



MASON GRAPHITE INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)



Management’s responsibility for financial reporting

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

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

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

“Jean L’Heureux”

Jean L’Heureux
Chief Operating Officer

“Pascale Choquet”

Pascale Choquet
Chief Financial Officer (Interim)

Laval, Québec

May 27, 2021

Mason Graphite Inc.

INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

	<u>March 31, 2021</u>	<u>June 30, 2020</u>
	\$	\$
ASSETS		
Current assets		
Cash	21,182,345	26,638,101
Sales tax receivable	12,236	508,337
Government assistance receivable	213,500	243,000
Prepaid and other receivables	66,009	102,354
	<u>21,474,090</u>	<u>27,491,792</u>
Non-current assets		
Property, plant and equipment (Note 4)	<u>5,727,464</u>	<u>5,750,000</u>
Total assets	<u><u>27,201,554</u></u>	<u><u>33,241,792</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>1,735,269</u>	<u>3,012,029</u>
Total liabilities	<u><u>1,735,269</u></u>	<u><u>3,012,029</u></u>
EQUITY		
Share capital	107,819,752	107,770,516
Reserves	12,054,287	11,155,844
Deficit	<u>(94,407,754)</u>	<u>(88,696,597)</u>
Total equity	<u><u>25,466,285</u></u>	<u><u>30,229,763</u></u>
Total equity and liabilities	<u><u>27,201,554</u></u>	<u><u>33,241,792</u></u>

Note 1 - Nature of operations and liquidity risk

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "Peter Damouni", Executive director

Signed "Simon Marcotte", Executive director

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

Mason Graphite Inc.

INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

(Unaudited)

	For the three-month periods		For the nine-month periods	
	ended March 31,		ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expenses				
Salaries and consulting fees	263,248	520,845	612,777	1,162,205
Director fees	70,203	72,442	219,800	196,684
Professional fees	382,101	74,710	1,959,497	346,589
General & office expenses	61,805	75,290	169,572	193,436
Travel and accommodation expenses	-	21,841	11,337	102,092
Share-based compensation (Note 6)	917,943	2,875	917,943	24,438
Communication and promotion expenses	34,269	1,473	68,045	2,664
Transfer agent and filing fees	47,312	6,504	205,623	80,734
Value-added graphite products study (Note 5)	390,979	576,300	1,220,915	1,399,790
Research and development expenses	2,100	2,553	6,300	9,343
Government assistance	-	(139,459)	(424,169)	(497,289)
Care and maintenance for Lac Guéret project	87,919	-	851,718	-
Depreciation	8,483	6,814	22,536	20,441
Capital loss charge	-	38,863,710	-	38,863,710
Operating net foreign exchange loss	(1,079)	(1,470)	1,086	1,596
Operating loss	2,265,283	40,084,428	5,842,980	41,906,433
Share of loss of an associate (Note 3)	-	-	-	374,015
Loss on dilution of investment on associate (Note 3)	-	-	-	583,600
Net gain on financial assets at fair value through profit or loss (Note 3)	-	-	-	(261,000)
Net gain on disposition of investment in associate (Note 3)	-	-	-	(20,057,682)
Finance income	(40,649)	(226,557)	(131,823)	(397,834)
Net loss and comprehensive loss (profit)	2,224,634	39,857,871	5,711,157	22,147,532
Loss per share				
Basic and diluted	0,02	0,29	0,04	0,16

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

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

	For the nine-month periods ended March 31,	
	2021	2020
	\$	\$
Cash flows from operating activities		
Profit (loss) for the period	(5,711,157)	(22,147,532)
Items not affecting cash:		
Share-based compensation	917,943	24,438
Depreciation	22,536	20,441
Share of loss of an associate	-	374,015
Loss on dilution of investment on associate	-	583,600
Net gain on financial assets at fair value through profit or loss	-	(261,000)
Net gain on disposition of investment in associate	-	(20,057,682)
Impairment charge	-	38,863,710
Changes in non-cash operating working capital items:		
Sales tax receivable	496,101	480,386
Government assistance receivable	29,500	(130,000)
Prepaid and other receivables	36,346	46,707
Accounts payable and accrued liabilities	(83,062)	10,875
	<u>(4,291,793)</u>	<u>(2,192,042)</u>
Cash flows from financing activities		
Options exercised	29,738	-
	<u>29,738</u>	<u>-</u>
Cash flows from investing activities		
Investment in associate	-	(778,000)
Mining tax credit received	-	28,137,803
Acquisition of property, plant and equipment	(1,193,701)	(4,877,527)
	<u>(1,193,701)</u>	<u>22,482,275</u>
Change in cash	(5,455,756)	20,290,233
Cash, beginning of the period	26,638,101	10,618,396
Cash, end of the period	<u>21,182,345</u>	<u>30,908,629</u>
Supplemental information:		
Property, plant and equipment expenditures included in accounts payable and accrued liabilities	1,340,743	2,571,420
Share-based compensation charged to property, plant and equipment	-	31,721

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

Mason Graphite Inc.

INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Reserves				Equity
	Number	Amount	Warrants	Broker warrants	Options	Deficit	
		\$	\$	\$	\$	\$	\$
Balance as of July 1, 2020	136,227,585	107,770,516	5,622,949	591,458	4,941,437	(88,696,597)	30,229,763
Options exercised	65,000	49,238	-	-	(19,500)	-	29,738
Share-based compensation (Note 6)	-	-	-	-	917,943	-	917,943
Net loss and comprehensive loss for the period	-	-	-	-	-	(5,711,157)	(5,711,157)
Balance as of March 31, 2021	<u>136,292,585</u>	<u>107,819,752</u>	<u>5,622,949</u>	<u>591,458</u>	<u>5,839,880</u>	<u>(94,407,754)</u>	<u>25,466,285</u>
Balance as of July 1, 2019	136 227 585	107 770 516	5,622,949	591,458	4,885,277	(31,018,987)	87,851,213
Share-based compensation	-	-	-	-	56,159	-	56,159
Net income and comprehensive income for the period	-	-	-	-	-	(22,147,532)	(22,147,532)
Balance as of March 31, 2020	<u>136 227 585</u>	<u>107 770 516</u>	<u>5,622,949</u>	<u>591,458</u>	<u>4,853,964</u>	<u>(60,332,282)</u>	<u>58,506,606</u>

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

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

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

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

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

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

As of March 31, 2021, the Company had a working capital of \$ 19,738,821, an accumulated deficit of \$ 94,407,754 and a net loss of \$ 5,711,157 for the nine-month periods ended that date. Working capital included a cash balance of \$ 21,182,345.

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures for the next 12 months. The Company's ability to continue its development activities of the Lac Guéret project is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt financing, royalty financing and other capital market alternatives. Management is currently seeking such sources of funding. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

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

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on May 27, 2021.

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

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

3. INVESTMENT IN ASSOCIATE

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	IT equipment	Production equipment	Construction in progress	Total
	\$	\$	\$	\$
Balance as of July 1, 2020	173,059	4,951,941	625,000	5,750,000
Depreciation	(22,536)	-	-	(22,536)
Balance as of March 31, 2021	150,523	4,951,941	625,000	5,727,464
As of March 31, 2021				
Cost	218,593	15,069,570	32,469,164	47,757,327
Accumulated depreciation	(68,070)	-	-	(68,070)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	150,523	4,951,941	625,000	5,727,464

Following the decision to postpone, until further notice, the development of the Lac Guéret mine and concentrator (first transformation of the Lac Guéret project), the care and maintenance costs of the Lac Guéret project have been expensed. as they are incurred, compared to the corresponding semester of the previous fiscal year, December 31, 2019, where care and maintenance costs were capitalized.

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

5. ADDITIONALS INFORMATIONS

Value-added graphite products study charges are composed of:

	For the three-month periods ended March 31,		For the nine-month periods ended March 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries	137,049	183,567	417,508	398,230
Subcontracting costs	241,396	375,120	765,572	949,831
General & office expenses	1,830	7,347	6,193	18,960
Location	10,704	10,266	31,642	32,769
	390,979	576,300	1,220,915	1,399,790

6. 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 three and nine-month periods ending March 31, 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.

The following table reflects the continuity of options for the nine-month periods ending March 31, 2021:

	Number of options	Weighted average exercise price
Balance as of July 1, 2020	1,570,000	\$1.47
Granted	6,925,000	\$0.46
Expired	(270,000)	\$1.12
Exercised	(65,000)	\$0.46
Balance as of March 31, 2021	8,160,000	\$0.63

Share-based compensation costs for the three and nine-month periods totalled \$ 917,943 which \$ 854,979 for directors and officers (comparable to the nine-month periods ended March 31, 2020: \$ 24,438).

Mason Graphite Inc.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)
