

SAINT JEAN CARBON INC.

Condensed Consolidated Interim Financial Statements

(Unaudited – presented in Canadian Dollars)

for the period ending July 31, 2021

Notice of No Auditor Review

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited condensed consolidated 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and the accompanying Management's Discussion and Analysis. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 unaudited condensed consolidated interim financial statements, including the notes thereto, with management. The unaudited condensed consolidated interim financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

"William Pfaffenberger"

William Pfaffenberger
Chief Executive Officer

"David Madill"

David Madill
Chief Financial Officer

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

| ASSETS | As at July 31, 2021 | As at October 31, 2020 |
|---|------------------------------------|---------------------------------------|
| Current | | |
| Cash | \$ 407,486 | \$ 29,441 |
| Accounts receivable (Note 5) | 18,280 | 17,790 |
| Prepaid expenses | 148,417 | 21,067 |
| | 574,183 | 68,298 |
| Term deposits (Note 14) | 41,000 | 41,000 |
| Equipment (Note 6) | 321,279 | 375,759 |
| Mineral exploration and evaluation assets (Note 7) | 854,869 | 839,582 |
| Right-of-use assets (Note 8) | 26,272 | 43,845 |
| Intangible asset (Note 9) | 1,373,057 | - |
| Other assets | 610 | 1,042 |
| | \$ 3,191,270 | \$ 1,369,526 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 10) | \$ 796,210 | \$ 1,544,327 |
| Notes payable (Note 12) | 438,389 | 139,521 |
| Current portion of lease liabilities (Note 8) | 13,723 | 21,065 |
| Interest payable | 20,037 | 1,734 |
| Other liabilities (Note 11) | 85,000 | 147,500 |
| | 1,353,359 | 1,854,147 |
| Lease liabilities (Note 8) | 13,090 | 23,437 |
| | 1,366,449 | 1,877,584 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 13) | 24,059,616 | 21,190,744 |
| Contributed surplus | 2,475,195 | 1,805,054 |
| Deficit | (24,709,990) | (23,503,856) |
| | 1,824,821 | (508,058) |
| | \$ 3,191,270 | \$ 1,369,526 |

Going concern (Note 2(b))

Contingency (Note 20)

See accompanying notes

On behalf of the Board of Directors:

"William Pfaffenberger"

CEO, Director

"David Madill"

CFO, Director

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

| | Three months ended July 31, 2021 | Three months ended July 31, 2020 | Nine months ended July 31, 2021 | Nine months ended July 31, 2020 |
|--|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| Processing revenue | \$ - | \$ - | \$ 70,000 | \$ 49,599 |
| | - | - | 70,000 | 49,599 |
| Direct costs | - | - | 11,166 | 10,000 |
| | - | - | 58,834 | 39,599 |
| Expenses | | | | |
| Amortization | \$ 22,498 | \$ 35,796 | \$ 73,228 | \$ 107,388 |
| Automotive | - | 3,645 | - | 11,048 |
| Bad debts (recovery) | - | (8,700) | 30,973 | (8,700) |
| Bank charges and loan interest | 11,153 | 1,487 | 44,688 | 4,680 |
| Gain on foreign exchange | 1,682 | - | (8,132) | - |
| Gain on reversal of accrued liability (Note 10) | (100,000) | - | (100,000) | - |
| Gain on settlement of accounts payable (Note 10) | - | - | (225,945) | - |
| Interest on lease liabilities | 302 | 1,281 | 1,068 | 5,333 |
| Loss on disposal of assets | - | - | 9,144 | - |
| Management fees | 114,455 | 66,000 | 268,339 | 196,247 |
| Office and general | 12,704 | 3,470 | 34,935 | 18,366 |
| Plant operating expense | - | 4,580 | 1,316 | 69,504 |
| Regulatory and filing fees | 44,606 | 5,294 | 66,764 | 13,979 |
| Rent recovery | - | (20,357) | (978) | (20,357) |
| Research expenses | 34,462 | - | 49,462 | - |
| Professional fees | 175,944 | 9,740 | 346,405 | 55,941 |
| Stock-based compensation | 387,850 | - | 670,141 | - |
| Travel and promotion | 827 | - | 827 | 5,014 |
| Wages and benefits | 2,733 | - | 2,733 | - |
| | 709,216 | 102,236 | 1,264,968 | 458,443 |
| Loss and comprehensive loss | (709,216) | (102,236) | (1,206,134) | (418,844) |
| Loss per share - basic and diluted (Note 13(b)) | \$ (0.006) | \$ (0.001) | \$ (0.012) | \$ (0.006) |
| Weighted average number of shares outstanding - basic and diluted | 116,811,173 | 75,892,532 | 97,627,798 | 75,892,532 |

See accompanying notes

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

| | Number of shares | Share Capital | Contributed Surplus | Deficit | Total |
|--|---------------------|---------------|------------------------|-----------------|--------------|
| Balance at October 31, 2019 | 75,892,532 | 21,011,573 | 1,805,054 | (19,436,691) | 3,379,936 |
| Impact of adoption of IFRS 16 | - | - | - | (8,116) | (8,116) |
| Balance at November 1, 2019 | 75,892,532 | \$ 21,011,573 | \$ 1,805,054 | \$ (19,444,807) | \$ 3,371,820 |
| Loss and comprehensive loss | - | - | - | (418,844) | (418,844) |
| Balance at July 31, 2020 | 75,892,532 | \$ 21,011,573 | \$ 1,805,054 | \$ (19,863,651) | \$ 2,952,976 |
| Balance at November 1, 2020 | 83,797,532 | \$ 21,190,744 | \$ 1,805,054 | \$ (23,503,856) | (508,058) |
| Issuance of shares for non-cash items | 115,000 | 5,750 | - | - | 5,750 |
| Issuance of shares for acquisition of subsidiary | 22,000,000 | 1,320,000 | - | - | 1,320,000 |
| Private placements | 10,500,000 | 997,500 | - | - | 997,500 |
| Shares issued due to exercise of warrants | 7,831,250 | 471,562 | - | - | 471,562 |
| Shares issued due to exercise of options | 2,350,000 | 117,500 | - | - | 117,500 |
| Stock-based compensation | - | - | 670,141 | - | 670,141 |
| Share issuance costs | - | (43,440) | - | - | (43,440) |
| Loss and comprehensive loss | - | - | - | (1,206,134) | (1,206,134) |
| Balance at July 31, 2021 | 126,593,782 | \$ 24,059,616 | \$ 2,475,195 | \$ (24,709,990) | \$ 1,824,821 |

See accompanying notes

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

| | Nine months ended July 31, 2021 | Nine months ended July 31, 2020 |
|---|------------------------------------|------------------------------------|
| Cash flows from (used in) operating activities | | |
| Loss and comprehensive loss | \$ (1,206,134) | \$ (418,844) |
| Items not involving cash: | | |
| Amortization | 73,228 | 107,388 |
| Stock-based compensation | 670,141 | - |
| Gain on reversal of accrued liability | (100,000) | - |
| Gain on settlement of accounts payable | (225,945) | - |
| Interest on lease liabilities | 1,068 | 5,333 |
| Loan bonus | 5,750 | - |
| Loss on disposal of assets | 9,144 | - |
| Unrealized gain on foreign exchange | (8,132) | - |
| | (780,880) | (306,123) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (490) | 18,424 |
| Prepaid expenses | (127,350) | 4,222 |
| Accounts payable and accrued liabilities | (438,972) | 219,956 |
| Interest payable | 18,303 | 3,308 |
| Other liabilities | (62,500) | - |
| | (1,391,889) | (60,213) |
| Cash flows used in investing activities | | |
| Purchase of capital assets | (26,606) | - |
| Proceeds from sale of capital assets | 1,000 | - |
| Acquisition of intangible asset | (36,257) | - |
| Exploration and evaluation expenditures | - | (766) |
| Acquisition of other assets | 432 | (50) |
| | (61,431) | (816) |
| Cash flow from (used in) financing activities | | |
| Issuance of share capital | 997,500 | - |
| Exercise of warrants | 471,562 | - |
| Exercise of options | 117,500 | - |
| Share issuance costs | (43,440) | - |
| Proceeds of notes payable | 390,000 | 15,000 |
| Repayment of note payable | (83,000) | - |
| Advance from associated company | - | 90,766 |
| Decrease of lease liability obligation | (18,757) | (35,126) |
| | 1,831,365 | 70,640 |
| Increase in cash | 378,045 | 9,611 |
| Cash, beginning of year | 29,441 | 7,723 |
| Cash, end of year | \$ 407,486 | \$ 17,334 |

See accompanying notes

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

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

The Company is in the process of developing mineral properties and developing battery technology through its wholly-owned subsidiary Solid Ultrabattery Inc. The Company also generates incidental revenue by processing raw materials through its mill.

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

2. BASIS OF PRESENTATION AND GOING CONCERN

a) Basis of presentation

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on September 29, 2021.

The unaudited condensed consolidated interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), has been omitted or condensed. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounts that require significant judgments, estimates and assumptions as the basis for determining the stated amounts are consistent with those applied and disclosed in the Company’s financial statements for the year ended October 31, 2020.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the year ended October 31, 2020 which were prepared in accordance with IFRS.

b) Going concern

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements.

As at July 31, 2021 and for the nine months ended, the Company has incurred a loss from operations of \$1,206,134, has a working capital deficit of \$779,176, negative cash flow from operations of \$1,391,889 and an accumulated deficit of \$24,709,990. The Company’s ability to continue as a going concern is contingent on its ability to obtain additional equity financing.

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

This condition, along with other matters as set forth in the above paragraph, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

c) Measurement basis

These unaudited condensed consolidated interim 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 16*. The Company's presentation and functional currency is Canadian dollars.

d) Basis of consolidation

Subsidiaries consist of entities over which the Company has rights, or is exposed, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiary's financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Company. The subsidiary's year end and accounting policies are aligned with those adopted by the Company.

These unaudited condensed consolidated interim financial statements include the accounts of the Corporation and its wholly-owned subsidiary Solid UltraBattery Inc. All inter-company balances and transactions have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's financial statements for the year ended October 31, 2020 with the exception of the following:

Intangible asset

Purchased intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. All indefinite lived intangible assets are stated at cost less accumulated impairment. The initial acquisition cost is based on the fair value of consideration paid and related acquisition costs. Subsequent costs are expensed unless they meet the criteria for capitalization.

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars) July 31, 2021 and July 31, 2020

4. RECENT ACCOUNTING PRONOUNCEMENTS

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the period ended July 31, 2021. The following new or amended standards are effective for year-ends starting after January 1, 2022 and have not yet been adopted by the Company.

- (a) IAS 1 amendments concerning the classification of liabilities as current - Clarification that an entity classifies a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.
- (b) IFRS 9 amendments concerning derecognition of a liability – fees included in the “10 per cent” test. Guidance on when a renegotiated liability should be accounted for as an extinguishment of the original liability and recognition of a new liability. In determining if the revised terms of the liability are substantially different the guidance includes consideration of the change in the value of discounted present value of cash flows referred to as the “10 per cent” test. In regard to the renegotiated liability the guidance refers to the cash flows under the new terms, including any fees paid net of any fees received. The amendments clarify that only fees paid or received between the borrower and the lender are to be considered.

The Company does not anticipate that adoption of the above standards will have significant financial reporting implications.

5. ACCOUNTS RECEIVABLE

| | July 31, 2021 | October 31, 2020 |
|-------------------|------------------|---------------------|
| Other receivables | \$ 7,997 | \$ - |
| GST receivable | 10,283 | 17,790 |
| | \$ 18,280 | \$ 17,790 |

6. EQUIPMENT

| Cost | Mill equipment | Leasehold improvements | Furniture, fixtures and office equipment | Total |
|---------------------|-------------------|---------------------------|--|------------|
| At November 1, 2019 | \$ 629,991 | \$ 49,866 | \$ 15,184 | \$ 695,041 |
| Additions | - | - | - | - |
| At October 31, 2020 | \$ 629,991 | \$ 49,866 | \$ 15,184 | \$ 695,041 |
| Additions | | | 11,319 | 11,319 |
| Disposals | - | (49,866) | (9,518) | (59,384) |
| At July 31, 2021 | \$ 629,991 | \$ - | \$ 16,985 | \$ 646,976 |

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

6. EQUIPMENT (continued)

| Accumulated amortization | Mill equipment | Leasehold improvements | Furniture, fixtures and office equipment | Total |
|--------------------------|----------------|------------------------|--|------------|
| At November 1, 2019 | \$ 176,028 | \$ 28,388 | \$ 6,215 | \$ 210,631 |
| Amortization | 90,793 | 15,960 | 1,898 | 108,651 |
| At October 31, 2020 | \$ 266,821 | \$ 44,348 | \$ 8,113 | \$ 319,282 |
| Disposals | - | (44,348) | (4,893) | (49,241) |
| Amortization | 54,476 | - | 1,180 | 55,656 |
| At July 31, 2021 | \$ 321,297 | \$ - | \$ 4,400 | \$ 325,697 |

| Net book value | Mill equipment | Leasehold improvements | Furniture, fixtures and office equipment | Total |
|---------------------|----------------|------------------------|--|------------|
| At October 31, 2020 | \$ 363,170 | \$ 5,518 | \$ 7,071 | \$ 375,759 |
| At July 31, 2021 | \$ 308,694 | \$ - | \$ 12,585 | \$ 321,279 |

7. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has acquired certain mineral properties and rights. Mineral exploration and evaluation assets include property acquisition costs and deferred exploration costs.

Property acquisition costs:

| | Mount | | | Total |
|---------------------|--------------|--------------|--------------|------------|
| | Red Bird (a) | Copeland (b) | Lochaber (c) | |
| At October 31, 2020 | \$ 140,000 | \$ 221,186 | \$ - | \$ 361,186 |
| Additions | - | - | - | - |
| At July 31, 2021 | \$ 140,000 | \$ 221,186 | \$ - | \$ 361,186 |

Deferred exploration costs:

| | Mount | | | Total |
|---------------------|--------------|--------------|--------------|------------|
| | Red Bird (a) | Copeland (b) | Lochaber (c) | |
| At October 31, 2020 | \$ 16,681 | \$ 461,715 | \$ - | \$ 478,396 |
| Additions | - | - | 15,287 | 15,287 |
| At July 31, 2021 | \$ 16,681 | \$ 461,715 | \$ 15,287 | \$ 493,683 |

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

| | Total costs: | | | |
|---------------------|--------------|--------------------|--------------|------------|
| | Red Bird (a) | Mount Copeland (b) | Lochaber (c) | Total |
| At October 31, 2020 | \$ 156,681 | \$ 682,901 | \$ - | \$ 839,582 |
| Additions | - | - | 15,287 | 15,287 |
| At July 31, 2021 | \$ 156,681 | \$ 682,901 | \$ 15,287 | \$ 854,869 |

a) 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.

b) Mount Copeland

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

c) Lochaber

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 ASSETS AND LEASE LIABILITIES

For the period ended July 31, 2021, the Company recognized non-cash amortization expense in the amount of \$17,573 (increase in costs) and recognized non-cash interest expense in the amount of \$1,068 (increase in costs).

a) Right-of-use assets

| | |
|---------------------------------|------------------|
| Cost | |
| November 1, 2020 | \$ 181,742 |
| Additions during the year | - |
| Disposals during the year | (134,908) |
| July 31, 2021 | \$ 46,834 |
| Accumulated amortization | |
| November 1, 2020 | \$ 137,897 |
| Amortization | 17,573 |
| Disposals during the year | (134,908) |
| July 31, 2021 | \$ 20,562 |
| Net book value | |
| October 31, 2020 | \$ 43,845 |
| July 31, 2021 | \$ 26,272 |

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars) July 31, 2021 and July 31, 2020

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

b) Lease liabilities

| | |
|---|------------------|
| Balance, beginning of the period | \$ 44,502 |
| Additions during the period | - |
| Lease finance expense | 1,068 |
| Repayments during the period | (18,757) |
| Balance, July 31, 2021 | \$ 26,813 |
| <hr/> | |
| Current | \$ 13,723 |
| Long-term | 13,090 |
| Total discounted lease liabilities | \$ 26,813 |

The Company is committed to lease payments as follows:

| | |
|------|-----------|
| 2021 | \$ 3,645 |
| 2022 | 14,579 |
| 2023 | 9,719 |
| | <hr/> |
| | \$ 37,943 |

The Company has applied the practical expedient to all rent concessions that meet the conditions under IFRS 16. Included in expense recovery is \$1,562 of rent concessions that meet the conditions of the practical expedient.

9. INTANGIBLE ASSET

On May 27, 2021, Saint Jean completed a transaction which resulted in the acquisition of Solid Ultrabattery Inc. ("SUB"). In exchange for all the issued and outstanding common shares of SUB, Saint Jean issued 22,000,000 common shares at a deemed value of \$0.06 per share. In completing the transaction, Saint Jean acquired two patents for the manufacture and development of solid state batteries and assumed liabilities in the form of accounts payable. Upon the completion of the transaction, SUB became a wholly owned subsidiary of Saint Jean.

As SUB is deemed not to be a business in accordance with IFRS 3, the transaction has been treated as an asset acquisition.

Cost of intangible asset acquired:

| | |
|------------------------------------|---------------------|
| Share consideration | \$ 1,320,000 |
| Legal fees | 36,447 |
| Working capital deficiency assumed | 16,610 |
| | <hr/> |
| | \$ 1,373,057 |

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | July 31, 2021 | October 31, 2020 |
|----------------------------------|-------------------|---------------------|
| Trade payables | \$ 712,310 | \$ 992,507 |
| Trade payables – related parties | 83,900 | 551,820 |
| | \$ 796,210 | \$ 1,544,327 |

Included in accounts payable are amounts due to related parties relating to management fees incurred as follows:

| Amounts due to | Nature of relationship | July 31, 2021 | October 31, 2020 |
|-------------------------|---|------------------|---------------------|
| Private corporation | Company controlled by the former CEO, no longer related | \$ - | \$ 241,820 |
| Unincorporated business | Key Management personnel | - | 84,000 |
| Private corporation | Key Management personnel | 83,900 | 226,000 |
| | | \$ 83,900 | \$ 551,820 |

During the period the Company settled an accounts payable balance of \$260,971 with payment of \$35,026, resulting in a gain on settlement of accounts payable of \$226,945.

During the period the Company reversed an accrued liability of \$100,000 from a prior year and recorded a gain upon such reversal.

11. OTHER LIABILITIES

In a prior year, Canada Revenue Agency ("CRA") commenced an audit of the Company's tax filings related to flow-through shares. In the prior year, CRA accepted, in part, the Company's original filing. The Company has recorded a provision of \$85,000 in the prior year related to the indemnification of flow through shares to investors.

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars) July 31, 2021 and July 31, 2020

12. NOTES PAYABLE

| | July 31, 2021 | October 31, 2020 |
|--|-------------------|---------------------|
| Unsecured promissory notes payable to a senior officer and director of the Company, due upon demand, bearing interest at 10% per annum. | \$ - | \$ 13,000 |
| Unsecured promissory notes payable to a senior officer and director of the Company, due between December 1, 2021 and March 25, 2022, and bear interest at 12% per annum. | 220,000 | - |
| Unsecured loan payable of \$95,000 USD, non-interest bearing with no fixed terms of repayment. | 118,389 | 126,521 |
| Unsecured promissory note payable, due November 14, 2021, bearing interest at 12% per annum. | 100,000 | - |
| | \$ 438,389 | \$ 139,521 |

The amount of \$11,496 owing to related parties for interest payable on the above loans is included in interest payable.

13. 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 7,300,000 options (260,000 – October 31, 2020) and 14,398,750 warrants (24,755,750 – October 31, 2020) as they are anti-dilutive.

c) Share issuances:

Private placements

On December 23, 2020 the Company received a subscription for a private placement of 3,500,000 shares at a price of \$0.035 per unit for gross proceeds of \$122,500.

On May 21, 2021, the Company closed on a private placement for 7,000,000 units at a price of \$0.125 per unit for gross proceeds of \$875,000. Each unit consisted of one common share and one-half warrant. In connection with the private placement, \$43,440 of share issue costs were incurred.

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

13. SHARE CAPITAL (continued)

Exercise of warrants

On January 18, 2021 the Company issued 1,398,750 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.05 per share for gross proceeds of \$69,937.

On February 17, 2021 the Company issued 980,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.05 per share for gross proceeds of \$49,000.

On March 18, 2021 the Company issued 400,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.05 per share for gross proceeds of \$20,000.

On April 14, 2021 the Company issued 200,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.05 per share for gross proceeds of \$10,000.

On April 16, 2021 the Company issued 1,450,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.075 per share for gross proceeds of \$108,750 and 1,652,500 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.05 per share for gross proceeds of \$82,625.

On May 5, 2021 the Company issued 200,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.075 per share for gross proceeds of \$15,000.

On June 11, 2021, the Company issued 1,400,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.075 per share for gross proceeds of \$105,000.

On July 9, 2021 the Company issued 100,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.075 per share for gross proceeds of \$7,500.

On July 16, 2021 the Company issued 50,000 common shares in the capital of the Company due to exercise of warrants at an exercise price of \$0.075 per share for gross proceeds of \$3,750.

Exercise of options

On May 21, 2021 the Company issued 1,600,000 common shares in the capital of the Company due to exercise of options at an exercise price of \$0.05 per share for gross proceeds of \$80,000.

On July 12, 2021 the Company issued 750,000 common shares in the capital of the Company due to exercise of options at an exercise price of \$0.05 per share for gross proceeds of \$37,500.

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited - Expressed in Canadian Dollars) July 31, 2021 and July 31, 2020

13. SHARE CAPITAL (continued)

Other

On January 4, 2021 the Company issued a loan bonus to lenders of 115,000 common shares in the capital of the Company at a deemed price of \$0.05 per share for an aggregate amount of \$5,750.

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.

A summary of the status of the Company's incentive stock option plan as at July 31, 2021 and October 31, 2020 is as follows:

| | Number of options | Weighted Average Exercise Price |
|---------------------------------|-------------------|------------------------------------|
| Balance October 31, 2019 | 1,055,172 | \$0.20 |
| Granted | - | - |
| Expired | (795,172) | \$0.20 |
| Exercised | - | - |
| Balance October 31, 2020 | 260,000 | \$0.20 |
| Granted | 9,650,000 | \$0.07 |
| Expired | (260,000) | \$0.20 |
| Exercised | (2,350,000) | \$0.05 |
| Balance July 31, 2021 | 7,300,000 | \$0.08 |

Options Granted

On December 14, 2020, the Company issued 7,300,000 options to directors, officers and consultants of the Company with an exercise price of \$0.05. The options expire on December 14, 2025.

On July 26, 2021, the Company issued 2,350,000 options to directors, officers and consultants of the Company with an exercise price of \$0.15. The options expire on July 26, 2026.

Subsequent to the end of the period, on August 11, 2021, the Company issued 1,280,000 options to directors, officers and consultants of the Company with an exercise price of \$0.16. The options expire on August 11, 2026.

SAINT JEAN CARBON INC.

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July 31, 2021 and July 31, 2020

13. SHARE CAPITAL (continued)

A summary of options outstanding as at July 31, 2021 is as follows:

| Number of Shares Under Option | Exercise Price | Expiry Date |
|----------------------------------|-------------------|-------------------|
| 4,950,000 | \$0.05 | December 14, 2025 |
| 2,350,000 | \$0.15 | July 26, 2026 |
| 7,300,000 | | |

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 December 14, 2020 | 0% | 193.45% | 0.99% | 5 years | \$0.04 |
| Options granted July 26, 2021 | 0% | 192.10% | 0.80% | 5 years | \$0.17 |

e) Share purchase warrants

A summary of outstanding warrants as at July 31, 2021 and October 31, 2020 is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------------|-----------------------|------------------------------------|
| Balance, October 31, 2019 | 16,850,750 | \$0.14 |
| Granted | 7,905,000 | \$0.05 |
| Expired | - | - |
| Exercised | - | - |
| Balance October 31, 2020 | 24,755,750 | \$0.11 |
| Granted | 3,500,000 | \$0.25 |
| Expired | (6,025,750) | \$0.21 |
| Exercised | (7,831,250) | \$0.06 |
| Balance July 31, 2021 | 14,398,750 | \$0.13 |

A summary of warrants outstanding as at July 31, 2021 is as follows:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|-------------------|-----------------|
| 300,000 | \$0.075 | July 18, 2021 |
| 1,898,750 | \$0.05 | April 18, 2022 |
| 1,637,500 | \$0.22 | May 17, 2022 |
| 1,125,000 | \$0.22 | May 29, 2022 |
| 285,000 | \$0.05 | June 10, 2022 |
| 5,652,500 | \$0.05 | October 9, 2023 |
| 3,500,000 | \$0.25 | May 21, 2023 |
| 14,398,750 | | |

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14. RELATED PARTY TRANSACTIONS

| Management and consulting fees | Nine months ended July 31, | |
|---|----------------------------|-----------|
| | 2021 | 2020 |
| Partnership of which the former CFO is a partner | \$ - | \$ 26,248 |
| Company controlled by the former President | - | 90,000 |
| Company controlled by a director | 20,000 | - |
| Business controlled by the former Chief Operating Officer | 10,000 | - |
| Company controlled by a director and senior officer | 4,500 | - |
| Company controlled by a director and senior officer | 110,000 | 90,000 |
| | 144,500 | 206,248 |

Key management personnel include the board of directors, chief executive officer, chief financial officer, chief operating officer, chief commercialization officer, chief technology officer and president. Key management personnel compensation comprised of stock-based compensation of \$436,149 (2020 - \$nil).

These transactions occurred during the normal course of operations and are measured at the amount of consideration agreed to by the parties.

15. TERM DEPOSITS

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.

16. 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 unaudited condensed consolidated interim 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:

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

July 31, 2021 and July 31, 2020

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- 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, 2021, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for October 31, 2020 are shown in the table below:

| | July 31, 2021 | | October 31, 2020 | |
|--|---------------|----------------|------------------|----------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| <i>Financial assets</i> | | | | |
| Cash | 407,356 | 407,356 | 29,441 | 29,441 |
| Accounts receivable (1) | 7,997 | 7,997 | - | - |
| Term deposits | 41,000 | 41,000 | 41,000 | 41,000 |
| <i>Financial liabilities</i> | | | | |
| Accounts payable and accrued liabilities | 796,210 | 796,210 | 1,544,327 | 1,544,327 |
| Notes payable | 438,389 | 438,389 | 139,521 | 139,521 |
| Interest payable | 20,037 | 20,037 | 1,734 | 1,734 |
| Other liabilities | 85,000 | 85,000 | 147,500 | 147,500 |

(1) Excluding taxes receivable

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, 2021 under its financial instruments is summarized as follows:

| | July 31, 2021 | October 31, 2020 |
|--|---------------|------------------|
| Accounts and other receivables - | | |
| Currently due | 7,997 | - |
| Past due by 90 days or less, not impaired | - | - |
| Past due by greater than 90 days, not impaired | - | - |
| | - | - |
| Cash | 407,486 | 29,441 |
| | 415,483 | 29,441 |

SAINT JEAN CARBON INC.

Notes to the Condensed Consolidated Interim Financial Statements

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

All of the Company's cash is 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 is held. As at July 31, 2021 and October 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, 2021, is the carrying value of its financial assets.

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 14*, 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 (a)*.

The following table summarizes the contractual maturities of the Company's financial liabilities at July 31, 2021:

| | Contractual cash flows | Less than one year |
|---|---------------------------|-----------------------|
| Accounts payable and accrued liabilities | \$ 796,210 | \$ 796,210 |
| Notes payable | 438,389 | 438,389 |
| Interest payable | 20,037 | 20,037 |
| Other liabilities | 85,000 | 85,000 |
| | <u>\$ 1,317,743</u> | <u>\$ 1,317,743</u> |

Market risk

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

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Interest rate risk
The Company has no significant exposure at July 31, 2021, to interest rate risk through its financial instruments.
- Currency risk
The Company has no significant exposure at July 31, 2021 to currency risk as all cash and cash equivalents are held in Canadian funds.

17. 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.

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, 2021 | October 31, 2020 |
|---------------------|---------------|------------------|
| Share capital | 24,059,616 | 21,190,744 |
| Contributed surplus | 2,475,195 | 1,805,054 |
| Deficit | (24,709,990) | (23,503,856) |
| | 1,824,821 | (508,058) |

SAINT JEAN CARBON INC.

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18. NOVEL CORONAVIRUS (“COVID-19”)

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19” was declared a global pandemic by the World Health Organization on March 11, 2020. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures, which include public health measures requiring periodic closures of non-essential businesses, requesting the public to stay home as much as possible, the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments.

19. 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 and includes operations from SUB. All of the Company’s operations are in Canada. The following tables provide financial results by segment:

| Period ended | Mineral | Research and | |
|--|------------------------|---------------------|--------------|
| July 31, 2021 | exploration | development | Total |
| | and development | | |
| | \$ | \$ | \$ |
| Revenue | - | 70,000 | 70,000 |
| Amortization and impairment of equipment | 11,460 | 61,768 | 73,228 |
| Total expenses | 486,751 | 789,383 | 1,276,134 |
| Capital expenditures | 11,319 | - | 11,319 |
| Total assets at July 31, 2021 | 1,007,669 | 2,183,601 | 3,191,270 |

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19. SEGMENTED INFORMATION (continued)

| Year ended October 31, 2020 | Mineral exploration and development | Research and development | Total |
|---|---|-----------------------------|-----------|
| | \$ | \$ | \$ |
| Revenue | - | 17,166 | 17,166 |
| Amortization and impairment of equipment | 3,069,979 | 160,788 | 3,230,767 |
| Total expenses | 3,810,418 | 268,175 | 4,078,593 |
| Capital expenditures | - | - | - |
| Total assets at October 31, 2020 | 939,203 | 430,323 | 1,369,526 |

20. CONTINGENCY

The Company has been named as a defendant in a statement of claim filed on January 5, 2021 in the Province of Ontario. The plaintiff is seeking \$814,820 for unpaid compensation, and \$1,000,000 for wrongful termination and damages. The unaudited condensed consolidated interim financial statements include a provision for unpaid compensation of \$241,820. Management has filed a statement of defense and counterclaim. The counterclaim against the plaintiff and other non-arm's length parties seeks damages up to \$3 million, plus further amounts which will be particularized prior to trial. The next step is to undertake the exchange of affidavit documents and schedule examinations for discovery. As the outcome of this lawsuit and any liability to the Company cannot be reasonably determined at this time, no additional provisions have been made in the unaudited condensed consolidated interim financial statements.