

SAINT JEAN CARBON INC.

Condensed Interim Financial Statements

(Unaudited – presented in Canadian Dollars)

for the period ending July 31, 2020

Notice of No Auditor Review

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and the accompanying Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in *Note 3* to the financial statements.

To assist management in discharging these responsibilities, the Company maintains a system of procedures and internal controls which are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for preparation of accurate and timely financial information.

The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the financial statements and their conformity with IFRS.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through an Audit Committee. The Audit Committee has reviewed and discussed the financial statements, including the notes thereto, with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

"Paul Ogilvie"
Paul Ogilvie
Chief Executive Officer

"Anna Lentz"
Anna Lentz
Chief Financial Officer

SAINT JEAN CARBON INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

ASSETS	January 31, 2020	October 31, 2019
Current		
Cash and equivalents	\$ 17,334	\$ 7,723
Accounts receivable (Note 5)	8,646	27,070
Prepaid expenses	45,856	50,078
	71,836	84,871
Restricted cash (Note 13)	41,000	41,000
Equipment (Note 6)	402,923	484,411
Mineral exploration and evaluation assets (Note 7)	3,908,430	3,907,664
Right-of-use asset (Note 8)	14,389	-
Other assets	584	534
	\$ 4,439,162	\$ 4,518,480
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 1,319,632	\$ 1,099,676
Notes payable (Note 10)	143,766	38,000
Current portion of lease liability obligation (Note 8)	18,612	-
Interest payable	4,176	868
	1,486,186	1,138,544
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	21,011,573	21,011,573
Contributed surplus	1,805,054	1,805,054
Deficit	(19,863,651)	(19,436,691)
	2,952,976	3,379,936
	\$ 4,439,162	\$ 4,518,480

Going concern (Note 2(b)) and Contingent liability (Note 18)

See accompanying notes

On behalf of the Board of Directors

"Paul Ogilvie"

CEO, Director

"Anna Lentz"

CFO, Director

SAINT JEAN CARBON INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	<u>Quarter ended</u> <u>July 31, 2020</u>	<u>Quarter ended</u> <u>July 31, 2019</u>	<u>Year to date</u> <u>July 31, 2020</u>	<u>Year to date</u> <u>July 31, 2019</u>
Processing revenue	\$ -	\$ 20,000	\$ 49,599	\$ 30,000
	-	20,000	49,599	30,000
Direct costs	-	6,823	10,000	8,113
	-	13,177	39,599	21,887
Administrative costs				
Amortization	\$ 35,796	\$ 32,881	\$ 107,388	\$ 98,277
Automotive	3,645	4,383	11,048	10,958
Bad debt recovery	(8,700)	-	(8,700)	-
Bank and loan interest	1,592	544	5,262	2,634
Expense recovery	(20,357)	-	(20,357)	-
Interest on lease obligations	1,281	-	5,333	-
Management fees	66,000	149,890	196,247	322,098
Mill operating expense	4,580	14,637	69,504	46,164
Office and general	3,470	10,103	18,366	44,536
Professional fees	9,740	45,314	55,941	98,742
Regulatory and filing fees	5,294	3,222	13,979	20,036
Sales and marketing	-	-	-	62,250
Travel and promotion	-	2,481	5,014	2,638
Write-down of mineral property interest	-	-	-	-
	102,341	263,455	459,025	708,333
Interest income	105	117	582	486
Loss before income taxes	(102,236)	(250,161)	(418,844)	(685,960)
Deferred income tax provision (recovery)	-	-	-	-
Loss and comprehensive loss for the period	(102,236)	(250,161)	(418,844)	(685,960)
Loss per share - basic and diluted (Note 11(b))	\$ (0.001)	\$ (0.003)	\$ (0.006)	\$ (0.009)
Weighted average number of shares outstanding - basic and diluted	75,892,532	75,765,521	75,892,532	73,012,798

See accompanying notes

SAINT JEAN CARBON INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Contributed Surplus	Equity component of debenture	Deficit	Total
Balance at November 1, 2018	71,330,032	20,882,797	1,805,054	-	(18,604,947)	4,082,904
Private placements	4,562,500	159,688				159,688
Share issuance costs		(30,912)				(30,912)
Net loss and comprehensive loss for the	-	-	-	-	(685,960)	(685,960)
Balance, July 31, 2019	75,892,532	\$ 21,011,573	\$ 1,805,054	\$ -	\$ (19,290,907)	\$ 3,525,720
Balance at November 1, 2019	80,455,032	\$ 21,011,573	\$ 1,805,054	\$ -	\$ (19,436,691)	\$ 3,379,936
Adjustment for recognition of leases <i>(Note 8)</i>					(8,116)	(8,116)
Net loss and comprehensive loss for the	-	-	-	-	(418,844)	(418,844)
Balance, July 31, 2020	156,347,564	\$ 21,011,573	\$ 1,805,054	\$ -	\$ (19,863,651)	\$ 2,952,976

See accompanying notes

SAINT JEAN CARBON INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	<u>Period ended</u> <u>July 31, 2020</u>	<u>Period ended</u> <u>July 31, 2019</u>
Cash flows from (used in) the Operating Activity		
Net and comprehensive loss for the period	\$ (418,844)	\$ (685,960)
Items not involving cash:		
Amortization	107,388	98,277
Interest on lease obligations	5,333	-
Impairment of mineral properties	-	-
	(306,123)	(587,683)
Changes in non-cash working capital items:		
Accounts receivable	18,424	10,437
Prepaid expenses	4,222	1,259
Accounts payable and accrued liabilities	219,956	423,144
Interest payable	3,308	-
	(60,213)	(152,843)
Cash flow from (used in) financing activities		
Issuance of share capital	-	159,688
Share issuance costs	-	(30,912)
Advance from note payable	15,000	3,000
Advance from associated company	90,766	-
Decrease of lease liability obligation	(35,126)	-
	70,640	-
Cash flows from (used in) investing activities		
Exploration and evaluation expenditures	(766)	-
Purchase of capital assets	-	(2,050)
Acquisition of other assets	(50)	(534)
	(816)	(2,584)
Increase in cash and cash equivalents	9,611	(23,651)
Cash and cash equivalents, beginning of period	7,723	30,000
Cash and equivalents, end of period	\$ 17,334	\$ 6,349
Cash and equivalents is comprised of:		
Cash	\$ 17,334	\$ 6,349
Short-term investments	-	-
	\$ 17,334	\$ 6,349
Supplemental cash flow disclosure:		
Interest paid	\$ -	\$ -

See accompanying notes

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Saint Jean Carbon Inc. (formerly Torch River Resources Ltd.) incorporated provincially in Alberta, and extra provincially Saskatchewan, Manitoba, Quebec and British Columbia has shares listed on the TSX Venture Exchange.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

During the prior year the Company added a new business division to include the processing of raw materials.

2. BASIS OF PRESENTATION AND GOING CONCERN

A) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by the Board of Directors on September 25, 2020.

B) Going concern

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

As at July 31, 2020, the Company has incurred a loss from operations of \$418,844, has a working capital deficit of \$1,414,350 and an accumulated deficit of \$19,863,651. The Company has increasing losses and negative cash flow from operations. The Company's ability to continue as a going concern is contingent on its ability to obtain additional equity financing.

C) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policy set out in *Note 14*. The Company's presentation and functional currency is Canadian dollars.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

3. ADOPTION OF NEW ACCOUNTING POLICIES

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 31, 2019 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

The standard issued and adopted by the Company in the current period's financial statements is listed below.

IFRS 16 Leases

In January 2016, the IASB issued IFRS "Leases", which replaces IAS 17 "Leases," and provides that a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

The Company adopted the standard for the fiscal year commencing November 1, 2019. The standard was adopted retrospectively by recognizing the cumulative impact of initial adoption in opening retained earnings. Under the standard, the Company recognized a right-of-use asset under property and equipment (P&E) and a corresponding liability for the lease associated with the Company's warehouse space. Previously, the Company recognized the lease charge associated with this facility as an operating lease expense on a straight-line basis over the term of the lease. The nature of the expenses related to this lease will change since the Company recognizes a depreciation charge for the right-of-use asset and an interest expense on the related lease liability. Consistent with the guidance, the Company did not apply this standard to short-term leases and leases for which the underlying asset is of low value.

As a result of the adoption of IFRS 16, the Company updated its accounting policy for leases as follows: The Company recognizes a RUA and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed payments. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company's uses the lessee's incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the statement of earnings. RUA are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. RUA's are depreciated on a

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

3. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

straight-line basis over the shorter of the lease term or the useful life. On adoption of IFRS 16, the Company utilized the practical expedient to exclude initial direct costs from the measurement of the RUA at the date of initial application. The lease for the Company's warehouse space qualifies for recognition under IFRS 16. The Company recorded a RUA of \$40,289 and offsetting lease obligation liability of \$48,405 with the difference of \$8,116 recognized as an adjustment to retained earnings. Under the principles of the new standard these leases have been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates at the time of entering into the lease which was estimated to be 20%.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk to cause material adjustment to the carrying amounts of assets and liabilities recognized in these financial statements within the next financial year are discussed below:

Mineral exploration and evaluation assets

Impairment of exploration and evaluation assets are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. ACCOUNTS RECEIVABLE

	July 31, 2020	Oct. 31, 2019
Trade receivables	\$ -	\$ 5,000
GST receivable	8,646	22,070
	\$ 8,646	\$ 27,070

SAINT JEAN CARBON INC.
Notes to the financial statements
(Expressed in Canadian Dollars)
July 31, 2020 and July 31, 2019

6. PROPERTY AND EQUIPMENT

Cost	Mill equipment	Leasehold improvements	Furniture, fixtures and office equipment	Total
At October 31, 2018	\$ 627,941	\$ 48,416	\$ 15,184	\$ 691,541
Additions	2,050	1,450	-	3,500
At October 31, 2019	\$ 629,991	\$ 49,866	\$ 15,184	\$ 695,041
Additions	-	-	-	-
At July 31, 2020	\$ 629,991	\$ 49,866	\$ 15,184	\$ 695,041

Accumulated depreciation	Mill equipment	Leasehold improvements	Furniture, fixtures and office equipment	Total
At October 31, 2018	\$ 62,794	\$ 12,930	\$ 3,684	\$ 78,408
Depreciation	113,234	15,458	2,531	131,223
At October 31, 2019	\$ 176,028	\$ 28,388	\$ 6,215	\$ 210,631
Depreciation	68,094	11,970	1,423	81,487
At July 31, 2020	\$ 244,122	\$ 40,358	\$ 7,638	\$ 292,118

Net book value	Mill equipment	Leasehold improvements	Furniture, fixtures and office equipment	Total
At October 31, 2019	\$ 453,963	\$ 21,478	\$ 8,970	\$ 484,411
At July 31, 2020	\$ 385,869	\$ 9,508	\$ 7,546	\$ 402,923

7. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has acquired certain mineral properties and rights. The property acquisition costs are as follows:

	High Rock and Climpy	Red Bird	Mount Copeland	Walker mine	Clot	Bell	Whabouchi	Buckingham /Kendall	Lochaber Montpellier	Total
At October 31, 2018	\$ -	\$ 140,000	\$ 221,186	\$ 607,699	\$ 187,570	\$ 76,133	\$ -	\$ 44,123	\$ 455,000	\$ 1,731,711
Additions	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
At October 31, 2019	\$ -	\$ 140,000	\$ 221,186	\$ 607,699	\$ 187,570	\$ 76,133	\$ -	\$ 44,123	\$ 455,000	\$ 1,731,711
Additions	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
At July 31, 2020	\$ -	\$ 140,000	\$ 221,186	\$ 607,699	\$ 187,570	\$ 76,133	\$ -	\$ 44,123	\$ 455,000	\$ 1,731,711

SAINT JEAN CARBON INC.
Notes to the financial statements
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July 31, 2020 and July 31, 2019

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

The deferred exploration costs are as follows:

	High Rock and Climpy	Red Bird	Mount Copeland	Walker mine	Clot	Bell	Whabouchi	Buckingham /Kendall	Lochaber Montpellier	Total
At October 31, 2018	\$ -	\$16,681	\$461,715	\$645,369	\$315,164	\$635,751	\$ -	\$51,622	\$49,651	\$2,175,953
Additions	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
At October 31, 2019	\$ -	\$16,681	\$461,715	\$645,369	\$315,164	\$635,751	\$ -	\$51,622	\$49,651	\$2,175,953
Additions	-	-	-	766	-	-	-	-	-	766
Impairment	-	-	-	-	-	-	-	-	-	-
At July 31, 2020	\$ -	\$16,681	\$461,715	\$646,135	\$315,164	\$635,751	\$ -	\$51,622	\$49,651	\$2,176,719

The total property acquisition costs and deferred exploration costs are as follows:

	High Rock and Climpy	Red Bird	Mount Copeland	Walker mine	Clot	Bell	Whabouchi	Buckingham /Kendall	Lochaber Montpellier	Total
At October 31, 2019	\$ -	\$156,681	\$682,901	\$1,253,068	\$502,734	\$711,884	\$ -	\$95,745	\$504,651	\$3,907,664
At July 31, 2020	\$ -	\$156,681	\$682,901	\$1,253,834	\$502,734	\$711,884	\$ -	\$95,745	\$504,651	\$3,908,430

A. High Rock and Climpy

The High Rock property and the Climpy property are gold prospects in northeast Manitoba. The Company has acquired a 100% interest in the property.

B. Red Bird

The Red Bird molybdenum property consists of three mineral claims situated in the Skeena Mining Division of west central British Columbia. The Company has acquired a 25% undivided interest in the property.

C. Mount Copeland

The Mount Copeland molybdenum property is situated in British Columbia. The Company has acquired a 100% interest in the Mount Copeland property.

D. Walker mine

The Walker property includes a past producing graphite mine and is situated in Quebec. The Company has acquired a 100% interest in the Walker property.

E. Clot

The Clot graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

F. Bell

The Bell graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

G. Whabouchi

The Whabouchi lithium property is situated in Quebec. The Company has acquired a 100% interest in the property.

H. Buckingham/Kendall

The Buckingham/Kendall graphite property is situated in Quebec. The Company has acquired a 100% interest in the property.

I. Lochaber/Montpellier

In May 2018, the Company acquired a 100% ownership of the historical graphite mining property known as the Lochaber claims located in South Western Quebec.

8. RIGHT-OF-USE ASSET AND LEASE OBLIGATION LIABILITY

As of November 1, 2019, the Company recorded a new ROU asset, recognizing the Company's office, warehouse and mill facility lease in the amount of \$40,289 (increase in assets); a new corresponding lease liability in the amount of \$48,405 (increase in liabilities); and the difference of \$8,116 (decrease in equity) was recognized as an adjustment to retained earnings. For the period ended July 31, 2020, the Company recognized non-cash depreciation expense in the amount of \$25,900 (increase in costs) and recognized non-cash interest expense in the amount of \$5,333 (increase in costs).

The following table reconciles the lease commitments disclosed in the Company's audited annual consolidated financial statements for the year ended October 31, 2019, to the lease obligations recognized on initial application of IFRS 16:

Operating lease commitments at October 31, 2019	\$ 127,077
Recognition exemptions for low-value leases	(3,715)
Discounted lease obligation	(21,416)
Non-lease components	(53,541)
Lease obligations recognized at November 1, 2019	\$ 48,405

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

8. RIGHT-OF-USE ASSET AND LEASE OBLIGATION LIABILITY (continued)

(a) Right-of-use assets

Cost	
November 1, 2019	\$ 106,479
Additions during the period	-
July 31, 2020	\$ 106,479

Accumulated depreciation	
November 1, 2019	\$ 66,190
Depreciation	25,900
July 31, 2020	\$ 92,090

Net book value	
November 1, 2019	\$ 40,289
July 31, 2020	\$ 14,389

(b) Lease obligation liability

Balance, beginning of the period	\$ 48,405
Lease finance expense	5,333
Repayments during the period	(35,126)
Balance, July 31, 2020	\$ 18,612

Current	\$ 18,612
Long-term	-
Total discounted lease obligations	\$ 18,612

9. ACCOUNTS PAYABLE

	July 31, 2020	Oct. 31, 2019
Trade payables	\$ 675,078	\$ 638,992
Trade payables – related parties	644,554	460,684
	\$ 1,319,632	\$ 1,099,676

Included in accounts payable are amounts due to related parties; further details are as follows:

Amounts due to	Nature of relationship	Service for	July 31, 2020	Oct. 31, 2019
Private corporation	Company controlled by CEO	Management fees	\$ 241,820	\$ 241,820
Private corporation	Key Management personnel	Management fees	208,786	126,086
Private corporation	Key Management personnel	Management fees	192,100	90,400
Limited liability partnership	Partnership of which CFO is a partner	Management fees	1,848	2,378
			\$ 644,554	\$ 460,684

All related party payables are due on demand, non-interest bearing and are unsecured.

SAINT JEAN CARBON INC.

Notes to the financial statements

(Expressed in Canadian Dollars)

July 31, 2020 and July 31, 2019

10. NOTES PAYABLE

	July 31, 2020	Oct. 31, 2019
Unsecured promissory notes payable, due upon demand, bearing interest at 10% per annum.	\$ 13,000	\$ 13,000
Unsecured promissory notes payable, due upon demand, bearing interest at 12% per annum.	40,000	25,000
Advance from an associated company	90,766	-
	\$ 143,766	\$ 38,000

11. SHARE CAPITAL

(a) Authorized:

The authorized share capital of the Company is:

An unlimited number of voting common shares without par value.

An unlimited number of non-voting first preferred shares.

An unlimited number of non-voting second preferred shares.

(b) Issued and outstanding:

See the Statement of Changes in Shareholders' Equity. The number of the shares outstanding presented in the statements of changes in shareholders' equity refers only to voting common shares. Diluted loss per share did not include the effect of 260,000 options (3,191,422 – 2019) and 16,850,750 warrants and broker warrants (19,450,750 – 2019) as they are anti-dilutive.

(c) Private placements:

There were no private placements during the current period.

(d) Stock options:

The Company has established a stock-based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. Exercise price of options equals at least the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a two or five-year term in accordance with TSX Venture Exchange policy.

On January 19, 2017, the Company issued 3,600,000 options (on a pre-consolidation basis) to directors and officers of the Company with an exercise price of \$0.05. The options expire on January 13, 2022.

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July 31, 2020 and July 31, 2019

11. SHARE CAPITAL (continued)

A summary of the status of the Company's incentive stock option plan as at July 31, 2020 is as follows:

	Number of options	Weighted Average Exercise Price
Balance October 31, 2018	3,703,922	\$0.20
Granted	-	-
Expired (post-consolidation)	(2,648,750)	\$0.20
Exercised	-	-
Balance October 31, 2019	1,055,172	\$0.20
Granted	-	-
Expired (post-consolidation)	(795,172)	\$0.20
Exercised	-	-
Balance July 31, 2020	260,000	\$0.20

Options Granted

A summary of options granted as at July 31, 2020 is as follows:

Number of Shares Under Option	Exercise Price	Expiry Date
150,000	\$0.20	April 5, 2021
35,000	\$0.20	November 8, 2021
75,000	\$0.20	January 13, 2022
260,000		

The Black-Scholes option valuation model was used to estimate the fair value of the options with the following assumptions.

	Dividend Yield	Volatility	Risk free interest rate	Expected life	Grant date value (per option)
Options granted November 9, 2016	0%	133.05%	0.82%	5 years	\$0.04
Options granted December 12, 2016	0%	137.29%	0.92%	3 years	\$0.07
Options granted January 13, 2017	0%	137.99%	1.14%	5 years	\$0.06

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11. SHARE CAPITAL (continued)

(e) Share purchase warrants

A summary of outstanding warrants as at July 31, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance October 31, 2018	16,845,750	\$0.19
Granted (post-consolidation)	4,562,500	\$0.05
Expired	(4,557,500)	\$0.23
Exercised	-	-
Balance October 31, 2019 and July 31, 2020	16,850,750	\$0.14

A summary of warrants granted as at July 31, 2020 is as follows:

Number of Warrants	Exercise Price	Expiry Date
3,222,500	\$0.22	December 12, 2020
695,500	\$0.20	January 25, 2021
2,002,750	\$0.20	February 8, 2021
1,705,000	\$0.22	May 17, 2021
1,162,500	\$0.22	May 29, 2021
2,400,000	\$0.075	June 28, 2021
1,100,000	\$0.075	July 18, 2021
4,277,500	\$0.05	April 18, 2022
285,000	\$0.05	June 10, 2022
<u>16,850,750</u>		

12. RELATED PARTY TRANSACTIONS

Key management personnel include the board of directors, chief executive officer, chief financial officer and chief technology officer. Key management personnel compensation comprised:

	Nine months ended July 31,	
	2020	2019
Retainers, wages and benefits	\$ 196,248	\$ 87,570
Cost of goods sold	10,000	-
	<u>\$ 206,248</u>	<u>\$ 87,570</u>

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12. RELATED PARTY TRANSACTIONS (continued)

Services and reimbursement of expenses	Nine months ended July 31,	
	2020	2019
Company controlled by the CEO	\$ -	\$ 75,000
Partnership of which the CFO is a partner	26,248	12,570
Company controlled by the President	90,000	-
Company controlled by a senior Officer	90,000	-

13. RESTRICTED CASH

Term deposits of \$36,000 have been pledged as security to the Scotia Bank for their irrevocable letter of credit in favor of the Province of British Columbia, Ministry of Energy and Mines. A term deposit of \$5,000 has been pledged as security to the Scotia Bank to secure the Company credit card.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

Financial instruments recognized at fair value on the statements of financial position must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy levels are as follows:

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on inputs that are other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

As at July 31, 2020, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2019 are shown in the table below:

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	July 31, 2020		October 31, 2019	
	Fair value (\$)	Carrying value (\$)	Fair value (\$)	Carrying value (\$)
<i>Financial assets</i>				
Cash and equivalents	17,334	17,334	7,723	7,723
Accounts receivable (1)	-	-	5,000	5,000
<i>Financial liabilities</i>				
Accounts payable and accrued liabilities	1,319,632	1,319,632	1,099,676	1,099,676
Lease liability obligation	18,612	18,612	-	-

(1) Excluding taxes receivable

The fair values of the Company's financial instruments measured at July 31, 2020, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

The Company recognized interest income during the period ended July 31, 2020, totaling \$582 (2019 \$486) which represents interest income from the Company's held-for-trading investments. This balance represents interest income from all sources.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk as at July 31, 2020 and October 31, 2019 under its financial instruments is summarized as follows:

	July 31, 2020	October 31, 2019
Accounts and other receivables		
Currently due	\$ -	\$ 5,000
Past due by 90 days or less, not impaired	-	-
Past due by greater than 90 days, not impaired	-	-
	-	5,000
Cash and equivalents	17,344	7,723
	\$ 17,344	\$ 12,723

All of the Company's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. As at July 31, 2020, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at July 31, 2020, is the carrying value of its financial assets.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in *Note 15*, in normal circumstances. Due to the lack of liquidity, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of finance. Further information regarding liquidity risk is set out in *Note 2 (b)*.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and notes payable and are currently due.

Market risk

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of graphite, molybdenum, copper and gold and the outlook for these metals, as the Company's ability to raise capital is affected by the commodity that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

- Interest rate risk

The Company has no significant exposure at July 31, 2020, to interest rate risk through its financial instruments.

- Currency risk

The Company has no significant exposure at July 31, 2020 to currency risk as all cash and cash equivalents are held in Canadian funds.

15. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard its ability to continue as a going concern in order to pursue the development of its mineral property interests.

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15. MANAGEMENT OF CAPITAL (continued)

The Company considers the items included in shareholders' equity to be capital. The Company relies on equity financing in order to fund future exploration and development and makes adjustments to the Company's capital structure based on financing needs, as well as in response to economic conditions and the risk characteristics of the underlying assets.

Management makes adjustments to its capital structure through share issuances and the acquisition or disposition of assets.

As the Company is in the exploration stage it endeavors to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company facilitates the management of capital through the preparation of annual expenditure budgets and cash forecasts that are updated as necessary. The Company does not have any externally imposed capital requirements.

The Company's managed capital is as follows:

	July 31, 2020	October 31, 2019
Share capital	\$ 21,011,573	\$ 21,011,573
Contributed surplus	1,805,054	1,805,054
Deficit	(19,863,651)	(19,436,691)
	\$ 2,952,976	\$ 3,379,936

16. SEGMENTED INFORMATION

The Company has two operating segments. These two operating segments have been differentiated based on the type of services provided and equipment requirements. The mineral exploration and development segment focuses on the acquisition and exploration of property interests that are considered potential sites of economic mineralization. The research and development segment focuses on the scientific study and technology applications for graphite and graphene. All of the Company's operations are in Canada. The following tables provide financial results by segment:

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16. SEGMENTED INFORMATION (continued)

Period ended	Mineral exploration	Research and	Total
July 31, 2020	and development	development	
	\$	\$	\$
Revenue	582	49,599	50,181
Depreciation and impairment of equipment	1,423	105,965	107,388
Total expenses	292,256	166,769	459,025
Capital expenditures	-	-	-
Total assets at July 31, 2020	4,020,750	418,412	4,439,162

Year ended	Mineral exploration	Research and	Total
October 31, 2019	and development	development	
	\$	\$	\$
Revenue	713	115,205	115,918
Depreciation and impairment of equipment	2,531	128,692	131,223
Total expenses	671,731	275,931	947,662
Capital expenditures	-	3,500	3,500
Total assets at October 31, 2019	4,015,969	502,511	4,518,480

17. OPERATING LEASES

Subsequent to the end of the period, the Company entered into a long-term vehicle lease and the future cash flows are as follows:

Less than one year	\$ 16,474
Between one and five years	28,830
More than five years	-
	\$ 45,304

18. CONTINGENT LIABILITY

During a prior year, the Company's tax filings related to flow-through shares were audited by the Canada Revenue Agency (CRA). As a result of this audit an assessment was charged to the Company. The Company disagrees with the CRA's audit filings and has appealed the assessment. As it is not probable that a future outflow of resources will be required to settle this obligation and because the amount of the obligation cannot be measured reliably no liability has been recognized in the statements of financial position. The estimated range of the potential obligation is \$0 to \$160,000.