MASON GRAPHITE INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

Independent auditor's report

To the Shareholders of Mason Graphite Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mason Graphite Inc and its subsidiary (together, the Company) as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2022 and 2021;
- the consolidated statements of loss (income) and comprehensive loss (income) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Other information

Management is responsible for the other information. The other information comprises the 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

The engagement partner on the audit resulting in this independent auditor's report is Marc-Stéphane Pennee.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
October 27, 2022

[1] CPA auditor, public accountancy permit No.A123642

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

As at,	**June 30, 2022**	June 30, 2021
ASSETS		
Current assets		
Cash	**$ 7,316,990**	$ 20,125,836
Sales tax receivables	**201,255**	6,865
Government assistance (Note 4)	**12,394**	162,700
Prepaid and other receivable	**92,395**	64,461
Assets of subsidiary subject to impending loss of control (Note 6)	**13,124,328**	-
	20,747,362	20,359,862
Non-current assets		
Deferred charges for an upcoming transaction (Note 6)	**-**	255,447
Prepayment for an upcoming transaction (Note 6)	**-**	176,350
Property, plant and equipment (Note 5)	**5,695,688**	5,718,782
Total assets	**$ 26,443,050**	$ 26,510,441
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**$ 178,100**	$ 1,618,559
Liabilities of subsidiary subject to impending loss of control (Note 6)	**99,025**	-
Total liabilities	**277,125**	1,618,559
EQUITY		
Share capital	**107,819,916**	107,819,916
Reserves	**13,124,660**	12,313,973
Deficit	**(100,469,937)**	(95,242,007)
	20,474,639	24,891,882
Non-Controlling Interest	**5,691,286**	-
Total equity	**26,165,925**	24,891,882
Total liabilities and equity	**$ 26,443,050**	$ 26,510,441

Nature of operations and liquidity risk (note 1)
Subsequent events (notes 6 and 17)

Approved on behalf of the Board of Directors:

"Peter Damouni"
Director

"François Perron"
Director

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the years ended ended June 30, 2022	2021
Expenses		
Salaries and consulting fees	**$ 1,329,530**	$ 857,844
Director fees	**190,843**	271,662
Professional fees	**1,057,332**	2,047,975
General office expenses	**275,199**	215,971
Travel and accommodation	**50,897**	1,452
Share-based compensation (Note 9)	**810,687**	1,177,631
Communication and promotion	**119,040**	98,156
Transfer agent and filing fees	**159,103**	200,957
Services – Thomas Swan	**-**	-
Added-value processing (Note 10)	**425,192**	1,629,858
R&D expenses	**8,278**	8,400
Government assistance (Note 4)	**(215,242)**	(786,609)
Care and maintenance for Lac Gueret project	**308,470**	954,070
Amortization of intangible assets	**-**	-
Depreciation	**23,094**	31,218
Operating net foreign exchange loss	**(3,240)**	(1,679)
Operating loss	**4,539,183**	6,706,906
Finance income	**(73,563)**	(161,496)
Net loss from continuing operations (attributable to Company shareholders)	**4,465,620**	6,545,410
Net loss from discontinued operations (Note 6)	**2,918,392**	-
Net comprehensive loss for the year	**$ 7,384,012**	$ 6,545,410
Attributable to:		
Company shareholders	**$ 6,099,920**	$ 6,545,410
Non-controlling interest (Note 6)	**$ 1,284,092**	$ -
Net loss per share (Note 11)		
from continuing operations - basic and diluted	**$ 0.04**	$ 0.05
from discontinued operations - basic and diluted	**$ 0.01**	$ 0.00
Total - basic and diluted	**$ 0.05**	$ 0.05

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the years ended ended June 30,	
	2022	2021
	$	$
Cash flows used in operating activities		
Net loss for the year	**(7,384,012)**	(6,545,410)
Items not affecting cash:		
Share-based compensation	**1,824,870**	1,177,631
Amortization of intangible assets	**551,796**	-
Depreciation	**23,094**	31,218
Changes in non-cash working capital items:		
Sales tax receivables	**(273,871)**	501,472
Government assistance	**150,308**	80,300
Prepaid and other receivable	**(39,839)**	37,893
Accounts payable and accrued liabilities	**25,105**	(191,404)
	(5,122,549)	(4,908,300)
Cash flows from financing activities		
Issuance of shares by the subsidiary	**2,980,085**	-
Options exercised	**-**	29,898
	2,980,085	29,898
Cash flows used in investing activities		
Acquisition of intangible assets	**(5,208,541)**	(86,606)
Acquisition of property, plant and equipment	**(1,332,378)**	(1,370,907)
Prepayment for the transaction	**-**	(176,350)
	(6,540,919)	(1,633,863)
Change in cash	**(8,683,383)**	(6,512,265)
Net change in cash classified within subsidiary subject to impending loss of control	**(4,125,463)**	-
Cash, beginning of the year	**20,125,836**	26,638,101
Cash, end of the year	**7,316,990**	20,125,836
Cash flows from discontinued operations		
Operating activities	**(1,344,771)**	(168,841)
Financing activities	**2,980,085**	-
Investing activities	**(5,216,050)**	(262,956)
Supplemental information:		
Property, plant and equipment accounted for in accounts payable and accrued liabilities	**-**	1,332,378
Deferred charges for an upcoming transaction included in accounts payable and accrued liabilities	**-**	168,841

The accompanying notes are an integral part of these consolidated financial statements.

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended June 30, 2022 and 2021
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number	**Amount**	**Warrants**	**Broker warrants**	**Options**	**Deficit**	**Total**	**Non-controlling Interest**	**Equity**
		$	$	$	$	$	$	$	$
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	-	-	-	-	-	(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
Share issuance costs by the subsidiary	-	-	-	-	-	(11,200)	(11,200)	(8,800)	(20,000)
Share-based compensation	-	-	-	-	810,687	567,942	1,378,629	446,241	1,824,870
Net loss and comprehensive loss for the year	-	-	-	-	-	(6,099,920)	(6,099,920)	(1,284,092)	(7,384,012)
Balance, June 30, 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**
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**	**-**	**30,229,763**
Options exercised	65,000	49,400	-	-	(19,502)	-	29,898	-	29,898
Share-based compensation	-	-	-	-	1,177,631	-	1,177,631	-	1,177,631
Net loss and comprehensive loss for the year	-	-	-	-	-	(6,545,410)	(6,545,410)	-	(6,545,410)
Balance, June 30, 2021	**136,292,585**	**107,819,916**	**5,622,949**	**591,458**	**6,099,566**	**(95,242,007)**	**24,891,882**	**-**	**24,891,882**

The accompanying notes are an integral part of these consolidated financial statements.

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 consolidated 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 June 30, 2022, the Company had a working capital of $20,470,237, an accumulated deficit of $100,469,937 and a net loss of $4,465,620 for the year ended June 30, 2022. Working capital included a cash balance of $7,316,990.

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 consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on October 27, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's audited consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements to both reporting periods.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows.

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 (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
56% owned Subsequent to November 8, 2021

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Foreign currency

The Company's functional and presentation currency is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at the statement of financial position date. Exchange differences are recognized in expenses in the period in which they arise.

Cash

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalty.

Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary to put the asset into use, as well as the future cost of dismantling and removing the plant and associated infrastructure and restoring and rehabilitating the land on which it is situated. When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E. Replacement cost, including major inspection and overhaul expenditures are capitalized as components of PP&E, which are accounted for separately.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided on PP&E at the commissioning. Depreciation is calculated so as to write off the cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. IT equipment is depreciated using the straight-line method over its useful life which is between 3 and 10 years.

Capitalized costs, including certain mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related PP&E, are capitalized and proceeds from sales during this period are offset against capitalized costs. Upon completion of construction, mining property under development are amortized on a unit of production basis, which is measured by the portion of the mine's economically recoverable and proven ore reserves produced during the period. Impairment is tested in the same way as other non-financial assets.

Impairment is tested in the same way as other non-financial assets

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined had impairment not previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized to the cost of that asset until it is substantially completed, and it can be used as planned; these costs are subsequently amortized over the expected useful life of the asset. All other borrowing costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Common shares are classified as equity.

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs.

For offerings of units consisting of a common share and another equity instrument, the total fair value of the units is allocated between the common share and the other equity instrument based on their relative fair value. Transaction costs directly attributable to the issue of units are allocated between the instruments based on their relative fair values.

When the Company modifies the terms of warrants issued in a private placement, the adjusted measurement adjustment, as a result of the modifications, is recognized in equity (the deficit).

Share-based compensation

The fair value of stock options granted to employees is recognized as an expense or capitalized to PP&E assets, over the vesting period with a corresponding increase in option reserves which is the counterpart. 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, including directors of the Company. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date on which the goods or services are received.

The fair value is measured at the grant date and is recognized over the period during which the stock options vest. The fair value of 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 statement of financial position date, the amount recognized as an expense or capitalized to PP&E assets is adjusted to reflect the actual number of stock options that are expected to vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from its exercise, are recorded in share capital.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss (income) or in equity, in which case it is recognized in other comprehensive loss (income) or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss (income) per share

Basic loss (income) per share is based on the weighted average number of common shares of the Company outstanding during the year. The diluted loss (income) per share reflects the potential dilution of common share equivalents, such as outstanding share options, convertible debentures, broker warrants and warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

The calculation of loss (income) per share is based on the weighted average number of shares outstanding for each period. Basic loss (income) per share is calculated by dividing the profit or loss of the Company by the weighted average number of common shares outstanding during the year. The treasury stock method is used to determine the dilutive effect of the warrants, broker warrants, share options, and the if-converted method is used for the convertible debentures. Under the treasury stock method, when the Company reports a loss, the diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of the outstanding warrants, broker warrants and share options. Under the if-converted method, the convertible debentures are assumed to be converted at the later of the beginning of the year and the time of issuance and the loss is adjusted for transaction costs, interest accretion and the fair value fluctuation of the embedded derivatives.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expires.

<u>Financial Assets</u>

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value, then the initial measurement includes transaction costs that are directly attributable to the asset’s acquisition or origination. On initial recognition, the Company classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; and
- measured subsequently at fair value (either through other comprehensive loss, or through net loss).

Investments in equity instruments are classified at fair value through profit or loss, unless the Company makes, on an instrument-by-instrument basis, an irrevocable election to present in other comprehensive income its changes in fair value. For investments in debt instruments, the classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in net loss (income) or other comprehensive loss (income).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Assets (continued)

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets measured at fair value

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, in which case, gains and losses will never be reclassified to net loss (income), and no impairment may be recognized in net loss (income). Dividends earned from such investments are recognized in net loss (income), unless the dividend clearly represents a repayment of part of the cost of the investment.

iii) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified method permitted by IFRS 9 to trade receivables which requires the recognition of expected losses over the life of the accounts as of the initial recognition of these receivables. The Company assumes that there is no significant increase in credit risk for instruments with low credit risk.

Financial Liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

Associates are entities over which the Company has significant influence, but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of profits or losses of associates after the date of acquisition. The Company's share of profits or losses is recognized in the statement of loss and comprehensive loss, and its share of other comprehensive income or loss of associates is included in other comprehensive income or loss. Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss and comprehensive loss. The amounts included in the IFRS financial statements of the associates (Note 6) are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

The Company assesses at each year-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the statement of loss (income) and comprehensive loss (income).

Government assistance and Scientific Research and Experimental Development ("SR&ED") tax credit

The Company periodically receives financial assistance under government incentive programs and SR&ED tax credit. Government assistance is recognized initially when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the assistance. Assistance that compensates the Company for expenditures incurred is recognized against expenditures incurred on a systematic basis in the same periods in which the expenditures are incurred.

Tax credit related to resources and mining tax credit

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred. The refundable tax credit is recognized against the expenditures incurred.

Segment disclosures

The Company operates in a single segment focused on the extraction and processing of graphite products. All of the Company's activities are conducted in Canada.

Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of loss (income) and comprehensive loss (income), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are recognized as rights-of-use assets (presented in other non-current assets in the statement of financial position), with a corresponding liability to the date on which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the cost of financing. The cost of financing is charged to profit or loss over the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter period between the useful life of the asset and the term of the lease.

Non-current assets (or disposal groups) from subsidiary subject to impending loss of control and discontinued operations

Non-current assets (or disposal groups) are classified as subsidiary subject to impending loss of control if their carrying amount will be recovered principally through a loss of control rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified assets from subsidiary subject to impending loss of control. Interest and other expenses attributable to the liabilities of a disposal group classified as subsidiary subject to impending loss of control continue to be recognised.

Non-current assets classified as subsidiary subject to impending loss of control and the assets of a disposal group classified as subsidiary subject to impending loss of control are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as subsidiary subject to impending loss of control are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as subsidiary subject to impending loss of control and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to, the following:

i) Impairment of non-financial assets

Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment are the following: very negative trends in the industry or economic conditions, including graphite prices, changes in exchange rates, changes in mineral reserves, changes in graphite grade or recovery, and/or declines in market capitalization of the Company.

ii) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate, which is at least, but not limited to twelve (12) months from the end of the reporting period.

iii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets that could be recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within its control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each the end of the reporting period.

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities and interpretations of laws in Canada, including the rules and laws related to flow-through share financings. The Company is subject to assessments by tax authorities that may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

(Expressed in Canadian Dollars, except where noted)

4. GOVERNMENT ASSISTANCE

In December 2019, the Company finalized a contribution agreement with the Ministry of Energy and Natural Resources represented by its Support Program for Research and Innovation in the Mining Sector (PARIDM) in order to financially assist the Company in order to characterize mine waste rock and validate deposition scenarios with amendments in order to prevent acid mine drainage (AMD). According to the agreement and subject to certain conditions, the Company received expense reimbursements of up to $161,564 for the period from March 30, 2019, to June 30, 2022.

In October 2019, the Company finalized a contribution agreement with the Ministry of Energy and Natural Resources represented by its PARIDM in order to provide financial assistance to the Company in the demonstration of the robustness of the process and in the qualification of the products of the process for upgrading the graphite concentrate aimed at the production of materials for anodes. Under the terms of this agreement and subject to certain conditions, the Company received reimbursement of expenses of up to $600,000 for the period from April 1, 2019, to November 30, 2021.

As part of the contribution agreements, the Company accrued government assistance as detailed below:

	As of June 30, **2022**	2021
Amount recevied during the year	**$ 463,145**	$ 663,412
Amount recognized in the statement of loss (income) and comprehensive loss (income)	**$ 215,241**	$ 311,398
Amount receivable	**$ 12,394**	$ 162,700

5. PROPERTY, PLANT AND EQUIPMENT

	IT equipment	Production equipment	Construction in progress	Total
	$	$	$	$
Balance, July 1, 2021	**141,841**	**4,951,941**	**625,000**	**5,718,782**
Depreciation	(23,094)	-	-	(23,094)
Balance, June 30, 2022	**118,747**	**4,951,941**	**625,000**	**5,695,688**
As of June 30, 2022				
Cost	**218,593**	**15,069,570**	**32,469,164**	**47,757,327**
Accumulated depreciation	(99,846)	-	-	(99,846)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	**118,747**	**4,951,941**	**625,000**	**5,695,688**

	IT equipment	Production equipment	Construction in progress	Total
	$	$	$	$
Balance, July 1, 2020	**173,059**	**4,951,941**	**625,000**	**5,750,000**
Depreciation	(31,218)	-	-	(31,218)
Balance, June 30, 2021	**141,841**	**4,951,941**	**625,000**	**5,718,782**
As of June 30, 2021				
Cost	**218,593**	**15,069,570**	**32,469,164**	**47,757,327**
Accumulated depreciation	(76,752)	-	-	(76,752)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	**141,841**	**4,951,941**	**625,000**	**5,718,782**

(Expressed in Canadian Dollars, except where noted)

6. 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**

(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.

For the year ended June 30, 2022, the impact of the above changes on the Company's changes are as follows:

In light of the impending transaction between Dragonfly Capital Corp. ("Dragonfly") and Black Swan further described below pursuant to which the Company was to lose control over Black Swan, the latter has been classified as subsidiary subject to impending loss of control as of June 30, 2022 and its results operations were classified as a discontinued operations. As at June 30, 2022 the financial position of Black Swan is as follows :

As at,	**June 30, 2022**	June 30, 2021
ASSETS		
Current assets		
Cash	**$ 4,125,463**	$ -
Sales tax receivables	**79,481**	-
Prepaid and other receivable	**11,902**	-
	4,216,846	-
Non-current assets		
Intangible assets	**8,907,482**	-
Total assets	**$ 13,124,328**	$ -
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 99,025**	$ -
Total liabilities	**99,025**	-

(Expressed in Canadian Dollars, except where noted)

6. BLACK SWAN GRAPHENE INC. (continued)

Black Swan's statement of comprehensive loss is presented below, the numbers have been reclassified to match the financial groupings of Mason.

	For the years ended ended June 30,	
	2022	2021
Expenses		
Salaries and consulting fees	**$ 656,801**	$ -
Director fees	**54,000**	-
Professional fees	**333,432**	-
General office expenses	**66,414**	-
Travel and accommodation	**42,486**	-
Share-based compensation	**1,014,183**	-
Communication and promotion	**53,118**	-
Services – Thomas Swan	**146,162**	-
Amortization of intangible assets	**551,796**	-
loss from discontinued operations	**2,918,392**	-
Attributable to:		
Company shareholders	**$ 1,634,300**	$ -
Non-controlling interest (Note 6)	**$ 1,284,092**	$ -

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 will account for its participation in New Black Swan as an associate from the date of the Transaction.

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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	As of June 30,	
	2022	2021
Trade payables	**$ 57,533**	$ 192,564
Accrued liabilities	**120,567**	1,425,995
	$ 178,100	$ 1,618,559

8. 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.

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

During the year ended June 30, 2021, the Company has issued 65,000 common shares at a price of $0.46 per share following the exercise of stock option.

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

9. STOCK OPTIONS

Mason Stock options

The Company has an incentive stock option plan (the “Plan”) whereby it can grant to employees, directors, officers and consultants’ options to purchase its shares. The Plan provides for the issuance of stock options to acquire a maximum of 13,500,000 of the Company’s issued and outstanding capital. The terms and conditions of each option granted under the Plan will be determined by the Board of Directors. Options will be priced in the context of the market and in compliance with applicable securities laws and exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant. The Board shall determine the vesting period and the term of stock options granted under the Plan, provided that no stock option shall be outstanding for a period greater than ten years.

During the fiscal year ended June 30, 2021, the Company granted 6,925,000 options to directors, officers, consultants, and employees of the Company. The weighted average fair value of the options granted, as estimated at the time of grant, was $0.30. This value was calculated using the Black-Scholes pricing model and the following assumptions: weighted average exercise price of the options of $0.46 which corresponds to the share price at the time of grant, estimated life of five years, weighted average risk-free interest rate of 0.46%, volatility of 83% (based on past volatility of the Company's stock) and expected return on the stock of nil. The vesting periods are from the time of the grant to two years after the grant of options.

During the fiscal year ended June 30, 2022, the Company granted 400,000 options to directors, officers, consultants, and employees of the Company. The weighted average fair value of the options granted, as estimated at the time of grant, was $0.34. This value was calculated using the Black-Scholes pricing model and the following assumptions: weighted average exercise price of the options of $0.51 which corresponds to the share price at the time of grant, estimated life of five years, weighted average risk-free interest rate of 0.77%, volatility of 86.7% (based on past volatility of the Company's stock) and expected return on the stock of nil. The vesting periods are from the time of the grant to two years after the grant of options.

(Expressed in Canadian Dollars, except where noted)

9. STOCK OPTIONS (continued)

Mason Stock options (continued)

The following table reflects the continuity of options for the years ended June 30, 2022, and 2021:

	Number of stock options	Weighted average exercise price ($)
Balance, June 30, 2020	**1,570,000**	**1.470**
Granted	6,925,000	0.460
Expired	(370,000)	1.320
Exercised	(65,000)	0.460
Balance, June 30, 2021	**8,060,000**	**0.620**
Granted	400,000	0.510
Forfeited	(1,168,000)	1.351
Balance, June 30, 2022	**7,292,000**	**0.490**

As of June 30, 2022, the Company had the following options outstanding:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
April 4, 2023	1.850	0.76	150,000	150,000
January 12, 2026	0.46	3.54	6,742,000	4,494,667
September 2, 2026	0.51	4.18	400,000	133,333
	0.49	**3.52**	**7,292,000**	**4,778,000**

Share-based compensation costs related to Mason for the year ended June 30, 2022, totaled $810,687 (2021: $1,177,631).

Black Swan Stock options

Black Swan has a stock option plan (the “Plan”) pursuant to which the Black Swan's Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

Below is a summary of changes to stock options for the period ended June 30, 2022:

	Number of stock options	Weighted average exercise price ($)
Balance, June 30, 2021	**-**	**-**
Granted	1,225,000	1.050
Balance, June 30, 2021	1,225,000	1.050

(Expressed in Canadian Dollars, except where noted)

9. STOCK OPTIONS (continued)

Black Swan Stock options (continued)

On October 25, 2021, a total of 1,050,000 stock options was granted to certain directors, officers, and consultants of the Company with an exercise at a price of $1.00 expiring October 25, 2031. The options have been valued using a Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.99 based on the prior private placement price; expected volatility of 83% based on industry comparable entities, and risk-free rate of 1.54%.

On November 12, 2021, a total of 175,000 stock options was granted to certain directors, officers, and consultants of the Company with an exercise price of $1.36 expiring November 12, 2026. The options have been valued using a Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $1.36; based on the prior private placement price; expected volatility of 83% based on industry comparable entities, and risk-free rate of 1.54%.

Share-based compensation costs related to Black Swan for the year ended June 30, 2022, totaled $1,014,183 (2021: $nil).

The following schedule details stock options outstanding for Black Swan as at June 30, 2022:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
November 12, 2026	1.36	4.37	175,000	175,000
October 25, 2031	1.00	9.33	1,050,000	1,050,000
	1.05	**8.62**	**1,225,000**	**1,225,000**

10. ADDITIONAL INFORMATION

Value-added graphite products study charges are composed of:

	For the years ended June 30, 2022	2021
Salaries	**$ 141,817**	$ 499,617
Subcontracting costs	**226,881**	1,081,632
General & office expenses	**22,618**	6,193
Rental	**33,876**	42,416
Total	**$ 425,192**	$ 1,629,858

(Expressed in Canadian Dollars, except where noted)

11. NET LOSS PER SHARE

	For the years ended June 30, 2022	2021
Weighted average number of common shares	**136,227,585**	136,252,818
Weighted average of diluted common shares	**136,227,585**	136,252,818
Net loss from continuing operations attributable to common shareholders of Mason	**6,099,920**	6,545,410
Net loss from continuing operations per share – Basic and diluted	**0.04**	0.05
Net loss from discontinued operations attributable to common shareholdersof Mason	**1,284,092**	-
Net loss from discontinued operations per share – Basic and diluted	**0.01**	0.00
Net loss attributable to common shareholders of Mason	**7,384,012**	6,545,410
Net loss per share – Basic and diluted	**0.05**	0.05

The effect of potential issuances of shares under options would be anti-dilutive for the years ended June 30, 2022 and 2021, and accordingly, basic, and diluted losses per share are the same.

12. INCOME TAXES

Rate reconciliation

A reconciliation of actual income tax expense and the accounting loss multiplied by the Company's statutory tax rate of 26.5% (2021 - 26.5%) is as follows:

	For the years ended June 30, 2022	2021
Loss before income taxes	**$ (4,465,620)**	$ (6,545,410)
	26.50 %	26.50 %
Expected income tax recovery based on statutory rate	**(1,183,000)**	(1,735,000)
Non-deductible expenses	**211,000**	241,000
Change in unrecognized DITA	**972,000**	1,494,000
Deferred income tax expense	$ -	$ -

Deferred tax assets and liabilities

The tax effects of the following temporary differences have not been recognized in the consolidated financial statements.

	For the years ended June 30, 2022	2021
The following are the temporary differences with no expiring date on which no tax asset has been recognized:		
E&E assets	**$ 27,866,000**	$ 27,501,000
Property, plant and equipment	**37,740,000**	37,717,000
Assets classified within subsidiary subject to impending loss of control	**1,904,000**	-
Research and development expenses	**4,094,000**	3,400,000
Share issue costs	**16,000**	490,000
	$ 71,620,000	$ 69,108,000

(Expressed in Canadian Dollars, except where noted)

12. INCOME TAXES (continued)

Non-capital losses

As of June 30, 2022, the Company had accumulated non-capital losses for tax purposes which can be used to reduce taxable income in the future amount to approximately $34,946,000 ($32,005,000 as of June 30, 2021).

Non-capital loss carry forwards expiring in:	Federal	Quebec
2034-2042	$ 34,946,000	$ 36,263,000

13. CAPITAL MANAGEMENT

The capital structure of the Company as of June 30, 2022, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

The Company manages and adjusts its capital structure based on available funds in order to support the development of its Lac Gueret and its value-added product projects. The Board of Directors reviews, on a regular basis, the financial viability of projects before allocating its capital. The Company is not subject to any externally imposed capital requirements.

The Company is currently managing two projects, the development of the Lac Gueret primary processing project, in which major expenditures have been postponed until such time as is deemed appropriate, and the evaluation of a value-added graphite products project. In order to carry out the planned activities and pay for administrative costs, the Company will rely on its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management notes, objectives, policies, and proceedings during 2022 and 2021. Changes in capital are described in the statements of changes in equity.

14. RELATED PARTY TRANSACTIONS

As of June 30, 2022, the balance due to the related parties amounted to $18,046 (as of June 30, 2021: $nil). The amounts due are mainly directors' fees, do not bear interest, are not guaranteed and are payable on request.

As of June 30, 2022, included in prepaid and other receivables are amounts related to prepayments to related parties of $34,177 (as of June 30, 2021: $nil).

	For the years ended June 30,	
	2022	2021
Salaries, consulting fees and other benefits	**$ 569,403**	$ 1,198,437
Severance fees	**109,154**	167,416
Directors fees	**160,000**	271,662
Share-based compensation – Management	**383,705**	484,657
Share-based compensation – Directors	**396,286**	612,198
	$ 1,618,548	$ 2,734,370

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

14. RELATED PARTY TRANSACTIONS (continued)

The Company is party to certain management contracts. Minimum commitments under these contracts are approximately $750,000. These contracts require that maximum payments of approximately $925,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value

The Company has determined that the carrying value of its short-term financial assets and financial liabilities, including cash and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

Credit

The Company's cash is held in accounts with Canadian chartered banks. Management believes that the credit risk with respect to these financial instruments is minimal.

Liquidity

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital and maintain liquidity (Note 1).

Currency (foreign exchange)

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is limited currency risk at this time.

As of June 30, 2022, the Company's cash was mainly held in Canada in Canadian dollars. The Company does not have other significant monetary assets and liabilities in currencies other than its functional currency.

Interest rate

The Company's cash balance is subject to interest rate cash flow risk, as it carries a variable rate of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on the cash as of June 30, 2022, an (increase) decrease of 0.5% in interest rates could result in an (increase) decrease in the annual net loss of approximately $7,398.

The Company's accounts payable and accrued liabilities are non-interest bearing.

16. COMMITMENTS

The Company and the Innu Council of Pessamit signed the Mushalakan Agreement in June 2017, an Impact Benefit Agreement ("IBA" for the construction and operation of the Lac Guéret project (Lac Guéret mine and Baie-Comeau concentrator). Under this agreement, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut (members of the Innus of Pessamit community). Additionally, this agreement will allow the Innus of Pessamit to participate in the Project concretely, through contracting opportunities and will ensure fair and equitable financial and socio-economic benefits.

17. SUBSEQUENT EVENTS

Only July 20, 2022, the Company announced the initial closing of the previously announced transactions contemplated under the investment agreement dated May 15, 2022 (the "Investment Agreement") between the Company and Nouveau Monde Graphite Inc. ("Nouveau Monde"), which was approved by the shareholders of the Company on July 14, 2022.

Pursuant to the Investment Agreement, Mason Graphite has entered into an option and joint venture agreement (the "OJV Agreement") with Nouveau Monde.

Under the Option and JV Agreement, Mason Graphite granted an option to NMG to acquire a 51% interest in the Property to be exercisable by NMG (i) through the incurrence of work expenditures, including, but not limited to, the treatment of ores, concentrates, and other mineral products at NMG's Demonstration Plant aggregating a minimum of C$10.0 million (the "Option Expenditure Threshold") in respect of the exploration, development, mining, production, commercialization and sale of products in direct relation to the Property (the "First Option Condition") as soon as reasonable and, subject to the Option Extension (as defined below), within twenty-four (24) months from the execution of the Option and JV Agreement (the "First Option Condition Deadline"), and (ii) the preparation of (a) a NI 43-101 preliminary economic assessment, with an increased project capacity from 52,000 tonnes per annum to a minimum of 250,000 tonnes per annum, within 6 months following the execution of the Option and JV Agreement, and (b) a NI 43-101 bankable feasibility study within 18 months following the execution of the Option and JV Agreement (collectively, the "Second Option Condition").

If prior to the First Option Condition Deadline, NMG has satisfied the First Option Condition and is, in the reasonable opinion of NMG and Mason Graphite, working diligently and continuously towards satisfying the Second Option Condition, the parties shall agree in writing to extend the deadline to satisfy the Second Option Condition for successive periods of six (6) months and ending no later than thirty-six (36) months from the execution of the Option and JV Agreement (the latest of such periods, the "Option Deadline"). Any expenditures incurred to satisfy the Second Option Condition above the Option Expenditure Threshold will be assumed by NMG, and unless otherwise mutually agreed to by the parties in writing, a failure by NMG to satisfy the Second Option Condition prior to the Option Deadline will be deemed to be an election by NMG not to have exercised its option to become the owner of a 51% interest in the Property and will result in the automatic termination of the Option and JV Agreement.

The Joint Venture will be formed if NMG exercises its option and becomes the owner of a 51% interest in the Property. The Joint Venture will be formed with the objective of further exploring the Property and, if deemed warranted by NMG and Mason Graphite, of developing, constructing, and operating a mine on the Property or a part of it, and commercializing the minerals derived therefrom. The Joint Venture will also have full and continuous access to NMG's Demonstration Plant and the expertise of NMG in order to support the commercialization of the graphite derived from the Property.

Concurrently with the execution of the OJV Agreement, Mason Graphite and Nouveau Monde have completed the private placement of 5.0 million common shares of the Company (the "Initial Shares") to Nouveau Monde at a price of $0.50 per Initial Share for gross proceeds to the Company of $2.5 million. The Company intends to use the net proceeds from the sale of the Initial Shares to fund agreed expenses on the Lac Guéret property pursuant to the OJV Agreement. The Initial Shares will be subject to a four-month hold period pursuant to applicable securities laws.

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.