GLOBAL LI-ION GRAPHITE CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended August 31, 2021 and 2020

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(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Li-Ion Graphite Corp.:

Opinion

We have audited the consolidated financial statements of Global Li-Ion Graphite Corp and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information 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 in this auditor's report. 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 International Financial Reporting Standards, 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.

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 Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
December 29, 2021

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31,
(Expressed in Canadian Dollars)

	2021	2020
ASSETS		
Current		
Cash	$ 236,534	$ 165,327
Amounts receivable	897	897
GST recoverable	3,552	2,777
Deposits and prepaid expenses	75,800	78,062
Amounts due from related parties (Note 3)	30,836	14,907
Investments (Note 4)	35,000	30,000
	382,619	291,970
Non-Current		
Exploration and evaluation assets (Note 5)	3,830,162	3,751,632
Total Assets	$ 4,212,781	$ 4,043,602
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 153,736	$ 216,399
Amounts due to related parties (Note 3)	234,981	269,220
	388,717	485,619
EQUITY		
Share capital (Note 6)	10,688,590	9,386,894
Share subscriptions received	-	159,366
Reserves	1,515,107	1,250,333
Deficit	(8,379,633)	(7,238,610)
	3,824,064	3,557,983
Total Liabilities and Equity	$ 4,212,781	$ 4,043,602

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Directors on December 29, 2021:

"Jason Walsh" Director *"Geoff Watson"* Director

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended August 31,
(Expressed in Canadian Dollars)

	2021	2020
EXPENSES		
Administration fees (Note 7)	$ 45,721	$ 45,600
Advertising and awareness	276,577	1,000
Consulting fees (Note 7)	291,960	207,412
Foreign exchange	23,746	(3,217)
General and administrative (Note 7)	38,444	30,705
Management fees (Note 7)	50,000	35,000
Professional fees (Note 7)	98,943	76,519
Stock-based compensation (Notes 6 and 7)	264,774	147,897
Travel, meals and entertainment	39,265	13,921
	(1,129,430)	(554,837)
Interest income	2,022	-
Unrealized gain on investment (Note 4)	5,000	19,000
Write-down of exploration and evaluation assets (Note 5)	(18,615)	-
Net and comprehensive loss	$ (1,141,023)	$ (535,837)
Loss per share – basic and diluted	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	61,183,810	47,546,696

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended August 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of Shares	Share capital	Share subscriptions received	Reserves	Deficit	Total
Balance August 31, 2019	47,083,682	$ 9,304,394	$ -	$ 1,102,436	$ (6,702,773)	$ 3,704,057
Shares issued pursuant to:						
Property acquisition	250,000	22,500	-	-	-	22,500
Debt settlement	500,000	60,000	-	-	-	60,000
Share subscriptions received	-	-	162,041	-	-	162,041
Share issuance costs	-	-	(2,675)	-	-	(2,675)
Stock-based compensation	-	-	-	147,897	-	147,897
Net loss for the year	-	-	-	-	(535,837)	(535,837)
Balance August 31, 2020	47,833,682	9,386,894	159,366	1,250,333	(7,238,610)	3,557,983
Shares issued pursuant to:						
Private placement	9,000,684	540,041	(159,366)	-	-	380,675
Exercise of warrants	6,491,850	767,355	-	-	-	767,355
Share issuance costs	-	(5,700)	-	-	-	(5,700)
Stock-based compensation	-	-	-	264,774	-	264,774
Net loss for the year	-	-	-	-	(1,141,023)	(1,141,023)
Balance August 31, 2021	63,326,216	$ 10,688,590	$ -	$ 1,515,107	$ (8,379,633)	$ 3,824,064

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

GLOBAL LI-ION GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2021 and 2020
(Expressed in Canadian Dollars)

		2021		2020
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss for the year	$	(1,141,023)	$	(535,837)
Unrealized gain on investment		(5,000)		(19,000)
Stock-based compensation		264,774		147,897
Write-down of exploration and evaluation assets		18,615		-
Changes in working capital:				
GST recoverable		(775)		547
Deposits and prepaid expenses		2,262		1,888
Accounts payable and accrued liabilities		(62,663)		91,371
Cash used in operating activities		(923,810)		(313,134)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued, net of share issuance costs		1,142,330		-
Subscriptions collected		-		162,041
Advances from (repayments to) related parties		(50,168)		130,850
Cash provided by financing activities		1,092,162		292,891
CASH FLOWS USED IN INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets		(97,145)		(40,590)
Cash used in investing activities		(97,145)		(40,590)
Change in cash		71,207		(60,833)
Cash, beginning		165,327		226,160
Cash, ending	$	236,534	$	165,327
Supplemental disclosures				
Fair value of shares issued for the acquisition of exploration and evaluation assets	$	-	$	22,500
Shares issued for debt settlement	$	-	$	60,000

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Global Li-Ion Graphite Corp. (the "Company") was incorporated under the laws of the province of British Columbia on November 6, 2014. The Company's principal business is the exploration and evaluation of mineral resources. The Company's corporate office is located at 908 - 510 Burrard Street, Vancouver B.C. Effective July 11, 2017, the Company completed a corporate name change from "Thelon Diamonds Ltd." to "Global Li-Ion Graphite Corp." and effective July 14, 2017, the Company trades on the Canadian Securities Exchange (the "CSE") under the symbol LION.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, 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. During the year ended August 31, 2021, the Company has not generated revenues, net loss was $1,141,023 (2020: $535,837) and, as at August 31, 2021, it had working capital deficit of $6,098 (2020: $193,649). The ability of the Company to remain in operation as a going concern is dependent on its ability to obtain necessary financing, generate positive cash flows and, ultimately, the achievement of profitable operations.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These events and conditions create a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. As the outcome of these matters cannot be predicted at this time, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation (continued)

The consolidated financial statements include Global Li-Ion Graphite Corp. and its wholly owned subsidiary Khensani Limited ("Khensani") from the date of acquisition, April 4, 2018, which owns 100% of Avana Industrial Minerals ("AIM"). All inter-company transactions have been eliminated.

Subsidiaries are entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company, and its wholly owned subsidiaries, is the Canadian dollar, which is also the Company's presentation currency.

(c) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to the following:

i. The composition of deferred income tax assets and recognition of deferred income tax assets; and
ii. The recoverable amount of exploration and evaluation assets.

Critical accounting judgments

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The judgments which may have an effect on the amounts recognized in the consolidated financial statements include the following:

i. The determination of categories of financial assets and financial liabilities;
ii. The determination of the functional currencies of the Company and its subsidiaries;
iii. The assessment of going concern; and
iv. The assessment of impairment indicators for the exploration and evaluation assets.

(d) Exploration and evaluation assets

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and evaluation assets (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyancing history common to many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Exploration and evaluation assets are classified as intangible assets.

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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 assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company'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 are either recorded in profit or loss or OCI.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. Cash, amounts receivable, and due from related parties are classified in this category.

Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest method. The Company had no financial assets classified in this category.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss in the period in which it arises. The investments are classified in this category.

Financial liabilities

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company has not designated any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost, which include accounts payable and accrued liabilities, and amounts due to related parties. These financial liabilities are classified as current liabilities as the related payments are due within 12 months, or on demand.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share capital

Common shares, options and warrants are classified as equity.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price on the date of grant, and the balance, if any, to the warrants within reserves.

(i) Share issue costs

Share issue costs that are directly attributable to issuing new shares are deducted from equity, net of any tax effects.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

(ii) Equity instruments issued as consideration

Other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the quoted trading price of those shares on the date of grant.

(iii) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share using the residual value method into: i) share capital; and ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial liability until paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Stock-based compensation

The Company accounts for stock options and warrants granted to directors, officers, employees and non-employees at fair value. The fair value of the options and warrants to employees, including directors, at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations or share capital using the graded vesting method, with an offsetting credit to reserves, over the vesting periods. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted, and is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

(i) Income/(loss) per share

Basic income/(loss) per share is calculated by dividing the income/(loss) for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted income/(loss) per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

(j) Foreign currency transactions

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

(k) Income taxes

Income tax 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 equity, in which case the income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(Expressed in Canadian Dollars)

3. AMOUNTS DUE TO AND FROM RELATED PARTIES

Bios Energy Corp., Bua Capital Management Ltd., Bua Group Holdings, Incubara Capital Corp., Swiss EMX and XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.) ("XRApplied") are companies with directors in common with the Company. Unless otherwise noted amounts due from and to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Amounts due from related parties

	August 31, 2021	August 31, 2020
Director	$ 3,940	$ 3,940
Bios Energy Corp.	1,457	-
Incubara Capital Corp.	4,472	-
Swiss EMX	20,967	10,967
Total	$ 30,836	$ 14,907

Amounts due to related parties

	August 31, 2021	August 31, 2020
Bua Capital Management Ltd.	$ 59,957	$ 129,782
Bua Group Holdings	3,140	15,110
Incubara Capital Corp.	19,384	19,384
XRApplied Technologies Inc.	-	1,944
Directors	152,500	103,000
Total	$ 234,981	$ 269,220

The amount due to Incubara Capital Corp. was interest-bearing at 25% and was due on March 31, 2019. The Company also agreed to pay a financing bonus of 25% of the principal in shares, which amount along with interest of $5,750 has been accrued in the balance at August 31, 2018. During the year ended August 31, 2019, the Company accrued interest of $13,635 and made repayments consisting of cash of $125,230 and issued 312,500 common shares and 312,500 warrants of the Company valued at $82,812 resulting in a loss on settlement of debt of $51,563. Each warrant is exercisable at $0.12 until February 12, 2021. The Company is currently negotiating the terms of repayment of the outstanding interest amount of $19,384.

4. INVESTMENTS

On December 22, 2015, the Company acquired 100,000 units in XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.) ("XRApplied"), a company with directors in common, for $0.10 per unit for total consideration of $10,000. Each unit consists of one common share in XRApplied and one common share purchase warrant exercisable for a period of 3 years at $0.50 per share. Effective April 8, 2019, XRApplied consolidated its common shares on the basis of one post-consolidation common share for every 10 pre-consolidation common shares. The number of shares and per share amounts of XRApplied have been retroactively restated in these consolidated financial statements to reflect this share consolidation.

The fair value of the share portion of the unit was determined using the stock price of XRApplied as at the date of the consolidated statement of financial position.

As at August 31, 2021, the fair value of the 100,000 common shares of XRApplied was $35,000 (2020: $30,000). The Company recorded an unrealized gain on investment of $5,000 during the year (2020: $19,000).

5. EXPLORATION AND EVALUATION ASSETS

a) Lac de Gras property

During the year ended August 31, 2016, the Company acquired an interest in the Lac de Gras property, Northwest Territories. The Company holds a 29.46 % interest in 3 claims, pursuant to a NMT Head Agreement with Peregrine Diamonds Ltd. The property is subject to a Gross Overriding Royalty ("GOR") of 4% on diamonds and a net smelter royalty ("NSR") of 4% on all metals, of which 50% of either of these royalties can be purchased for $4,000,000.

In addition to the royalty noted above, royalty payments would also be required to be made to the Government of the Northwest Territories in the event of future production.

In 2017, management wrote down the costs accumulated on the Lac de Gras property to $10,000 as an asset impairment. Management still believes that the property is of merit and warrants continued development, however a lack of activity due to market conditions, necessitated a write down in line with the Company's accounting policy for exploration and evaluation assets.

b) Neuron Graphite Project

On October 27, 2017, and amended October 25, 2019, the Company entered into an option agreement to purchase a 100% interest in the Neuron Graphite Project in the Thompson mining district of Northern Manitoba from Callinex Mines Inc. ("Callinex").

The Company may exercise its option to acquire 100% of the Neuron Graphite Project from Callinex by:

- Paying $200,000 cash (paid) and issuing 1,000,000 common shares (issued – fair value of $760,000) to Callinex within three days of signing the option agreement; and
- Issuing 1,000,000 common shares to Callinex on the second anniversary of signing the option agreement. On November 7, 2019, the Company agreed to extend the deadline to issue these common shares by one full year. In consideration for this extension, the Company issued an additional 250,000 common shares to Callinex valued at $22,500 (Note 6). On October 25, 2020, Callinex and the Company entered into a second amendment agreement to extend the deadline to issue 1,000,000 common shares to Callinex by October 27, 2021. As at the date of approval of these consolidated financial statements, the 1,000,000 common shares had not yet been issued.

The Company also issued 100,000 common shares with a fair value of $76,000 as a finder's fees.

The Company is also required to issue 3,000,000 common shares to Callinex on the earlier of completing a Preliminary Economic Assessment, Pre-Feasibility Study or Feasibility Study on or before the third anniversary of signing the option agreement. These common shares were due on October 27, 2021, but have not been issued as the Company is dealing with an ongoing issue on the property.

c) Madagascar Graphite Project

On September 13, 2017, the Company entered into a memorandum of understanding ("MOU") with Avana Resources Limited ("Avana") to acquire a 100% interest in Avana's graphite interests in Madagascar. On April 4, 2018, the Company entered into and closed a definitive share purchase agreement with Avana for the acquisition of Avana's graphite interests in Madagascar. Pursuant to this agreement the Company acquired 100% of Khensani Limited which owns 100% of Avana Industrial Minerals ("AIM") which entered into an agreement to acquire certain mining permits from the original permit holders. The project comprises 3 mining exploitation permits totaling 4,375 hectares (10,811 acres), in the vicinity of Andasibe in Toamasina Province in Madagascar (collectively, the "Property").

5. EXPLORATION AND EVALUATION ASSETS (continued)

c) Madagascar Graphite Project (continued)

Pursuant to the MOU and definitive share purchase agreement to acquire a 100% interest in the Property, the Company will make the following cash and share payments to Avana:

- US$40,000 within one day of signature of the MOU (paid);
- US$100,000 within 5 business days of signature of the Definitive Agreement (paid);
- US$100,000 within 30 business days of signature of the Definitive Agreement (paid);
- EUR$200,000 to be directed to certain third parties in respect of an agreement to transfer the Property from the original permit holders to AIM (paid);
- 4,000,000 common shares of the Company within 10 business days of approval by the CSE of the transaction (issued – fair value of $1,720,000);
- Upon the Company achieving an annualized production rate from the Property of at least 5,000 tons of graphite oxide per year as calculated on a monthly basis for at least three consecutive months;

  (i) US$1,000,000 in cash or in common shares of the Company; and
  (ii) The greater in terms of value of either 1,000,000 common shares of the Company or common shares of the Company worth US$1,000,000.

The Company also issued 333,797 common shares with a fair value of $143,533 as a finder's fees.

d) MVZ Silver-Gold Mine

During the year ended August 31, 2021, the Company entered into a letter agreement with Grupo Minero Diflor S.A. de C.V., a private Mexican company, to acquire a 100% interest in the MVZ Silver-Gold Mine Property in Chihuahua, Mexico. Subsequently, the Company abandoned the property resulting in an asset impairment loss of $18,615 during the year ended August 31, 2021.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

	Lac de Gras	Neuron Graphite	Madagascar Graphite	MVZ Silver-Gold Mine	Total
Acquisition Costs					
Balance, August 31, 2019	$ 10,000	$1,036,000	$ 2,550,558	$ -	$3,596,558
Additions – cash	-	-	10,714	-	10,714
Additions – shares	-	22,500	-	-	22,500
Balance, August 31, 2020	10,000	1,058,500	2,561,272	-	3,629,772
Additions – cash	-	-	12,657	-	12,657
Additions – shares	-	-	-	-	-
Balance, August 31, 2021	10,000	1,058,500	2,573,929	-	3,642,429
Deferred Exploration Costs					
Balance, August 31, 2019	-	50,280	41,704	-	91,984
Geological consulting	-	-	10,586	-	10,586
Technical reports	-	715	-	-	715
Other	-	1,500	17,075	-	18,575
Balance, August 31, 2020	-	52,495	69,365	-	121,860
Technical reports	-	-	19,520	-	19,520
Other	-	-	46,353	18,615	64,968
Write-down	-	-	-	(18,615)	(18,615)
Balance, August 31, 2021	$ -	$ 52,495	$ 135,238	$ -	$ 187,733
Balance at August 31, 2020	$ 10,000	$1,110,995	$ 2,630,637	$ -	$3,751,632
Balance at August 31, 2021	$ 10,000	$1,110,995	$ 2,709,167	$ -	$3,830,162

6. SHARE CAPITAL AND RESERVES

a) Authorized

An unlimited number of common shares, without par value.

b) Issued

On November 7, 2019, the Company agreed to extend the deadline to issue 1,000,000 common shares to Callinex related to the Neuron Graphite Project by one full year (Note 5). In consideration for this extension, the Company issued an additional 250,000 common shares to Callinex valued at $22,500.

On February 24, 2020, 500,000 common shares were issued to settle accounts payable of $60,000 pursuant to the exercise of warrants at a price of $0.12 per share.

On September 3, 2020, the Company closed a non-brokered private placement and issued 9,000,684 units at a price of $0.06 per unit for gross proceeds of $540,041. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of $0.10 per share until September 3, 2022.

During the year ended August 31, 2021, 6,491,850 common shares were issued pursuant to the exercise of warrants at a price between $0.10 and $0.12 per share for total proceeds of $767,355.

6. SHARE CAPITAL AND RESERVES (continued)

c) Options

The Company has an incentive stock option plan (the "Plan"), whereby the Company may grant stock options to directors, officers, employees or consultants. Under the Plan, options are exercisable up to a maximum of 5 years and vest as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant. Options awarded under the Plan are equity settled.

On February 20, 2020, the Company granted 2,500,000 stock options to various directors, officers, or consultants. Each option is exercisable to acquire one common share at $0.12 per common share for a period of 2 years. The fair value of the stock options granted was $147,897 calculated using the Black-Scholes Option Pricing Model using the following assumptions: spot price: $0.11; expected volatility: 107%, expected life: 2 years, forfeiture rate: 0%, dividend yield rate: 0%, and risk-free interest rate: 1.45%. Expected volatility is based on the historical volatility of the Company.

On November 18, 2020, the Company granted 1,000,000 stock options to various directors, officers, or consultants. Each option is exercisable to acquire one common share at $0.12 per common share for a period of 2 years. The fair value of the stock options granted was $87,493 calculated using the Black-Scholes Option Pricing Model using the following assumptions: spot price: $0.12; expected volatility: 155%, expected life: 2 years, forfeiture rate: 0%, dividend yield rate: 0%, and risk-free interest rate: 0.26%. Expected volatility is based on the historical volatility of the Company.

On February 16, 2021, the Company granted 1,000,000 stock options to a director and consultant. Each option is exercisable to acquire one common share at $0.245 per common share for a period of 2 years. The fair value of the stock options granted was $177,281 calculated using the Black-Scholes Option Pricing Model using the following assumptions: spot price: $0.25; expected volatility: 154%, expected life: 2 years, forfeiture rate: 0%, dividend yield rate: 0%, and risk-free interest rate: 0.20%. Expected volatility is based on the historical volatility of the Company.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

c) Options (continued)

Option transactions and the number of options outstanding are summarized as follows:

	Number of options	Weighted average exercise price
Outstanding, August 31, 2019	2,850,000	$ 0.52
Granted	2,500,000	0.12
Expired	(2,250,000)	0.58
Outstanding, August 31, 2020	3,100,000	0.15
Granted	2,000,000	0.18
Expired	(600,000)	0.30
Outstanding, August 31, 2021	4,500,000	$ 0.15

Options outstanding and exercisable at August 31, 2021 are as follows:

Number of options	Exercise price	Grant date	Expiry date	Remaining life (years)
2,500,000	$0.12	February 20, 2020	February 20, 2022	0.47
1,000,000	$0.12	November 18, 2020	November 18, 2022	1.22
1,000,000	$0.245	February 16, 2021	February 16, 2023	1.46
4,500,000	$0.15			0.86

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	Weighted average exercise price
Outstanding, August 31, 2019	9,416,500*	$ 0.50
Exercised	(500,000)	0.12
Expired	(3,008,000)	1.00
Outstanding, August 31, 2020	5,908,500	0.12
Granted	9,000,684	0.10
Exercised	(6,491,850)	0.12
Outstanding, August 31, 2021	8,417,334	$ 0.10

In relation to the 500,000 warrants exercised during the year ended August 31, 2020, the weighted average trading price of the Company's shares was $0.12 on the date of exercise.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

d) Warrants (continued)

In relation to the 6,491,850 warrants exercised during the year ended August 31, 2021, the weighted average trading price of the Company's shares was $0.17 on the date of exercise.

Warrants outstanding at August 31, 2021 are as follows:

Number of warrants	Exercise price	Grant date	Expiry date
8,417,334	$0.10	September 3, 2020	September 3, 2022
8,417,334	$0.10		

* During the year ended August 31, 2020, the Company amended the exercise price of 6,096,000 warrants from $0.25 per warrant to $0.12 per warrant

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include directors and officers of the Company. The Company paid or accrued fees to companies controlled by key management personnel as follows:

		August 31, 2021		August 31, 2020
Administration fees	$	45,600	$	45,600
Professional fees		42,000		32,500
Management and consulting fees		170,000		155,000
Rent, included in general and administrative		10,154		13,019
Stock-based compensation		136,532		59,159
	$	404,286	$	305,278

Refer to Note 3 for balances owing to and from other related parties as at August 31, 2021 and 2020.

These transactions were agreed upon by the board of directors and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. CAPITAL DISCLOSURES

The Company's principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case by case basis. The capital structure of the Company consists of equity attributable to common shareholders, consisting of issued share capital, reserves and deficit. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management from the previous year.

9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts receivable, amounts due from related parties, investments, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of these financial instruments, except for investments which are discussed below, approximates their carrying amounts, due to their short terms to maturity.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company's investments are measured at FVTPL using Level 1 inputs.

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company has credit risk in the amount of its cash, amounts receivable and amounts due from related parties, with the carrying amounts of each representing the Company's maximum exposure to credit risk. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to amounts receivable and due from related parties is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has working capital deficit of $6,098 as at August 31, 2021. Management is assessing various options to raise funds including the issuance of shares.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current investments primarily relates to the change in the market price of the investment in XRApplied common shares. As at August 31, 2021, the Company owns 100,000 common shares. Each common share is fair valued at $0.35 (2020: $0.30). A 10% change in the market price of XRApplied common shares would have an impact of $3,500 (2020: $3,000) on profit or loss. Management believes there is price risk related to this investment.

While the Company will seek to maximize the proceeds it receives from the sale of its investment, there is no assurance as to the timing of disposition or the amount that will be realized.

(Expressed in Canadian Dollars)

9. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk on its foreign currency denominated cash, and accounts payable and accrued liabilities. As at August 31, 2021, the Company held US$60,434 cash, and US$147,000 accounts payable and accrued liabilities. As at August 31, 2021, a 10% change in the foreign exchange rate would have impacted profit or loss by approximately $8,700.

10. INCOME TAXES

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rates to income/(loss) before taxes as follows:

	For the year ended August 31, 2021	For the year ended August 31, 2020
Loss before taxes	$ (1,141,023)	$ (535,837)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated tax expense (recovery)	(308,000)	(145,000)
Difference resulting from:		
Items not deductible for tax purposes and other	76,000	38,000
Share issue costs	(2,000)	(1,000)
Adjustment to prior year provisions	(148,000)	-
Change in unrecognized deferred tax assets	382,000	108,000
Deferred income taxes (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2021	August 31, 2020
Investments	$ 27,000	$ 27,000
Exploration and evaluation assets	350,000	193,000
Share issue costs	8,000	23,000
Allowable capital losses	44,000	44,000
Non capital loss carry forwards	1,537,000	1,297,000
Net deferred tax assets	1,966,000	1,584,000
Unrecognized deferred tax assets	(1,966,000)	(1,584,000)
Net deferred tax asset	$ -	$ -

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

The Company has available non-capital losses for Canadian income tax purposes of $5,691,000 which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses will expire as follows:

Year of expiry		Amount
2041	$	885,000
2040		462,000
2039		1,049,000
2038		2,483,000
2037		586,000
2036		129,000
2035		97,000
	$	5,691,000

As at August 31, 2021, the Company has $1,868,000 (2020: $1,835,000) of tax pools related to its exploration and evaluation assets which can be used to reduce future taxable income and which can be carried forward indefinitely.