, beginning of the period	20,125,836	26,638,101
Cash, end of the period	<u>14,336,348</u>	<u>25,259,869</u>
Supplemental information:		
Property, plant and equipment accounted for in accounts payable and accrued liabilities	1,163,537	1,340,743
Intangible assets accounted for in accounts payable and accrued liabilities	134,680	

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

Mason Graphite Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Reserves				Total	Non-controlling interest	Equity
	Number	Amount	Warrants	Broker warrants	Options	Deficit			
		\$	\$	\$	\$	\$	\$	\$	
Balance as of July 1, 2021	136,292,585	107,819,916	5,622,949	591,458	6,099,566	(95,242,007)	24,891,882	-	24,891,882
Issuance of shares for the acquisition of intangible assets (note 4)	-	-	-	-	-	(130,052)	(130,052)	3,983,152	3,853,100
Stock based compensation	-	-	-	-	310,625	-	310,625	-	310,625
Net loss and consolidated comprehensive loss for the period	-	-	-	-	-	(958,546)	(958,546)	(26,275)	(984,821)
Balance as of September 30, 2021	136,292,585	107,819,916	5,622,949	591,458	6,410,193	(96,330,605)	24,113,909	3,956,877	28,070,786
Balance adjusted 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	-	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)	(89,748,842)	-	(29,177,518)

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

Mason Graphite Inc.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2021 and 2020

(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 31, 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 consolidated 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, 2021, the Company had a working capital of \$ 12,978,665, an accumulated deficit of \$ 96,330,595 and a net loss of \$ 984,821 for the three-month period then ended. Working capital included a cash balance of \$ 14,336,348.

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 consolidated interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 25, 2021.

Mason Graphite Inc.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2021 and 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These unaudited condensed consolidated 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 consolidated interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended June 30, 2021.

The preparation of the condensed consolidated 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 consolidated interim financial statements are consistent with those of the previous financial year in addition to the application of the new policies that follow.

b) Scope of consolidation

The consolidated financial statements of the Company include the accounts of the parent company and its subsidiary. The parent company controls a subsidiary when it is exposed or entitled to variable returns because of its connection to the subsidiary and is able to directly influence these returns because of its power over the subsidiary. All transactions and balances between group companies are eliminated on consolidation, including unrealized gains and losses on transactions between group companies. The amounts presented in the financial statements of the subsidiary have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Company.

Gains and losses as well as other comprehensive income of subsidiaries acquired or sold during the period are recognized from the effective date of the acquisition, or until the effective date of the sale, depending on the case.

Subsidiary company

Information on the Company’s 66,67% owned subsidiary as of September 30, 2021:

SUBSIDIARY NAME	MAIN ACTIVITY	COUNTRY OF CONSTITUTION OF THE COMPANY
Black Swan Graphene Inc.	Graphene technology development	Canada

c) Non-Controlling interests

Non-controlling interests represent equity interests in subsidiaries held by external parties. The share of the net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income is recognized directly in equity even if the balance of income from non-controlling interests shows a loss. The Company treats transactions concluded with holders of non-controlling interests on the same basis as transactions in equity instruments. Changes in the parent company’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Mason Graphite Inc.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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d) Transaction fees

Transaction costs related to financial assets at amortized cost are recorded as an increase in the carrying amount of the asset while transaction costs related to financial liabilities at amortized cost are recorded as a reduction of the carrying amount of the liability. They are then recognized over the expected lifespan. Transaction costs include fees and commissions paid to agents, advisers, brokers and arbitrageurs, amounts levied by regulatory agencies and stock exchanges as well as transfer duties and taxes. Transaction costs do not include the premium for debt redemption or issuance, financing costs, internal administration costs, or carrying costs.

e) Intangible assets

Intangible assets that are acquired separately are initially recorded at cost. The cost of intangible assets acquired in a business combination is recognized at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if applicable. The useful life of intangible assets is assessed as being either finite or indefinite.

Fixed-life intangible assets are amortized over their useful life and are tested for impairment whenever there is any indication that the intangible asset may have depreciated. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each closing date. Changes in the expected useful life or in the consumption of future economic benefits of the asset are considered to be factors modifying the depreciation period or method, if any, and are treated as changes in accounting estimates. Depreciation expense for finite life intangible assets is recognized in the consolidated statements of net income and comprehensive income.

Identifiable intangible assets are recorded at cost and are amortized using the following method and useful lives:

Patents Linear 10 years

3. 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, 2021	141,841	4,951,941	625,000	5,718,782
Depreciation	(7,170)	-	-	(7,170)
Balance as of September 30, 2021	134,671	4,951,941	625,000	5,711,612
As of September 30, 2021				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(83,922)	-	-	(83,922)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	134,671	4,951,941	625,000	5,711,612

Mason Graphite Inc.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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4. ACQUISITION OF INTANGIBLE ASSETS

On August 26, 2021, the Company acquired a portfolio of patents through its now 66.67% (7,750,000 common shares) owned subsidiary Black Swan Graphene.

The acquisition of a portfolio of patents from Thomas Swan does not meet the definition of a business combination; therefore, the transaction has been accounted for as the acquisition of a group of assets in accordance with IAS 38 Intangible Assets. The total acquisition price was allocated to the assets acquired based on their relative fair value.

The purchase price of the intangible assets was calculated as follows:

Consideration paid

Common shares representing 33.33% interest in Black Swan issued at closing.....	\$ 3,853,100
Cash paid to Thomas Swan (1).....	\$ 5,216,050
Transaction fees (2).....	\$ 390,127

Net assets acquired

Intangible assets.....	\$ 9,459,277
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(1) Including \$ 176,350 already paid in Prepayment for the transaction as at June 30, 2021.

(2) Including \$ 255,447 already paid in Deferred charges for an upcoming transaction as at June 30, 2021.

5. ADDITIONAL INFORMATION

Value-added graphite products study charges are composed of:

	For the three-month periods ended September 30,	
	2021	2020
	\$	\$
Salaries	74,342	138,691
Subcontracting costs	97,481	272,507
General & office expenses	18,926	-
Short-term leases	11,185	10,403
	<u>201,935</u>	<u>421,601</u>

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