CEYLON GRAPHITE CORP.

Condensed Consolidated Interim Financial Statements

For the Period Ended

June 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian dollars)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	June 30, 2021	March 31, 2021
		(Unaudited)	**Audited**
ASSETS			
Current			
Cash		1,399,192	2,073,452
Amount receivable		127,680	9,702
Prepaid expenses and advances		9,167	67,304
Prepayment of license		42,425	34,326
		1,578,464	2,184,784
Property and equipment	5	266,210	286,191
Exploration and evaluation assets	6	3,239,901	3,225,283
		5,084,575	5,696,258
LIABILITIES			
Current			
Accounts payable and accrued liabilities		224,777	324,773
Amounts payable	9	1,239,400	1,257,500
Loans payable	10	41,541	41,541
Current portion of capital lease obligations		2,154	2,203
Convertible debentures	7	1,723,927	1,898,404
		3,231,799	3,524,421
Capital lease obligations		2,382	3,624
		3,234,181	3,528,045
EQUITY			
Share capital	8	11,582,331	11,171,928
Share subscriptions	8	50,000	50,000
Equity component of convertible debenture	7	394,711	394,711
Contributed surplus		4,499,246	4,032,686
Deficit		(14,218,069)	(13,110,870)
Accumulated other comprehensive income		(457,825)	(370,242)
		1,850,394	2,168,213
		5,084,575	5,696,258

CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (Note 1)
COMMMITMENT (Note 4)
SUBSEQUENT EVENT (Note 13)

Approved by the Board of Directors on September 20, 2021

"Donald Baxter"
Donald Baxter, Director

"Kevin Aylward"
Kevin Aylward, Director

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

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	**June 30, 2021**	**June 30, 2020**
		$	$
Expenses			
Advertising and promotion		161,136	9,524
Depreciation		13,458	4,678
Consulting		128,645	-
Interest, finance and bank charge	7	152,609	90,301
Office and administrative		24,926	13,738
Professional fees	10	234,186	80,500
Rent		-	1,500
Repair and maintenance		-	1,000
Share-based payments	8	375,560	-
Transfer and filing fees		7,414	1,429
Travel		15,440	-
Vehicle expenses		1,058	-
Loss before other items		(1,114,432)	(202,657)
Other items			
Other income		7,233	-
Net loss		(1,107,199)	(202,657)
Other comprehensive loss			
Item that may be reclassified subsequently to loss:			
Unrealized foreign exchange translation		(87,582)	(7,243)
Comprehensive loss		(1,194,781)	(209,900)
Loss per share – basic and diluted		(0.01)	(0.00)
Weighted average number of common shares outstanding		127,328,568	54,766,181

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

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 20
(Expressed in Canadian Dollars)

	June 30, 2021	**June 30, 2020**
	$	$
Net loss	(1,107,199)	(202,657)
Items not involving cash:		
Accretion and interest for convertible debentures	150,676	89,761
Depreciation	13,458	4,674
Share-based payments	375,560	-
	(567,505)	(108,222)
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	6,556	20,155
Amounts receivable	(117,979)	29,748
Prepaid and deposit	48,082	21,306
Cash used in operating activities	(630,846)	(37,013)
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(66,370)	-
Cash used in investing activities	(66,370)	-
FINANCING ACTIVITIES		
Payments on capital lease obligation	(1,171)	-
Proceeds of loans payable	-	40,000
Warrants exercised	26,250	-
Cash provided by financing activities	25,079	40,000
CHANGE IN CASH DURING THE PERIOD	(672,137)	2,987
CASH, BEGINNING OF PERIOD	2,073,762	1,047
EFFECT OF TRANSLATING FOREIGN CURRENCY	(2,433)	(350)
CASH, END OF PERIOD	1,399,192	3,684
SUPPLEMENTAL CASH DISCLOSURES		
Interest and income taxes paid	-	-
NON-CASH TRANSACTION		
Shares issued for debenture interest	325,153	-

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

CEYLON GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2020 AND 2020
(Unaudited)
(Expressed in Canadian Dollars)

	Common Shares							
	Number	Amount	Share subscriptions	Equity portion of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
		$	$	$	$	$	$	$
Balances as at March 31, 2020	67,266,181	6,200,542	50,000	394,711	3,025,999	(9,657,850)	224,050	237,452
Net loss and comprehensive loss	-	-	-	-	-	(202,657)	(7,243)	(209,900)
Balances as at June 30, 2020	67,266,181	6,200,542	50,000	394,711	3,025,999	(9,860,507)	216,807	27,552
Balances as at March 31, 2021	126,404,747	11,171,927	50,000	394,711	4,032,686	(13,110,869)	(370,242)	2,168,213
Warrant exercised	175,000	26,250	-	-	-	-	-	26,250
Shares issued for service	681,818	150,000	-	-	-	-	-	150,000
Issuance of shares for debenture interest	1,970,624	325,153	-	-	-	-	-	325,153
Share-based payments	-	-	-	-	375,560	-	-	375,560
Net loss and comprehensive loss	-	-	-	-	-	(1,107,199)	(87,582)	(1,194,781)
Balances as at June 30, 2021	129,232,189	11,673,330	50,000	394,711	4,408,246	(14,218,069)	(457,825)	1,850,394

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Ceylon Graphite Corp. (the "Company or Ceylon") was incorporated on April 3, 1986 under the Canada Business Corporations Act. On December 30, 2016 the Company acquired Plumbago Refining Corp. B.V. ("Plumbago") through a reverse acquisition transaction. Plumbago was a private limited liability company organized under the laws of Curacao.

The address of the Company's corporate office is 1100-1111 Melville Street Vancouver, BC V6E 3V6, Canada and its principal place of business is Landhuis Joonchi, Kaya Richard J. Beaujon z/n Willemstad, Curacao.

On July 13, 2019, the Company incorporated a subsidiary B P A Lanka (Private) Limited ("BPA") in Sri Lanka and retained 49% interest. As Plumbago is the sole decision maker in the operations of BPA, for accounting purposes, Plumbago has control over BPA and thus the operating results of BPA have been consolidated.

During the period ended June 30, 2021, the Company incurred a net loss of $1,107,199 and had a deficit of $14,218,069 which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating sufficient revenues to cover its operating costs. The Company had not yet determined whether its property contains graphite reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has been able to fund operations and mineral property exploration through equity financings. The continued uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 20, 2021

b) Basis of presentation

These condensed consolidated interim financial statements include the assets and operations of the Company and entities it controls, Plumbago and Sarcon Development (PVT) Limited ("Sarcon"), C Y L Lanka (Private) Limited ("Lanka") and JADS Enterprise (Private) Limited ("JADS") and BPA. Sarcon was incorporated in Sri Lanka under the Companies Act, No. 07 of 2007. Lanka was incorporated in Sri Lanka having a registration number PV 129449 with the local registration office No.47. JADS was incorporated in Sri Lanka having a registration number PV99839 with the local registration office No.165/2. BPA was incorporated in Sri Lanka having a registration number PV00214055 with the local registration office No.47. All significant inter-company balances and transactions have been eliminated upon consolidation.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of June 30, 2021, and 2020, the Company held cash only.

d) Exploration and evaluation assets

Exploration expenditures and direct costs of exploration and evaluation assets, such as property acquisition costs and leases, are capitalized. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development costs incurred on a mineral property are deferred once management has determined, based on a feasibility study, that, a property is capable of economical commercial production as a result of having established proven and probable reserves. Development costs are carried at cost less accumulated depletion and accumulated impairment charges. Exploration expenditures incurred prior to determining that a property has economically recoverable resources are expensed as incurred.

The Company reviews the carrying values of mineral properties and development costs regularly with a view to assessing whether there has been any impairment in value, or whenever events or changes in circumstances that indicate the carrying value may not be recoverable. In the event the estimated discounted cash flows expected from its use or eventual disposition is determined to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount. Once a mine has achieved commercial production, mineral properties and development costs are depleted on a units-of-production basis over the life of the mine.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency

The Company's consolidated financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, Plumbago's functional currency is the US dollar and the functional currency for Sarcon, Lanka, JADS and BPA is the Sri Lankan Rupee.

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the consolidated statement of comprehensive loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Equipment

Equipment is recorded at cost less accumulated depreciation, less any accumulated impairment losses. Depreciation is taken on a straight line basis at the following rates:

Machinery	8 years
Furniture and fixtures	5 years
Tools and equipment	4 years
Motor vehicles	5 years

j) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9 “Financial Instruments: Classification and Measurement”. 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 equity.

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement
Financial assets at FVTOCI - Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss. The Company has no financial assets designated as FVTOCI.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company financial assets and liabilities at amortized cost include amount receivable, accounts payable, amounts payable, loans payable and convertible debentures.

Financial assets and liabilities at FVTPL - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs expensed in the consolidated statements of net loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss. The Company has classified cash as FVTPL.

Impairment of financial assets at amortized cost
The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve months expected credit losses. The Company shall recognize in the consolidated statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on the fair value of goods or services rendered.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to the warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to the shares. The Company does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as reserves.

l) Share-based payment transactions

The fair value of options is measured on the grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on the grant date at fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payment transactions (continued)

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair vale of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital. The related share-based payments originally recorded as reserves on either exercise or expiry of the underlying options.

m) Compound financial instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

n) Recent and future accounting standards

As at June 30, 2021, there have been no other accounting pronouncements by the IASB that would materially affect the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax assets, valuation of share-based payments and assessment of impairment of exploration and evaluation assets.

Critical accounting estimates

i) Convertible debentures

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting estimates (continued)

ii) Share based payments

The Company uses the fair-value method of accounting for share-based payments (related to incentive stock options and compensation warrants granted, modified or settled). Under this method compensation costs attributable to option awards granted are measured at fair value at the issue or grant date and are expensed over the vesting period. In determining the fair value for share-based payments, the Company uses option pricing models and makes estimates of the expected volatility of the stock, the expected life and risk-free rate. The expected volatility is based on historical volatility of the Company's stock over a period commensurate with the expected life of the option. Changes to these estimates could result in the fair value of share-based payments expense being less than or greater than the amount recorded.

Critical accounting judgments

i. Financial instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy choice which involves judgments or assessments made by management.

ii. Deferred income taxes

Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the probable timing and level of future taxable income realized, including the usage of tax planning strategies.

iii. Exploration and evaluation assets

The Company is required to review the carrying value of its exploration and evaluation properties at each reporting date for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is charged to the statements of comprehensive loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices on potential reserves.

iv. Technical feasibility and commercial viability

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment. As at June 30, 2021, management determined that the technical

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting judgments (continued)

feasibility and commercial viability has not yet been established for its mineral properties and as such they are considered to be at the exploration and evaluation stage.

v. Mineral property title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims and licenses. Although the Company has taken steps to verify title and licenses to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. To the best of the Company's knowledge, title and licenses related to all of its properties are in good standing.

vi. Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern. Factors considered by management are disclosed in Note 2.

4. COMMITMENT

In March 2018, Plumbago acquired 40% interest in Lanka by paying 2,849,925 Rupees. Subsequent to the acquisition of Lanka, Lanka entered into an acquisition agreement with the sole shareholder ("transferor") of JADS whereby Lanka acquired all issued and outstanding shares of JADS by paying 2,296,536 Rupees. Pursuant to the terms and conditions of the acquisition agreement, the transferor is entitled to 5% of net profits, which will be paid out in the form of the shares of Lanka or its nominee, for the first 5 years and 3% for the next 5 years. To date, no shares have been issued.

5. PROPERTY AND EQUIPMENT

For the period ended June 30, 2021, the Company did not acquired or disposed any property and equipment. Amortization of assets for the period ended June 30, 2021 was $13,458 (June 30, 2020 - $4,674). Net book value of property and equipment as of June 30, 2021 was $266,210 (June 30, 2020 - $286,191). Any change on property and equipment balance other than amortization was due to foreign exchange adjustments

6. EXPLORATION AND EVALUATION ASSETS

During the period ended June 30, 2021, the Company incurred $66,370 and capitalized in exploration and evaluation costs (June 30, 2020 – nil). Balance as of June 30, 2021 was $3,239,901 (March 31, 2021 - $3,225,583). The remaining difference was due to the foreign exchange adjustment.

Sri Lanka

On September 12, 2012, the Company entered into an agreement ("Agreement") to purchase 100% of the shares outstanding of Sarcon Development (PVT) Ltd. ("Sarcon"). At the time of the transaction, Sarcon had 1,000,000 shares outstanding. Sarcon has interests in approximately 100 zones on 1km by 1km grids to develop, construct and operate graphite mines located in Sri Lanka. In exchange for the shares of Sarcon, the Company agreed to pay US $2 million. The terms and conditions of the Agreement were amended in 2013 and 2014. The payment table below reflects all the amendments to the Agreement.

6. EXPLORATION AND EVALUATION ASSETS (continued)

The Company will be required to make the following cash payments:

	US $
14 days after Sarcon's Board of Investment approval – paid;	250,000
Within 7 days of confirming that Sarcon's shares have been transferred to the Company and the applicable stamp duty has been paid by the Company ("Confirmation Letter") – paid;	300,000
Within 45 days of issuance of the Confirmation Letter – paid;	75,000
On or before December 31, 2016 - paid;	375,000
Within 14 days of receipt of proceeds from the sale of a minimum 350 tonnes of graphite from the Sarcon grids;	650,000
On or before July 1, 2017, or in the event that the third payment (US$650,000 noted above) was not made for reason other than breach of this Agreement, then the date of the fourth instalment (US$350,000) shall be adjusted to a date acceptable to both parties.	350,000
	2,000,000

In 2013 and amended in 2014, the Company entered into an escrow agreement with the vendor of Sarcon and an escrow agent. Under the terms of the escrow agreement, the Company deposited its share certificates for 875,000 shares of Sarcon with the escrow agent. The escrow agent will release the remaining share certificates once the Company has fulfilled its payment commitments outlined above.

As of June 30, 2021 the Company has made total payments of US$1,000,000.

The outstanding amounts due to the vendor have been shown as amounts payable on the condensed consolidated interim statements of financial position. They are non-interest bearing and unsecured.

7. CONVERTIBLE DEBENTURES

On May 23, 2018, the Company closed a non-brokered private placement offering of units, at a purchase price $1.00 per Unit for aggregate gross proceeds of $2,000,000. Each Unit is comprised of $1.00 in principal amount of convertible debentures and two common share purchase warrants. The principal amount of the convertible debentures will be convertible at the holder's option into fully-paid common shares in the capital of the Company at any time prior to Maturity in three years, at a conversion price of $0.25 per share. Each whole warrant will be exercisable into one Common Share on or before Maturity at an exercise price of $0.25 per share. Interest on the Debentures shall be paid upon maturity, at an annual rate of interest of 6% per annum. The Company paid $67,500 finders' fees related to the convertible debentures.

During the period ended June 30, 2021, interest on convertible debentures in the amount of $325,153 was converted to 1,970,624 common shares.

During the year ended March 31, 2021, $150,000 convertible debentures were converted to 681,818 common shares.

7. CONVERTIBLE DEBENTURES (continued)

On February 5, 2021, the Company modified the maturity date of the convertible debentures from May 23, 2021 to November 23, 2021. In addition, the interest rate increased from 6% to 8%. In connection with the modification, the Company issued 1,000,000 warrants exercisable at $0.22 per warrant, expiring in one year, as compensation to the debenture holders. The value of the warrants arising from the debt modification was $273,168, which was recorded as a transaction cost and applied against the carrying value of the debt. The original expiry date of the original 4,000,000 warrants issued related to these convertible debentures were also extended to November 21, 2021.

The following table summarizes accounting for the convertible debentures and the amounts recognized in the liability and equity during the period:

	$
Principal	
Issued during the year ended March 31, 2019	2,000,000
Liability	
Gross proceeds received	2,000,000
Issue costs	(67,500)
Equity component less issue costs allocated	(540,700)
Liability component initially recognized	1,391,800
Accretion and interest expense	221,285
Balance at March 31, 2019	**1,613,085**
Accretion and interest expense	322,559
Balance at March 31, 2020	**1,935,644**
Accretion and interest expense	385,928
Issue costs	(273,168)
Convertible debt exercised	(150,000)
Balance at March 31, 2021	**1,898,404**
Accretion and interest expense	150,676
Shares issued for interest	(325,153)
Balance at June 30, 2021	**1,723,927**
Equity Component of Debentures	
Equity component initially recognized	540,700
Deferred income tax liabilities recognized	(145,989)
Balance at March 31, 2020, 2021 and June 30, 2021	**394,711**

For accounting purposes, the convertible debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of 17% for convertible debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition the fair value of the liability component of $1,391,800 is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debenture at an effective interest rate of approximately 18.6% per annum.

8. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) As at June 30, 2021, there were 129,232,189 (March 31, 2021 – 126,404,747) common shares issued and outstanding.

During the period ended June 30, 2021, the Company issued the following common shares:

The Company issued 175,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of $26,500.

The Company issued 681,818 common shares pursuant to the share for debt in the amount of $150,000.

The Company issued 1,970,624 common shares pursuant to the convertible debenture interest payments of $325,153.

During the period ended June 30, 2020, there was no change to the common shares.

c) Stock options

The Company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiary are eligible to receive stock options. The total number of shares which are at any one time reserved and set aside for issuance under the stock option plan, and under all other management options outstanding, shall not exceed 10% of the shares issued and outstanding. The maximum number of common shares reserved for issuance to any one person pursuant to stock options shall not exceed 5% of the common shares outstanding at the time of the grant, or such greater amount as may be permitted pursuant to the rules of any regulatory authority having jurisdiction. The option price of a stock option granted shall be fixed by the Board of Directors but shall not be less than the market price of the shares at the time the option is granted, or such lesser price as may be permitted by the rules of the regulatory authority having jurisdiction. Stock options may be granted for a period not exceeding five years. Unless the Board determines otherwise, a stock option shall vest immediately upon being granted.

On November 19, 2020, the Company granted an aggregate of 5,000,000 stock options to its directors, officers and consultants. Each option is exercisable at $0.215 per common share and expire in 5 years. 2,800,000 options vest after six months. 3,424,000 options vest every six months in equal tranches. The total fair value of the options of $924,653 was determined using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.30
Risk free interest rate	0.44%
Weighted expected life	5 years
Weighted average expected volatility	125%
Weighted expected dividends	Nil
Forfeiture rate	Nil

8. SHARE CAPITAL (continued)

c) Stock options (continued)

On January 19, 2021, the Company granted an aggregate of 1,000,000 stock options to its directors, officers and consultants. Each option is exercisable at $0.355 per common share and expire in 5 years. The options vest every six months in equal tranches. The total fair value of the options of $74,131 was determined using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.37
Risk free interest rate	0.41%
Weighted expected life	5 years
Weighted average expected volatility	125%
Weighted expected dividends	Nil
Forfeiture rate	Nil

On February 9, 2021, the Company granted an aggregate of 100,000 stock options to its directors, officers and consultants. Each option is exercisable at $0.51 per common share and expire in 5 years. The options vest every six months in equal tranches. The total fair value of the options of $7,044 was determined using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.50
Risk free interest rate	0.42%
Weighted expected life	5 years
Weighted average expected volatility	126%
Weighted expected dividends	Nil
Forfeiture rate	Nil

As at June 30, 2021, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding	Weighted-Average Exercise Price
Outstanding, March 31, 2020	**3,007,870**	**$0.30**
Options granted	5,000,000	$0.215
Options granted	1,100,000	$0.355
Options cancelled	(125,000)	$0.23
Options exercised	(300,000)	$0.20
Outstanding, March 31, 2021 and June 30, 2021	**8,682,870**	**$0.25**

8. SHARE CAPITAL (continued)

c) Stock options (continued)

Details of stock options outstanding and exercisable at June 30, 2021 are as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
250,000	250,000	$0.20	0.74	March 15, 2022
150,000	150,000	$0.20	0.74	March 27, 2022
1,600,000	1,600,000	$0.30	1.63	February 15, 2023
507,870	507,870	$0.20	2.17	August 31, 2023
75,000	75,000	$0.20	2.88	May 15, 2024
5,000,000	-	$0.22	4.39	November 19, 2025
1,000,000	-	$0.355	4.56	January 20, 2026
100,000	-	0.51	4.67	March 1, 2026
8,682,870	2,582,870	$0.25	3.59	

During the period ended June 30, 2021, the Company recorded $375,560 of share-based payments related to options vested during the period (June 30, 2020 - $nil).

d) Warrants

A summary of the status of the Company's outstanding and exercisable warrants as at June 30, 2021 and the changes during the period then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, March 31, 2020	**16,500,000**	**$0.17**
Granted – private placement	51,428,566	$0.15
Agents' warrants	3,600,000	$0.15
Granted for loan interest payment (see Note 10(a))	250,000	$0.155
Granted for loan modification	1,000,000	$0.22
Exercised	(3,210,000)	$0.15
Balance, March 31, 2021	69,568,566	$0.16
Exercised	(175,000)	$0.15
Expired	(3,700,000)	$0.25
Balance, June 30, 2021	65,693,566	$0.15

Details of warrants outstanding at June 30, 2021 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (in years)	Expiry Date
7,865,000	$0.15	0.30	October 16, 2021
1,800,000	$0.15	0.43	December 4, 2021
1,000,000	$0.22	0.60	February 5, 2022
55,028,566	$0.15	3.39	November 19, 2024
65,693,566	$0.15	2.90	

9. 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. 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 receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

	June 30, 2021	**June 30, 2020**
	$	$
Consulting fees - CEO	10,000	21,000
Consulting fees - CFO	20,500	16,500
Consulting fees – former CEO	20,000	-
	50,500	37,500

The Company has an amount payable of $1,239,400 (US$1,000,000) (March 31, 2021 - $ 1,257,500 or US$1,000,000) due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amounts are unsecured and non-interest bearing. In addition, the Company also obtained advances from shareholders, officers and directors.

10. LOANS PAYABLE

During the year ended March 31, 2021, the Company received $40,000 from Canada Emergency Business Account (CEBA). The loan has 0% interest until December 31, 2022, thereafter interest is 5% per annum starting on January 1, 2023. No principal repayments are required before December 31, 2022 and if the loan remains outstanding after December 31, 2022, only interest payments are required until full principal is due December 31, 2025. Payment of the loan balance on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to $10,000).

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its acquisition plans and operations through its current operating period.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash, amounts receivable, accounts payable, amounts payable, loans payable and convertible debentures.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2021:				
Cash	$ 1,399,192	$ -	$ -	$ 1,399,192
March 31, 2021:				
Cash	$ 2,073,452	$ -	$ -	$ 2,073,452

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at June 30, 2021 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, amount receivable, accounts payable, amounts payable, loans payable and convertible debentures that are denominated in the United States dollar and Rupees. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure to foreign currency as at each of the reporting periods is at below:

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

	June 30, 2021	**June 30, 2021**	**March 31, 2021**	**March 31, 2021**
	Rupee	**US$**	**Rupee**	**US$**
Cash	2,513,863	4,446	1,349,799	104
Advances to affiliates	-	-	32,061,200	-
Accounts payable	(8,352,905)	(6,173)	(13,427,738)	(6,881)
Amounts payable	-	(1,000,000)	-	(1,000,000)
Total in foreign currency	(5,839,042)	(1,001,727)	19,983,261	(1,006,777)
Canadian dollar equivalents	(36,027)	(1,241,540)	**149,874**	**(1,428,314)**

Based on the net Canadian dollar denominated asset and liability exposures as at March 31 ,2021, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings for the period ended June 30, 2021 by $124,000 (March 31, 2021 - $143,000). A 10% fluctuation in the Canadian/Rupee exchange rates would impact the Company's earnings for the period ended June 30, 2021 by $3,600 (March 31, 2021 - $15,000). The Company has not entered into any foreign currency contracts to mitigate this risk.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The credit risk on cash is limited because the cash are composed of financial instruments issued by Canadian banks and companies with high credit ratings as assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk.

(iv) *Liquidity risk*

In managing of liquidity risk, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at June 30, 2021, the Company had a negative working capital of $1,214,287. As at June 30, 2021, the Company had cash of $1,399,192 to settle accounts payable, current portion of capital lease obligation, convertible debentures, amounts payable and loans payable of $3,231,799 which fall due for payment within twelve months of the financial position date.

	Carrying value $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $	Total
Accounts payable	224,777	224,777	-	-	224,777
Amounts payable	1,239,400	1,239,400	-	-	1,239,400
Capital lease obligations	4,536	2,154	2,382	-	4,536
Convertible loans	1,723,927	2,313,333	-	-	2,313,333

13. SUBSEQUENT EVENT

- On July 7, 2021, the Company announced the execution of a Memorandum of Understanding dated June 30, 2021 (the “MOU”) with two subsidiaries of Lanka ORIX Leasing Company Group (“LOLC”). Pursuant to the MOU, Ceylon Graphite, through its subsidiary, Plumbago Refining Corp B.V. (“Plumbago”), and LOLC, through its subsidiaries LOLC GEO Technologies Ltd. (“LOLCGT”) and LOLC Advanced Technologies Ltd. (“LOLCAT”), will work together to develop new graphite mines outside of the existing Ceylon portfolio, and to construct and operate a state-of-the-art graphite processing facility in Sri Lanka.

- On July 13, 2021, the Company announced that the original news release captioned “CEYLON GRAPHITE ANNOUNCES MOU FOR JOINT VENTURE WITH STRATEGIC PARTNER TO DEVELOP AND OPERATE ADDITIONAL NEW GRAPHITE MINES AND A LOCAL UPGRADING FACILITY TO MEET GLOBAL BATTERY ANODE NEEDS”, published on July 7, 2021, referred, incorrectly, to LOLC Holdings PLC (LOLC) as Lanka ORIX Leasing Company Group in the first paragraph. With the exit of ORIX Corporation of Japan in March 2018, LOLC Holdings PLC no longer uses its former name Lanka Orix Leasing Company PLC. All other disclosures were correct.

- On July 19, 2021, the Company announced the incorporation of its wholly-owned subsidiary, Ceylon Graphite Technologies LTD (“CGT”), in the United Kingdom.

- On July 30, 2021,the Company announced that it has encountered delays in completing its audited financial statements for the year ended March 31, 2021 because Ceylon and its various Sri Lankan subsidiaries all share a fiscal year ending March 31, 2021 and these entities have encountered COVID-19 related delays in preparing their respective financial statements. As a result, the Company has applied for, and has been granted, a Management Cease Trade Order (“MCTO”) by the British Columbia Securities Commission. Because of the delays, the Company will file its annual audited financial statements, management’s discussion and analysis, and CEO and CFO certificates (collectively, the “2021 Annual Financial Statements”) after the filing deadline of July 29, 2021 as prescribed by National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”).

- On August 13, 2021, the Company announced that its application for a management cease trade order ("MCTO"), as previously announced in a news release dated July 30, 2021, has been accepted by the British Columbia Securities Commission (the "BCSC"). The MCTO was issued by the BCSC, effective as of July 30, 2021, in connection with the delay by the Company in filing its annual financial statements, management's discussion and analysis and related officer certifications for the financial year ended March 31, 2021 (collectively, the "Annual Filings"). The completion of the Annual Filings by the Company and its various Sri Lankan subsidiaries has been delayed as a result of COVID-19 related interruptions and business restrictions.

- On September 2, 2021, the Company announced The Company has entered into a 6-month marketing and consulting contract with Toronto based marketing firm, North Equities Corp. North Equities Corp. specializes in various social media platforms and will be able to facilitate greater awareness and widespread dissemination of the Company's news.

- On September 10, 2021, the Company previously announced in news releases dated July 30, 2021, August 13, 2021 and August 27, 2021, the Company has been delayed in completing its filings of the annual financial statements, management’s discussion and analysis and related officer certifications for the financial year ended March 31, 2021 (the “Annual Filings”). COVID-19 related interruptions and restrictions in Sri Lanka has caused the delay in the Company’s filings. Sri Lanka continues to be in the midst of a nation-wide lockdown as a result of the COVID-19 pandemic. The Company has sought an extension for filings and was approved for a management cease trade order by the British Columbia Securities Commission as of July 30, 2021.