



MASON GRAPHITE INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)



Notice to Reader

The accompanying unaudited condensed interim financial statements of Mason Graphite Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by the entity’s auditor.

Management’s responsibility for financial reporting

Management is responsible for the preparation and presentation of the accompanying unaudited 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 unaudited 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 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.

“Peter Damouni”

Peter Damouni
Executive Director

“Carmelo Marrelli”

Carmelo Marrelli
Chief Financial Officer

Laval, Québec
February 27, 2023

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

Mason Graphite Inc.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

As at,	December 31, 2022	June 30, 2022
ASSETS		
Current assets		
Cash	\$ 8,249,057	\$ 7,316,990
Sales tax receivables	159,610	201,255
Government assistance	-	12,394
Prepaid and other receivable	52,041	92,395
Assets of subsidiary subject to loss of control (Note 4)	-	13,124,328
	8,460,708	20,747,362
Non-current assets		
Investment in associate (Note 4)	15,166,023	-
Property, plant and equipment (Note 3)	5,686,764	5,695,688
	20,852,787	5,695,688
Total assets	\$ 29,313,495	\$ 26,443,050
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 91,826	\$ 178,100
Liabilities of subsidiary subject to loss of control (Note 4)	-	99,025
	91,826	277,125
Total liabilities	91,826	277,125
EQUITY		
Share capital	110,305,542	107,819,916
Reserves	13,307,865	13,124,660
Deficit	(94,391,738)	(100,469,937)
	29,221,669	20,474,639
Non-Controlling Interest	-	5,691,286
Total equity	29,221,669	26,165,925
Total liabilities and equity	\$ 29,313,495	\$ 26,443,050

Nature of operations and liquidity risk (note 1)

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

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF LOSS (INCOME) AND COMPREHENSIVE LOSS (INCOME)
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended December 31,		For the six month ended December 31,	
	2022	2021	2022	2021
Expenses				
Salaries and consulting fees	\$ 749,624	\$ 214,549	\$ 945,941	\$ 430,509
Director fees	125,285	52,510	157,646	105,412
Professional fees	163,451	82,413	249,799	117,907
General office expenses	39,333	53,156	82,349	109,867
Travel and accommodation	58,247	2,357	75,257	3,814
Share-based compensation	84,629	272,938	183,205	583,563
Communication and promotion	12,647	12,824	20,182	55,102
Transfer agent and filing fees	67,215	64,262	88,002	87,887
Added-value processing (Note 6)	61,880	165,499	118,750	367,434
R&D expenses	-	-	-	6,573
Government assistance	(18,432)	(67,094)	(219,266)	(207,542)
Care and maintenance for Lac Gueret project	45,701	97,205	104,769	216,297
Depreciation (Note 3)	4,462	5,878	8,924	13,048
Operating net foreign exchange loss	10	1,199	(1,282)	(1,098)
Operating loss	1,394,052	957,696	1,814,276	1,888,773
Finance income	(23,122)	(18,108)	(38,468)	(43,190)
Gain on dilution of Black Swan Graphene Inc. (Note 4)	-	-	(10,477,469)	-
Loss on investment in associate (Note 4)	23,569	-	2,503,974	-
Gain on sale of equipment	(22,000)	-	(22,000)	-
Net loss (profit) from continuing operations (attributable to Company shareholders)	\$ 1,372,499	\$ 939,588	(6,219,687)	1,845,583
Net loss from discontinued operations (Note 4)	-	743,122	252,586	821,948
Net comprehensive loss (profit) for the period	\$ 1,372,499	\$ 1,682,710	\$ (5,967,101)	\$ 2,667,531
Attributable to:				
Company shareholders	\$ 1,372,499	\$ 1,387,176	\$ (6,078,199)	\$ 2,345,722
Non-controlling interest (Note 4)	\$ -	\$ 295,534	\$ 111,098	\$ 321,809
Net loss (profit) per share (Note 7)				
from continuing operations				
- basic and diluted	\$ 0.01	\$ 0.01	\$ (0.04)	\$ 0.02
from discontinued operations				
- basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total - basic and diluted	\$ 0.01	\$ 0.01	\$ (0.04)	\$ 0.02

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

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

	For the six month ended December 31,	
	2022	2021
	\$	\$
Cash flows used in operating activities		
Net income (loss) for the period	5,967,101	(2,667,531)
Items not affecting cash:		
Share-based compensation	183,205	583,563
Amortization of intangible assets	-	315,252
Depreciation	8,924	13,048
Gain on dilution of Black Swan Graphene Inc.	(10,477,469)	-
Loss on investment in associate	2,503,974	-
Changes in non-cash working capital items:		
Sales tax receivables	22,384	(87,533)
Government assistance	12,394	(15,198)
Prepaid and other receivable	43,119	(22,167)
Accounts payable and accrued liabilities	22,834	(128,400)
	(1,713,534)	(2,008,966)
Cash flows from financing activities		
Issuance of shares by the loss of control subsidiary	-	176,350
Private placement	2,485,626	2,980,085
	2,485,626	3,156,435
Cash flows used in investing activities		
Acquisition of intangible assets	-	(5,384,891)
Acquisition of property, plant and equipment	-	(629,328)
Loss of control of subsidiary	(3,965,488)	-
	(3,965,488)	(6,014,219)
Change in cash	(3,193,396)	(4,866,750)
Net change in cash classified within subsidiary loss of control	4,125,463	-
Cash, beginning of the period	7,316,990	20,125,836
Cash, end of the period	8,249,057	15,259,086
Cash flows from discontinued operations		
Operating activities	92,611	(570,675)
Financing activities	-	3,156,435
Investing activities	-	(5,384,891)
Supplemental information:		
Property, plant and equipment accounted for in accounts payable and accrued liabilities	-	1,163,537
Deferred charges for an upcoming transaction included in accounts payable and accrued liabilities	-	134,680

The accompanying notes are an integral part of these unaudited 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, 2022	136,292,585	107,819,916	5,622,949	591,458	6,910,253	(100,469,937)	20,474,639	5,691,286	26,165,925
Private placement - Common Shares	5,000,000	2,485,626	-	-	-	-	2,485,626	-	2,485,626
Loss of control of subsidiary	-	-	-	-	-	-	-	(5,580,188)	(5,580,188)
Share-based compensation	-	-	-	-	183,205	-	183,205	-	183,205
Net profit (loss) and comprehensive profit (loss) for the period	-	-	-	-	-	6,078,199	6,078,199	(111,098)	5,967,101
Balance, December 31, 2022	141,292,585	110,305,542	5,622,949	591,458	7,093,458	(94,391,738)	29,221,669	-	29,221,669
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
Issuance of shares by the subsidiary	-	-	-	-	-	445,300	445,300	2,554,785	3,000,085
Shares issued costs by the subsidiary	-	-	-	-	-	(11,200)	(11,200)	(8,800)	(20,000)
Share-based compensation	-	-	-	-	583,563	-	583,563	-	583,563
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,345,722)	(2,345,722)	(321,809)	(2,667,531)
Balance, December 31, 2021	136,292,585	107,819,916	5,622,949	591,458	6,683,129	(97,283,681)	23,433,771	6,207,328	29,641,099

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

Mason Graphite Inc.
Notes to Condensed Interim Financial Statements
Three and six months ended December 31, 2022, and 2021
(Expressed in Canadian Dollars, except where noted)
(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.

On October 26, 2022, Company announced today that the Company has completed its change of business from a "Tier 2 mining issuer" to a "Tier 2 investment issuer" (the "COB") pursuant to Policy 5.2 – Changes of Business and Reverse Takeovers of the TSX Venture Exchange (the "TSX-V") which was approved at the special meeting of shareholders of the Company held on July 14, 2022. Mr. Peter Damouni has been nominated as the new President, Chief Executive Officer and Corporate Secretary of the Company. Mr. Damouni was previously the Executive Director of the Company since January 2021.

These unaudited 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, 2022, the Company had a working capital of \$8,368,882, an accumulated deficit of \$94,391,738 and a net profit of \$6,219,687 for the six months ended December 31, 2022. Working capital included a cash balance of \$8,249,057.

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.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on February 27, 2023.

Mason Graphite Inc.
Notes to Condensed Interim Financial Statements
Three and six months ended December 31, 2022, and 2021
(Expressed in Canadian Dollars, except where noted)
(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, 2022.

The preparation of the unaudited 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 in addition to the application of the new policies that follow.

b) Scope of consolidation

On August 2, 2022, the Company lost control of its subsidiary Black Swan Graphene, as the result of an reverse take over transaction. The unaudited condensed interim financial statements of the Company include the accounts of the parent company (the Company) and its subsidiary while the Company held control of the 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 (loss) 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 subsidiary:

67% owned as of September 30, 2021	Consolidated
56% owned as of June 30, 2022	Consolidated
41.49% owned as of September 30, 2022 & December 31, 2022	Deconsolidated

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

Mason Graphite Inc.
Notes to Condensed Interim Financial Statements
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3. PROPERTY, PLANT AND EQUIPMENT

	IT equipment	Production equipment	Construction in progress	Total
	\$	\$	\$	\$
Balance, June 30, 2022	118,747	4,951,941	625,000	5,695,688
Depreciation	(8,924)	-	-	(8,924)
Balance, December 31, 2022	109,823	4,951,941	625,000	5,686,764
As of December 31, 2022				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(108,770)	-	-	(108,770)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	109,823	4,951,941	625,000	5,686,764
As of December 31, 2021				
Cost	141,841	4,951,941	625,000	5,718,782
Depreciation	(13,048)	-	-	(13,048)
Balance, December 31, 2021	128,793	4,951,941	625,000	5,705,734
As of December 31, 2021				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(89,800)	-	-	(89,800)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	128,793	4,951,941	625,000	5,705,734

4. BLACK SWAN GRAPHENE INC.

On August 26, 2021, the Company acquired a portfolio of patents through its subsidiary Black Swan Graphene Inc. ("Black Swan"), then 66.67% owned. Black Swan's activities constitute a new segment of the Company focused on graphene processing technologies.

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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Mason Graphite Inc.
Notes to Condensed Interim Financial Statements
Three and six months ended December 31, 2022, and 2021
(Expressed in Canadian Dollars, except where noted)
(Unaudited)

4. BLACK SWAN GRAPHENE INC. (continued)

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

- (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.

On November 8, 2021, Black Swan issued shares to a third party for consideration of \$3,000,085, reducing the Company's ownership from 66.67% to 56%. The subsidiary incurred issuance costs of \$20,000.

On August 2, 2022, Black Swan closed a Qualifying Transaction with Dragonfly pursuant to the terms of a share exchange agreement dated January 17, 2022 as amended, with Black Swan and its shareholders (the "Transaction"). The Transaction was completed by way of share exchange whereby Dragonfly acquired all of the outstanding common shares in the capital of Black Swan (each, a "Black Swan Share") from the shareholders of Black Swan (collectively, the "Black Swan Shareholders").

The \$7 million previously raised by Dragonfly through the issuance of subscription receipts were also released to Dragonfly. Following these transactions, the Company received 117,799,982 shares in Dragonfly, now renamed Black Swan Graphene Inc ("New Black Swan"), representing a participation of 41.49% in New Black Swan. The Company has accounted for its participation in New Black Swan as an investment in associate from the date of the Transaction, using the equity method.

In addition, the 1,225,000 options to purchase Black Swan Shares which were outstanding immediately prior to closing of the Transaction were cancelled and the holders thereof were granted an aggregate of 15,175,000 options to purchase common shares and 7,875,000 restricted share units of New Black Swan, under the terms of an omnibus equity incentive plan which was adopted by the board of directors of New Black Swan immediately after closing the Transaction.

During the period ended December 31, 2022, the Company's share of the losses from Black Swan was \$2,503,974.

The following table summarizes, in aggregate, the financial information of Black Swan.

	As of December 31, 2022
Cash	10,115,904
Total current assets	10,278,830
Total non-current assets	8,434,518
Total assets	18,713,348
Total current liabilities	327,151
Total non-current liabilities	-
	Three months ended December 31, 2022
Revenue	-
Loss from continuing operations and total comprehensive loss	6,231,116

5. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without nominal value which confer to each shareholder the right to vote at any meeting of the shareholders, except at meetings which only holders of special shares are entitled to attend, receive dividends declared by the Company thereon and share the residual property upon dissolution of the Company.

Mason Graphite Inc.
Notes to Condensed Interim Financial Statements
Three and six months ended December 31, 2022, and 2021
(Expressed in Canadian Dollars, except where noted)
(Unaudited)

5. SHARE CAPITAL (continued)

(a) Authorized (continued)

The Company has an unlimited number of special shares without nominal value which include certain rights and privileges. No special shares have been issued.

(b) Share issuances

On July 20, 2022, the Company completed a private placement of 5.0 million common shares at a price of \$0.50 per share for gross proceeds of \$2.5 million.

During the year ended June 30, 2022, the Company did not issue any common shares.

6. ADDITIONAL INFORMATION

Value-added graphite products study charges are composed of:

	For the three month period ended December 31,		For the six month period ended December 31,	
	2022	2021	2022	2021
Salaries	\$ -	\$ 45,491	\$ -	\$ 119,833
Subcontracting costs	18,552	104,738	37,423	202,220
General & office expenses	35,816	3,692	55,966	22,618
Rental	7,512	11,578	25,361	22,763
Total	\$ 61,880	\$ 165,499	\$ 118,750	\$ 367,434

7. NET LOSS PER SHARE

	For the three months December 31,		For the six month December 31,	
	2022	2021	2022	2021
Weighted average number of common shares	141,292,585	136,292,585	140,684,380	136,292,585
Dilutive effect on stock options	-	-	-	-
Weighted average of diluted common shares	141,292,585	136,292,585	140,684,380	136,292,585
Net loss (profit) from continuing operations attributable to common shareholders of Mason	1,372,499	1,387,176	(6,078,199)	2,345,722
Net loss from continuing operations per share – Basic and diluted	0.01	0.01	(0.04)	0.02
Net loss from discontinued operations attributable to common shareholders of Mason	-	295,534	111,098	321,809
Net loss from discontinued operations per share – Basic and diluted	0.00	0.00	0.00	0.00
Net loss (profit) attributable to common shareholders of Mason	1,372,499	1,682,710	(5,967,101)	2,667,531
Net loss (profit) per share – Basic and diluted	0.01	0.01	(0.04)	0.02

The effect of potential issuances of shares under options would be anti-dilutive for the period ended December 31, 2021 and accordingly, basic, and diluted losses per share are the same.