

## FORM 51-102F4 BUSINESS ACQUISITION REPORT

### 1. Identity of the Company

#### 1.1 Name and Address of the Company

NanoXplore Inc., 25 boul. Montpellier, Montréal, Québec, H4N 2G3 (the “**Company**”)

#### 1.2 Executive Officer

Soroush Nazarpour, President and CEO

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### 2. Details of the Acquisition

#### 2.1 Nature of the Business Acquired

The Business Acquired, Sigma Industries Inc. (“**Sigma**”), is a manufacturing company specializing in the manufacture of composite products, has two operating subsidiaries and employs about 275 people. It operates in the markets for heavy trucks, buses, public transit, machinery and wind energy. Sigma sells its products to original equipment manufacturers and distributors in the United States, Canada and Europe.

#### 2.2 Acquisition Date

September 21, 2018

#### 2.3 Nature of the Transaction and Consideration

The Company completed an arrangement under the *Canada Business Corporations Act* (the “**Arrangement**”) and a debenture exchange transaction (the “**Debenture Exchange**”, collectively with the Arrangement, the “**Acquisition**”) pursuant to which it acquired all of the issued and outstanding common shares (“**Sigma Shares**”) and convertible debentures (“**Sigma Debentures**”) of Sigma.

Under the terms of the Arrangement, each Sigma Share was exchanged for 0.390625 common share of the Company (“**NanoXplore Share**”). The value of Sigma Shares has been set at \$0.75 and the value of NanoXplore Shares has been set at \$1.92.

The holders of Sigma Debentures have received cash and NanoXplore Shares for their Sigma Debentures: (i) for every \$1,000 principal amount of the Series 1 Debentures, \$5,000 plus a number of NanoXplore Shares equal to \$500; (ii) for each \$1,000 principal amount of the Series 2 Debentures, \$9,000 plus a number of NanoXplore Shares equal to \$1,000; and (iii) for each \$1,000 principal amount of the Series 3 Debentures, \$8,800 plus a number of NanoXplore Shares equal to \$1,000. The price of the NanoXplore Shares is \$1.92 for the Debenture Exchange.

“Series 1 Debentures” means the Sigma Debentures having an expiry date of December 4, 2018 and being convertible in Sigma Shares.

“Series 2 Debentures” means the Sigma Debentures having an expiry date of November 10, 2020 and being convertible in units of Sigma comprised of one Sigma Shares and one warrant exercisable at a price of \$0.10 per Sigma Share.

“Series 3 Debentures” means the Sigma Debentures having an expiry date of November 10, 2020 and being convertible in units of Sigma comprised of one Sigma Shares and one warrant exercisable at a price of \$0.12 per Sigma Share.

The cash consideration offered under the Acquisition is \$9,011,000 and the number of NanoXplore Shares issued is 5,090,709. The cash consideration paid by the Company stemmed from the proceeds of private placements realized in August 2017 and March 2018.

## 2.4 Effect on Financial Position

As a result of the Debenture Exchange and the Arrangement, Sigma has amalgamated with a wholly-owned subsidiary of the Company, 10854611 Canada Inc., to form a new corporation (“**Mergeco**”) which became a wholly-owned subsidiary of the Company. Sigma has ceased to be a reporting issuer and Sigma Shares have been delisted from the TSXV. The board of directors of Mergeco consists of Soroush Nazarpour and Luc Veilleux.

The closing of the Acquisition constitutes a material change of the Company’s business, as the Company has consolidated Sigma’s business, which will have a significant effect on the Company’s financial performance and financial position by adding:

- net assets of approximately \$9.7 million; and
- revenues of approximately \$59 million and net income of \$3.1 million.

Furthermore, the Acquisition provides the Company with the opportunity to introduce its graphene-enhanced solution products into the products of Sigma. The acquisition further strengthens the Company’s vertically-integrated business model; starting from natural flake graphite mined in Quebec to original equipment manufacturers in transportation market.

## 2.5 Prior Valuations

Evans & Evans, Inc. (“**Evans**”) was retained to render financial advisory services to Sigma and the Sigma Board and provide opinions as to the fairness, from a financial point of view, of the consideration to be received by Sigma Shareholders pursuant to the Arrangement. Evans has delivered a fairness opinion dated July 2, 2018 concluding that, as at the date thereof and subject to the assumptions, limitations and qualifications contained therein, the Arrangement Consideration to be received by the Sigma Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Sigma Shareholders.

## 2.6 Parties to the Transaction

NanoXplore and Sigma did not have directors or officers in common and did not hold any shares of each other prior to the Arrangement. In other words, they did not have control over each other and therefore were not related parties under Regulation 61-101 *respecting protection of minority security holders in special transactions*. Since NanoXplore and Sigma were not related parties, the Transaction was considered an “Arm’s Length Transaction”.

## 2.7 Date of the Report

December 4, 2018

## 3. Financial Statements

The following documents, filed on SEDAR under Sigma’s issuer profile at [www.sedar.com](http://www.sedar.com), are specifically incorporated by reference into this Business Acquisition Report:

- Sigma audited consolidated financial statements for the year ended April 28, 2018 and April 29, 2017.
- Sigma management information circular for the special meeting of the shareholders of Sigma held on September 14, 2018