

**DRAGONFLY CAPITAL CORP.**

Condensed Interim Financial Statements

Six-month period ended October 31, 2021

(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements have been prepared by management.

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

**DRAGONFLY CAPITAL CORP.**Condensed Interim Statements of Financial Position  
(Expressed in Canadian dollars)

	October 31, 2021 \$	October 31, 2020 \$
Assets		
Current assets		
Cash	\$ 82,088	\$ 130,188
Amounts receivable	8,430	13,075
Note receivable (note 6)	13,956	13,956
<b>Total assets</b>	<b>\$ 104,474</b>	<b>\$ 157,219</b>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 322,829	\$ 150,520
<b>Total liabilities</b>	<b>\$ 322,829</b>	<b>\$ 150,520</b>
Shareholders' equity		
Share capital (note 3)	\$ 1,317,283	\$ 1,317,283
Share-based payment reserve	55,735	55,735
Deficit	(1,591,371)	(1,366,319)
<b>Total shareholders' (deficit) equity</b>	<b>(218,354)</b>	<b>6,698</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 104,474</b>	<b>\$ 157,219</b>

Nature of operations (note 1)

Approved and authorized for issuance by the Board of Directors on December 28, 2021:

/s/ "Kent Deuters"

Kent Deuters, Director

/s/ "Eric Boehnke"

Eric Boehnke, Director

**DRAGONFLY CAPITAL CORP.**Condensed Interim Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

	Three months ended October 31, 2021 \$	Three months ended October 31, 2020 \$	Six months ended October 31, 2021 \$	Six months ended October 31, 2020 \$
<b>Expenses</b>				
Office and miscellaneous	216	197	539	469
Professional fees	18,000	18,000	36,000	38,711
Rent and Administrative Fees	18,000	18,000	36,000	36,000
Transfer agent and regulatory fees	2,284	4,606	3,726	5,856
<b>Total expenses</b>	<b>38,450</b>	<b>40,803</b>	<b>76,265</b>	<b>81,036</b>
Net loss before other income	(38,450)	(40,803)	(76,265)	(81,036)
<b>Other income</b>				
Interest Income	-	-	-	4,537
<b>Net loss and comprehensive loss for the period</b>	<b>(38,450)</b>	<b>(40,803)</b>	<b>(76,265)</b>	<b>(76,499)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average shares outstanding</b>	<b>16,311,000</b>	<b>16,311,000</b>	<b>16,311,000</b>	<b>16,311,000</b>

**DRAGONFLY CAPITAL CORP.**Condensed Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Deficit \$	Total shareholders' deficit \$
	Number of shares	Amount \$			
Balance, April 30, 2020	16,311,000	1,317,283	55,735	(1,289,821)	83,197
Net loss for the period	–	–	–	(76,499)	(76,499)
Balance, October 31, 2020	16,311,000	1,317,283	55,735	(1,366,320)	6,698

	Share capital		Share-based payment reserve \$	Deficit \$	Total shareholders' deficit \$
	Number of shares	Amount \$			
Balance, April 30, 2021	16,311,000	1,317,283	55,735	(1,515,107)	(142,089)
Net loss for the period	–	–	–	(76,265)	(76,265)
Balance, October 31, 2021	16,311,000	1,317,283	55,735	(1,591,371)	(218,354)

(The accompanying notes are an integral part of these condensed interim financial statements)

**DRAGONFLY CAPITAL CORP.**Condensed Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

	Six months ended October 31, 2021 \$	Six months ended October 31, 2020 \$
Operating activities		
Net loss for the period	(76,265)	(76,499)
Changes in non-cash operating working capital:		
Amounts receivable	-	133,753
Accounts payable and accrued liabilities	72,515	61,501
Net cash (used in)/provided by operating activities	(4,750)	118,755
Decrease in cash	(4,750)	118,755
Cash, beginning of period	86,838	11,433
Cash, end of period	82,088	130,188

(The accompanying notes are an integral part of these condensed interim financial statements)

## **DRAGONFLY CAPITAL CORP.**

Notes to the condensed interim financial statements

Six months ended October 31, 2021

(Expressed in Canadian dollars)

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### **1. Nature of Operations**

Dragonfly Capital Corp. (the “Company”) was incorporated on March 19, 2010 under the Business Corporations Act (BC). On October 15, 2010, the Company completed its initial public offering and is now trading on the TSX Venture Exchange (the “Exchange”) as a Capital Pool Company. The Company is in the development stage and its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. The Company’s head office is located at Suite 918, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2021, the Company has not generated any revenues and has an accumulated deficit of \$1,591,371 (2020: \$1,366,319). The Company’s continuing operations are dependent upon its ability to identify, evaluate, and negotiate a Qualifying Transaction. If a Qualifying Transaction is identified or completed, additional funding may be required and there is no assurance that the Company will be able to obtain such financing, if any, on reasonable terms. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant Accounting Policies**

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed, and therefore these financial statements should be read in conjunction with the Company’s April 30, 2021 audited annual consolidated financial statements and the notes to such financial statements.

These financial statements are based on the IFRS issued and effective as of December 28, 2021, the date these financial statements were authorized for issuance by the Company’s Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

### **3. Share Capital**

Authorized: Unlimited common shares without par value

Refer to the Condensed Interim Consolidated Statements of Changes in Shareholders’ Equity for a summary of changes in share capital and reserves for the period ended October 31, 2021.

During the period ended October 31, 2021, the Company issued nil common shares.

During the period ended October 31, 2020, the Company issued nil common shares.

## DRAGONFLY CAPITAL CORP.

Notes to the condensed interim financial statements  
Six months ended October 31, 2021  
(Expressed in Canadian dollars)

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### 4. Related Party Transactions

The Company entered into the following transactions with related parties during the period ended October 31, 2021:

Professional fees	(a)	\$	36,000
		\$	<b>36,000</b>

(a) During the period ended October 31, 2021, the Company incurred professional fees of \$36,000 to a company controlled by the Chief Financial Officer and director of the Company. As at October 31, 2021, \$155,940 due to the company controlled by the Chief Financial Officer was included in accounts payable and accrued liabilities.

#### Compensation of key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company. The professional fees that the Company recognized for its key management personnel for the period ended October 31, 2021 was \$36,000.

### 5. Financial Instruments and Risks

#### (a) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

#### (b) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### 6. Note receivable

On October 22, 2019, the Company loaned \$150,000 to a public company as a note receivable. The note receivable matured in one year with an interest of 12% per annum. On August 18, 2020, the Company received the repayment of \$150,000 as the principal of the note receivable.

### 7. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

## **DRAGONFLY CAPITAL CORP.**

Notes to the condensed interim financial statements

Six months ended October 31, 2021

(Expressed in Canadian dollars)

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### **7. Capital Management (continued)**

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the Six months ended October 31, 2021

### **8. Subsequent Events**

On December 1, 2021, the Company appointed Jennie Choboter as Chief Financial Officer, replacing Paul Kania.

On December 16, 2021, the Company announced having entered into a binding letter of intent dated December , 2021 (the "LOI") with Black Swan Graphene Inc. ("Black Swan"), a private Ontario company, pursuant to which Dragonfly and Black Swan (each, a "Party" and together, the "Parties") have agreed to complete a business combination (the "Transaction") whereby Dragonfly will acquire all of the issued and outstanding common shares of Black Swan (collectively, the "Black Swan Shares"). The precise terms of the Transaction, including the structure of the Transaction, will be incorporated into a definitive transaction agreement (the "Definitive Agreement") to be negotiated between the Company and Black Swan. In connection with the Transaction, Black Swan intends to complete a concurrent equity financing with minimum gross proceeds of \$5,000,000 (the "Concurrent Financing").