CEYLON GRAPHITE CORP.

Condensed Consolidated Interim Financial Statements

For the Period Ended

September 30, 2020 and 2019

(Unaudited)

(Expressed in Canadian dollars)

Notice of no Auditor Review of Interim Financial Statements

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

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

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

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

	Note	September 30, 2020	March 31, 2020
		(Unaudited)	**(Audited)**
ASSETS			
Current			
Cash		60,708	1,047
Amount receivable		23,026	56,744
Prepaid expenses and advances		15,410	330,377
Prepayment of license		343,765	-
		442,909	388,168
Property and equipment	5	321,551	369,208
Exploration and evaluation assets	6	3,102,968	3,290,417
		3,867,428	4,047,793
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	354,787	282,482
Amounts payable	6, 9	1,333,900	1,418,641
Loans payable	10	500,420	161,478
Current portion of capital lease obligations		3,699	3,868
		2,192,806	1,866,469
Capital lease obligations		6,652	8,228
Convertible debentures	7	2,120,360	1,935,644
		4,319,818	3,810,341
EQUITY			
Share capital	8	6,200,542	6,200,542
Share subscriptions	8	50,000	50,000
Equity component of convertible debenture	7	394,711	394,711
Contributed surplus	8	3,025,999	3,025,999
Deficit		(10,295,043)	(9,657,850)
Accumulated other comprehensive income		171,401	224,050
		(452,390)	237,452
		3,867,428	4,047,793

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

Approved by the Board of Directors on November 30, 2020

"Bharat Parashar" | *"Kevin Aylward"*

Bharat Parashar, Director | Kevin Aylward, Director

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

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)
(Expressed in Canadian Dollars)

		Three Months ended		Six Months ended	
	Note	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		$	$	$	$
Expenses					
Advertising and promotion		9,524	-	19,048	-
Amortization		27,398	14,537	32,072	32,130
Interest, finance and bank charge	7	97,415	98,714	187,716	175,682
Office and administrative		142,748	91,120	157,477	200,394
Professional fees	10	118,446	25,170	198,946	91,965
Rent		1,746	3,075	3,246	4,578
Repair and maintenance		538	3,408	538	9,106
Share-based payments	9,10	-	-	-	38,059
Transfer agents		1,800	-	3,229	9,767
Travel		66	8,375	66	41,319
Wages and benefits		36,855	42,010	36,855	86,723
Loss before other items		(436,536)	(286,409)	(639,193)	(689,723)
Other items					
Other income		2,000	-	2,000	-
Net loss		(434,536)	(286,409)	(637,193)	(689,723)
Other comprehensive loss					
Item that may be reclassified subsequently to loss:					
Unrealized foreign exchange translation		(45,406)	(35,774)	(52,649)	(126,442)
Comprehensive loss		(479,942)	(322,183)	(689,842)	(816,165)
Loss per share – basic and diluted		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding		67,266,181	54,766,181	67,266,181	54,766,181

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

CEYLON GRAPHITE CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)
(Expressed in Canadian Dollars)

	September 30, 2020	September 30, 2019
	$	$
Net loss	(637,193)	(689,723)
Items not involving cash:		
Accretion and interest for convertible debentures	184,716	153,935
Amortization	32,072	32,130
Share-based payments	-	38,059
	(420,405)	(465,599)
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	75,940	4,728
Amounts receivable	33,730	19,572
Prepaid expenses and advances	36,459	(45,139)
Cash used in operating activities	(274,276)	(486,438)
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(56,935)
Expenditures on exploration and evaluation assets	-	(12,047)
Cash used in investing activities	-	(68,982)
FINANCING ACTIVITIES		
Related party transactions	(3,451)	-
Payments on capital lease obligation	(1,235)	(4,424)
Proceeds of loans payable	338,942	158,000
Cash provided by financing activities	334,256	153,576
CHANGE IN CASH DURING THE PERIOD	59,980	(401,844)
CASH, BEGINNING OF PERIOD	1,047	432,811
EFFECT OF TRANSLATING FOREIGN CURRENCY	(319)	(1,659)
CASH, END OF PERIOD	60,708	29,308
SUPPLEMENTAL CASH DISCLOSURES		
Interest and income taxes paid	803	-

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

CEYLON GRAPHITE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)
(Expressed in Canadian Dollars)

	Common Shares							
	Number	Amount	Share subscriptions	Equity portion of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
		$	$	$	$	$	$	$
Balances as at March 31, 2019	54,766,181	5,216,542	50,000	394,711	2,454,607	(7,390,486)	83,678	809,052
Share-based payments	-	-	-	-	38,059	-	-	38,059
Net loss and comprehensive loss	-	-	-	-	-	(689,723)	(126,442)	(816,165)
Balances as at September 30, 2019	54,766,181	5,216,542	50,000	394,711	2,492,666	(8,080,209)	(42,764)	30,946
Balances as at March 31, 2020	67,266,181	6,200,542	50,000	394,711	3,025,999	(9,657,850)	224,050	237,452
Net loss and comprehensive loss	-	-	-	-	-	(637,193)	(52,649)	(689,842)
Balances as at September 30, 2020	67,266,181	6,200,542	50,000	394,711	3,025,999	(10,295,043)	171,401	(452,390)

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

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

The address of the Company's corporate office is Suite 600 – 535 Howe Street, Vancouver, BC, Canada and its principal place of business is Landhuis Joonchi, Kaya Richard J. Beaujon z/n Willemstad, Curacao.

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

During the period ended September 30, 2020, the Company incurred a net loss of $637,193 and had a deficit of $10,295,043, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating sufficient revenues to cover its operating costs. The Company had not yet determined whether its property contains graphite reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 30, 2020.

b) Basis of presentation

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

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

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of September 30, 2020 and 2019, the Company held cash only.

d) Exploration and evaluation assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency

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

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

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

f) Provisions

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

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

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

g) Loss per share

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

h) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

i) Equipment

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

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

j) Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9 “Financial Instruments: Classification and Measurement”. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another equity.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Critical accounting estimates

i) the inputs used in accounting for share-based payment expense and for the convertible debentures;

ii) expected future tax rates used in the deferred income tax disclosures.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting judgments

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

ii. the assessment of indications of impairment of exploration and evaluation properties and related determination of net realizable values and write-down of the properties where applicable;

iii. the determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets; and

iv. the determination of the Company's ability to continue as a going concern.

4. COMMITMENT

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

5. PROPERTY AND EQUIPMENT

As of September 30, 2020, the Company did not acquire or disposed any property and equipment. Amortization of assets for the period ended September 30, 2020 was $32,072 (September 30, 2019 - $32,130). Net book value of property and equipment as of September 30, 2020 was $321,551 (September 30, 2020 - $269,483). Any change on property and equipment balance other than amortization was due to foreign exchange adjustments.

6. EXPLORATION AND EVALUATION ASSETS

During the period ended September 30, 2020, there was no change in exploration and evaluation assets. Balance as of September 30, 2020 was $3,102,968 (March 31, 2020 - $3,290,417). The difference was due to the foreign exchange adjustment.

Sri Lanka

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

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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

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

In 2013 and amended in 2014, the Company entered into an escrow agreement with the vendor of Sarcon and an escrow agent. Under the terms of the escrow agreement, the Company deposited its share certificates for 875,000 shares of Sarcon with the escrow agent. The escrow agent will release the remaining share certificates once the Company has fulfilled its payment commitments outlined above.
As of September 30, 2020 the Company has made total payments of US$1,000,000.

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

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES

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

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

	$
Principal	
Issued during the year ended March 31, 2019	2,000,000
Liability	
Gross proceeds received	2,000,000
Issue costs	(67,500)
Equity component less issue costs allocated	(540,700)
Liability component initially recognized	1,391,800
Accretion and interest expense	221,285
Balance at March 31, 2019	1,613,085
Accretion and interest expense	412,320
Balance at March 31, 2020	**1,935,644**
Accretion and interest expense	184,716
Balance at September 30, 2020	**2,120,360**
Equity Component of Debentures	
Equity component initially recognized	540,700
Deferred income tax liabilities recognized	(145,989)
Balance at September 30, 2020	**394,711**

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

8. SHARE CAPITAL

a) Authorized:

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

b) As at September 30, 2020, there were 67,266,181 (March 31, 2020 – 67,266,181) common shares issued and outstanding.

During the year ended March 31, 2020, the Company issued the following common shares:

On October 16, 2019, the Company completed the first tranche of the brokered private placement and issued 10,000,000 units at $0.08 per unit for gross proceeds of $800,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of $0.15 and an expiry date of three years. In connection with the financing, the Company paid cash commission in the amount of $12,800.

On December 4, 2019, the Company completed the second tranche of the brokered private placement and issued 2,500,000 units at $0.08 per unit for gross proceeds of $200,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of $0.15 and an expiry date of three years. In connection with the financing, the Company paid cash commission in the amount of $3,200.

c) Share options

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

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Share options (continued)

As at September 30, 2020, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, March 31, 2018	2,836,441	$0.32	4.12
Expired	(128,571)	$0.02	-
Outstanding, March 31, 2019	2,707,870	$0.30	3.30
Options granted	300,000	$0.20	3.63
Outstanding, March 31, 2020 and September 30, 2020	**3,007,870**	**$0.25**	**2.43**

Details of stock options outstanding and exercisable at September 30, 2020 are as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Contractual Life (years)	Expiry Date
350,000	350,000	$0.20	1.46	March 15, 2022
200,000	200,000	$0.20	1.49	March 27, 2022
1,650,000	1,650,000	$0.30	2.38	February 15, 2023
507,870	507,870	$0.20	2.92	August 31, 2023
300,000	300,000	$0.20	3.63	May 15, 2024
3,007,870	3,007,870			

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Warrants

A summary of the status of the Company's outstanding and exercisable warrants as at September 30, 2020 and the changes during the period then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining (in years)
Balance, March 31, 2018	15,087,500	$0.30	1.11
Granted	4,000,000	$0.25	1.65
Expired	(15,087,500)	$0.30	-
Balance, March 31, 2019	4,000,000	$0.25	1.65
Granted	12,500,000	$0.15	1.07
Balance, September 30, 2020 and March 31, 2020	**16,500,000**	**$0.17**	**0.97**

Details of warrants outstanding at September 30, 2020 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (in years)	Expiry Date
4,000,000	$0.25	0.65	May 23, 2021
10,000,000	$0.15	1.05	October 16, 2021
2,500,000	$0.15	1.18	December 4, 2021
16,500,000			

As part of the reverse take-over transaction previously entered into, the Company issued 25,393,500 special warrants. The special warrants can be converted to common shares for no further consideration once certain performance milestones are reached. On September 30, 2020, the warrants expired unexercised.

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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

	2020	**2019**
	$	$
Consulting fees - CEO	42,000	42,000
Consulting fees - CFO	33,000	30,000
Share-based payments	-	38,059

The Company has an amount payable of $1,333,900 (US$1,000,000) (September 30, 2019 - $1,324,300 or US$1,000,000) due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amounts are unsecured and non-interest bearing.

As at September 30, 2020, the Company had amounts payable to officers of the Company for total of $110,525 (2019 – Nil) included in accounts payable and accrued liabilities.

As at September 30, 2020, the Company had loans payable as described in Note 10.

10. LOANS PAYABLE

During the period ended September 30, 2020, the Company received $298,942 from individual shareholders of the Company. The loan is non-interest bearing, unsecured and due on demand.

During the period ended September 30, 2020, the Company received $40,000 from Canada Emergency Business Account (CEBA). The loan is repayable the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to $10,000).

During the year ended March 31, 2020, the Company received $13,500 from an officer of the Company. The loan is non-interest bearing, unsecured and due on demand.

During the year ended March 31, 2020, the Company received $223,250 from an individual shareholder of the Company. The Company repaid $102,272 during the fiscal year. The loan is non-interest bearing, unsecured and due on demand.

During the year ended March 31, 2020, the Company received $27,000 from an individual shareholder of the Company. The loan is non-interest bearing, unsecured and due on demand.

(Expressed in Canadian Dollars)

11. MANAGEMENT OF CAPITAL

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

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

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

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

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

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

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

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

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

Fair Value of Financial Instruments

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

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

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2020:				
Cash	$ 60,708	$ -	$ -	$ 60,708
March 31, 2020:				
Cash	$ 1,047	$ -	$ -	$ 1,047

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at September 30, 2020 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

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

(i) *Currency risk*

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

	September 30, Rupee	September 30, US$	March 31, 2020 Rupee	March 31, 2020 US$
Cash	8,599,941	(765)	1,349,799	104
Advances to affiliates	-	-	32,061,200	-
Accounts payable	(12,920,978)	(6,173)	(13,427,738)	(6,881)
Amounts payable	-	(1,000,000)	-	(1,000,000)
Total in foreign currency	(4,321,037)	(1,006,938)	19,983,261	(1,006,777)
Net exposure	4,290,059	(336,217)	(19,833,387)	(421,537)
Canadian dollar equivalents	**(30,978)**	**(1,343,155)**	**149,874**	**(1,428,314)**

Based on the net Canadian dollar denominated asset and liability exposures as at September 30 ,2020, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings for the period ended September 30, 2020 by $134,000 (March 31, 2020 - $143,000). A 10% fluctuation in the Canadian/Rupee exchange rates would impact the Company's earnings for the period ended September 30, 2020 by $3,100 (March 31, 2020 - $15,000). The Company has not entered into any foreign currency contracts to mitigate this risk.

(ii) *Interest rate risk*

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

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

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(iii) *Credit risk*

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

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

(iv) *Liquidity risk*

In managing of liquidity risk, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at September 30, 2020, the Company had a working capital deficiency of $1,749,896. As at September 30, 2020, the Company had cash of $60,708 to settle accounts payable, current portion of capital lease obligation, amounts payable and loans payable of $2,192,806 which fall due for payment within twelve months of the financial position date.

	Carrying value $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $	Total
Capital lease obligations	10,351	3,699	6,652	-	10,351
Convertible loans	2,120,360	-	2,360,000	-	2,360,000

13. SUBSEQUENT EVENT

- On October 2, 2020 the Company announced that pursuant to its press release of August 6, 2020, it has been granted a further extension to close its proposed private placement by the TSX Venture Exchange. The small delay is necessitated by certain measures instituted in the domicile of our investors in response to COVID -19 and other health related issues. Mr. Paul Selvam Devadoss a lead investor said "Our Consortium is very committed to completing this investment as soon as possible under the agreements that we have signed with the company. The delay is unfortunate but has been beyond our control."
- On October 19, 2020, the Company announced its intention to complete a private placement pursuant to which it will issue and sell up to 51,428,566 units of the Company (the "Units") at a price of $0.0875 per Unit (the "Offering Price") for aggregate gross proceeds of up to approximately $4,500,000 (the "Offering"). Each Unit will be comprised of one common share in the capital of Ceylon Graphite (a "Common Share") and one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder thereof to acquire one common share in the capital of Ceylon Graphite ("Warrant Share") at any time up to three years from the date of issuance at an exercise price of $0.15. The closing is also conditional on the receipt of the approval of the TSX Venture Exchange and is anticipated to occur on or about October 22, 2020, or such other date as the Company may determine.
- On October 23,2020, the Company announced that further to its press release of October 19, 2020, it has closed its first tranche of the private placement. An aggregate of 30,163,566 units ("Units") at a price of $0.0875 per Unit for gross proceeds of $2,639,312 (the "Offering"). The second closing for the balance of the Offering is anticipated to occur on or about October 28th, 2020, or such other date as the Company may determine.
- On October 29, 2020 the Company announced that further to its press releases of October 19 and

23, 2020, it has issued an additional 21,265,000 units ("Units") at a price of $0.0875 per Unit for gross proceeds of $1,860,687.50 in connection with the closing of a second tranche of its private placement financing (the "Offering"). In aggregate, Ceylon Graphite issued an aggregate of 51,428,556 units for gross proceeds of $4,500,000 pursuant to its private placement.

- On November 19, 2020 the Company announced it has granted an aggregate of 5,000,000 stock options to its directors, officers and employees. Each option is exercisable at $0.215 per common share at any time until November 19, 2023.