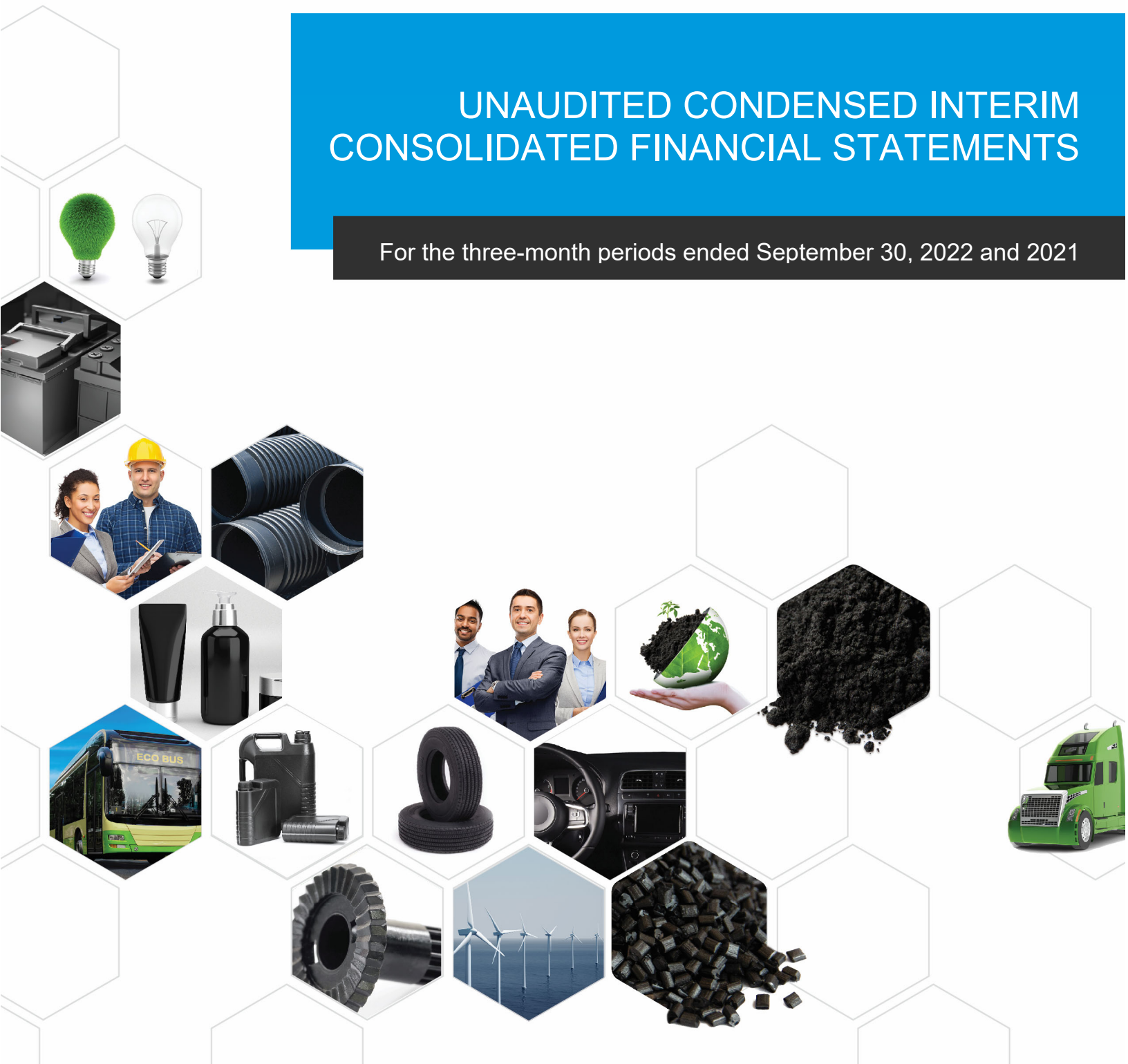
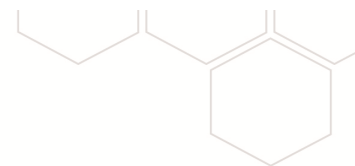




## UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2022 and 2021





## Consolidated Statements of Financial Position

|                                                            | As at September 30, 2022 | As at June 30, 2022 |
|------------------------------------------------------------|--------------------------|---------------------|
| (Unaudited - Expressed in Canadian dollars)                | \$                       | \$                  |
| <b>Assets</b>                                              |                          |                     |
| <b>Current assets</b>                                      |                          |                     |
| Cash and cash equivalents                                  | 42,774,905               | 51,232,068          |
| Accounts receivable and contract asset                     | 22,356,894               | 21,077,868          |
| Inventory                                                  | 18,220,808               | 17,507,812          |
| Prepaid expenses and other assets                          | 1,159,370                | 1,132,896           |
|                                                            | 84,511,977               | 90,950,644          |
| <b>Non-current assets</b>                                  |                          |                     |
| Lease deposits                                             | 190,740                  | 182,792             |
| Investment in a joint venture                              | 3,927,344                | 4,238,774           |
| Right-of-use assets [Note 4a]                              | 8,144,729                | 8,381,031           |
| Property, plant and equipment [Note 4b]                    | 56,071,712               | 54,329,195          |
| Intangible assets [Note 5]                                 | 8,714,495                | 7,256,340           |
| Goodwill                                                   | 1,919,673                | 1,919,673           |
| <b>Total assets</b>                                        | <b>163,480,670</b>       | <b>167,258,449</b>  |
| <b>Liabilities and Shareholders' Equity</b>                |                          |                     |
| <b>Current liabilities</b>                                 |                          |                     |
| Operating loans [Note 6]                                   | 5,897,480                | 4,648,900           |
| Accounts payable and accrued liabilities                   | 18,422,962               | 17,029,869          |
| Contract liability                                         | 837,121                  | 536,060             |
| Current portion of lease liability [Note 6]                | 2,535,309                | 2,490,911           |
| Current portion of long-term debt [Note 6]                 | 4,661,733                | 3,168,932           |
|                                                            | 32,354,605               | 27,874,672          |
| <b>Non-current liabilities</b>                             |                          |                     |
| Balance of purchase price of business acquisition [Note 3] | 963,213                  | 956,014             |
| Defined benefit liabilities                                | 352,720                  | 296,817             |
| Lease liability [Note 6]                                   | 12,406,507               | 12,742,004          |
| Long-term debt [Note 6]                                    | 4,363,605                | 6,281,882           |
| Deferred tax liabilities                                   | 1,258,510                | 1,575,665           |
| <b>Total liabilities</b>                                   | <b>51,699,160</b>        | <b>49,727,054</b>   |
| <b>Shareholders' equity</b>                                |                          |                     |
| Share capital                                              | 169,586,592              | 169,354,272         |
| Reserve                                                    | 4,334,097                | 4,185,185           |
| Foreign currency translation reserve                       | (150,731)                | 12,070              |
| Deficit                                                    | (61,988,448)             | (56,020,132)        |
| <b>Total shareholders' equity</b>                          | <b>111,781,510</b>       | <b>117,531,395</b>  |
| <b>Total liabilities and shareholders' equity</b>          | <b>163,480,670</b>       | <b>167,258,449</b>  |

See accompanying notes to unaudited condensed interim consolidated financial statements

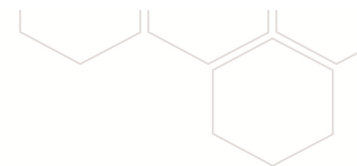
Approved on behalf of the Board of Directors

**Soroush Nazarpour**

Soroush Nazarpour

**Benoit Gascon**

Benoit Gascon

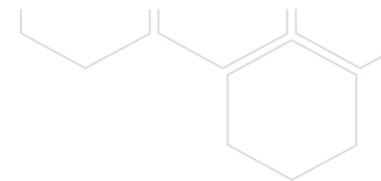


## Consolidated Statements of Loss and Comprehensive loss

|                                                                          | Three-month periods ended September 30, |                    |
|--------------------------------------------------------------------------|-----------------------------------------|--------------------|
|                                                                          | 2022                                    | 2021               |
| (Unaudited - Expressed in Canadian dollars)                              | \$                                      | \$                 |
| <b>Revenues</b>                                                          |                                         |                    |
| Revenues from customers                                                  | 27,147,167                              | 17,830,017         |
| Other income                                                             | 85,358                                  | 988,429            |
|                                                                          | <b>27,232,525</b>                       | <b>18,818,446</b>  |
| <b>Cost of Sales and Expenses</b>                                        |                                         |                    |
| Cost of sales                                                            | 23,986,964                              | 17,293,847         |
| Research and development expenses                                        | 721,105                                 | 843,636            |
| Selling, general and administrative expenses                             | 4,501,488                               | 3,642,728          |
| Share-based compensation expenses                                        | 222,832                                 | 171,941            |
| Depreciation (production)                                                | 1,455,612                               | 1,138,020          |
| Depreciation (other)                                                     | 259,874                                 | 330,563            |
| Amortization                                                             | 245,210                                 | 133,124            |
| Foreign exchange                                                         | 1,614,040                               | 82,524             |
|                                                                          | <b>33,007,125</b>                       | <b>23,636,383</b>  |
| <b>Operating loss</b>                                                    | <b>(5,774,600)</b>                      | <b>(4,817,937)</b> |
| Gain on disposal of property, plant and equipment                        | —                                       | 322,081            |
| Interest on operating loans and long-term debt                           | (210,059)                               | (188,326)          |
| Interest accretion on lease liability                                    | (152,041)                               | (113,351)          |
| Interest revenue                                                         | 306,447                                 | 81,241             |
| Share of loss of a joint venture                                         | (311,430)                               | (57,741)           |
| <b>Loss before income taxes</b>                                          | <b>(6,141,683)</b>                      | <b>(4,774,033)</b> |
| Current income tax expense                                               | (46,408)                                | (79,366)           |
| Deferred income tax recovery                                             | 264,019                                 | 122,768            |
|                                                                          | <b>217,611</b>                          | <b>43,402</b>      |
| <b>Loss</b>                                                              | <b>(5,924,072)</b>                      | <b>(4,730,631)</b> |
| <b>Other comprehensive loss</b>                                          |                                         |                    |
| <i>Items that may be subsequently reclassified to profit and loss:</i>   |                                         |                    |
| Exchange differences on translation of foreign subsidiaries              | (162,801)                               | (9,842)            |
| <i>Items that will not be reclassified to profit and loss:</i>           |                                         |                    |
| Retirement benefits – Net actuarial gains                                | (44,244)                                | 105,421            |
| <b>Total comprehensive loss</b>                                          | <b>(6,131,117)</b>                      | <b>(4,635,052)</b> |
| <b>Loss per share</b>                                                    |                                         |                    |
| Basic and diluted                                                        | (0.04)                                  | (0.03)             |
| Weighted average number of common shares outstanding (basic and diluted) | 165,442,612                             | 157,947,054        |

In light of the loss recognized for the periods, stock options were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

See accompanying notes to unaudited condensed interim consolidated financial statements



## Consolidated Statements of Changes in Shareholders' Equity

| (Unaudited - Expressed in Canadian dollars)                     | Number of<br>common<br>shares | Share capital<br>\$ | Reserve<br>\$ | Foreign currency<br>translation<br>reserve<br>\$ | Deficit<br>\$ | Shareholders'<br>equity<br>\$ |
|-----------------------------------------------------------------|-------------------------------|---------------------|---------------|--------------------------------------------------|---------------|-------------------------------|
| <b>Balance as at June 30, 2021</b>                              | 157,930,059                   | 140,067,376         | 3,880,555     | 88,173                                           | (41,049,182)  | 102,986,922                   |
| Loss                                                            | —                             | —                   | —             | —                                                | (4,730,631)   | (4,730,631)                   |
| Other comprehensive income                                      | —                             | —                   | —             | (9,842)                                          | 105,421       | 95,579                        |
| Comprehensive loss                                              | —                             | —                   | —             | (9,842)                                          | (4,625,210)   | (4,635,052)                   |
| Exercise of stock options                                       | 124,000                       | 305,622             | (93,215)      | —                                                | —             | 212,407                       |
| Share-based compensation                                        | —                             | —                   | 171,941       | —                                                | —             | 171,941                       |
| <b>Balance as at September 30, 2021</b>                         | 158,054,059                   | 140,372,998         | 3,959,281     | 78,331                                           | (45,674,392)  | 98,736,218                    |
| Loss                                                            | —                             | —                   | —             | —                                                | (10,809,963)  | (10,809,963)                  |
| Other comprehensive income                                      | —                             | —                   | —             | (66,261)                                         | 464,223       | 397,962                       |
| Comprehensive loss                                              | —                             | —                   | —             | (66,261)                                         | (10,345,740)  | (10,412,001)                  |
| Issuance of common shares (net of issuing costs of \$2,004,968) | 6,522,000                     | 27,996,232          | —             | —                                                | —             | 27,996,232                    |
| Exercise of stock options                                       | 647,466                       | 985,042             | (301,040)     | —                                                | —             | 684,002                       |
| Share-based compensation                                        | —                             | —                   | 526,944       | —                                                | —             | 526,944                       |
| <b>Balance as at June 30, 2022</b>                              | 165,223,525                   | 169,354,272         | 4,185,185     | 12,070                                           | (56,020,132)  | 117,531,395                   |
| Loss                                                            | —                             | —                   | —             | —                                                | (5,924,072)   | (5,924,072)                   |
| Other comprehensive loss                                        | —                             | —                   | —             | (162,801)                                        | (44,244)      | (207,045)                     |
| Comprehensive loss                                              | —                             | —                   | —             | (162,801)                                        | (5,968,316)   | (6,131,117)                   |
| Exercise of stock options                                       | 352,000                       | 232,320             | (73,920)      | —                                                | —             | 158,400                       |
| Share-based compensation                                        | —                             | —                   | 222,832       | —                                                | —             | 222,832                       |
| <b>Balance as at September 30, 2022</b>                         | 165,575,525                   | 169,586,592         | 4,334,097     | (150,731)                                        | (61,988,448)  | 111,781,510                   |

See accompanying notes to unaudited condensed interim consolidated financial statements

## Consolidated Statements of Cash Flows

Three-month periods ended September 30,

|                                                                                                                                                               | 2022               | 2021               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| (Unaudited - Expressed in Canadian dollars)                                                                                                                   | \$                 | \$                 |
| <b>Cash flows from operating activities</b>                                                                                                                   |                    |                    |
| Loss                                                                                                                                                          | (5,924,072)        | (4,730,631)        |
| Items not affecting cash:                                                                                                                                     |                    |                    |
| Depreciation and amortization                                                                                                                                 | 1,960,696          | 1,601,707          |
| Share-based compensation expenses                                                                                                                             | 222,832            | 171,941            |
| Share of loss of a joint venture                                                                                                                              | 311,430            | 57,741             |
| Interest accretion on lease liability                                                                                                                         | 152,041            | 113,351            |
| Interest accretion on long-term debt                                                                                                                          | 29,942             | 148,784            |
| Other financial expenses                                                                                                                                      | 11,699             | 11,521             |
| Deferred income tax recovery                                                                                                                                  | (264,019)          | (122,768)          |
| Gain on disposal of property, plant and equipment                                                                                                             | —                  | (322,081)          |
| Difference between amounts paid for employee benefits and current period expenses                                                                             | 968                | 14,077             |
| Net change in fair value of foreign exchange derivatives                                                                                                      | 2,566,218          | 447,790            |
| Unrealized foreign exchange                                                                                                                                   | (617,956)          | (147,510)          |
| Changes in non-cash operating working capital items:                                                                                                          |                    |                    |
| Accounts receivable and contract asset                                                                                                                        | (1,055,990)        | (1,568,039)        |
| Inventory                                                                                                                                                     | (579,405)          | (374,551)          |
| Prepaid expenses and other assets                                                                                                                             | (3,469)            | (946,243)          |
| Accounts payable and accrued liabilities                                                                                                                      | (1,235,130)        | (2,847,104)        |
| Deferred grant                                                                                                                                                | —                  | 341,429            |
| Contract liability                                                                                                                                            | 293,492            | 1,197,673          |
|                                                                                                                                                               | <b>(4,130,723)</b> | <b>(6,952,913)</b> |
| <b>Cash flows from financing activities</b>                                                                                                                   |                    |                    |
| Exercise of stock options                                                                                                                                     | 158,400            | 212,407            |
| Variation of operating loans                                                                                                                                  | 1,200,000          | 1,000,000          |
| Lease incentive received                                                                                                                                      | —                  | 1,253,921          |
| Repayment of lease liability                                                                                                                                  | (788,881)          | (678,405)          |
| Repayment of long-term debt                                                                                                                                   | (484,207)          | (2,475,949)        |
|                                                                                                                                                               | <b>85,312</b>      | <b>(688,026)</b>   |
| <b>Cash flows from investing activities</b>                                                                                                                   |                    |                    |
| Variation of lease deposits                                                                                                                                   | —                  | (122,502)          |
| Repayment of balance of purchase price of business acquisition                                                                                                | —                  | (2,051,304)        |
| Additions to intangible assets                                                                                                                                | (1,694,900)        | (209,797)          |
| Additions to property, plant and equipment                                                                                                                    | (2,738,638)        | (2,311,923)        |
| Variation of equipment deposits                                                                                                                               | —                  | (45,434)           |
| Disposal of property, plant and equipment                                                                                                                     | —                  | 5,325,052          |
|                                                                                                                                                               | <b>(4,433,538)</b> | <b>584,092</b>     |
| <b>Change in cash and cash equivalents</b>                                                                                                                    | <b>(8,478,949)</b> | <b>(7,056,847)</b> |
| <b>Net effect of currency exchange rate on cash</b>                                                                                                           | <b>21,786</b>      | <b>19,907</b>      |
| <b>Cash and cash equivalents, beginning of period</b>                                                                                                         | <b>51,232,068</b>  | <b>50,524,583</b>  |
| <b>Cash and cash equivalents, end of period</b>                                                                                                               | <b>42,774,905</b>  | <b>43,487,643</b>  |
| Interest on operating loans, long-term debt and lease liability paid                                                                                          | 377,379            | 189,785            |
| Additions to property, plant and equipment included in accounts payable and accrued liabilities                                                               | —                  | 135,032            |
| Investment tax credit recorded against the property, plant and equipment and included in accounts receivable and contract asset                               | —                  | 687,018            |
| Amount included in cash and cash equivalents consisting of guaranteed investment certificates bearing interest at a rate of 3.81% and having terms of 90 days | 25,000,000         | —                  |

See accompanying notes to unaudited condensed interim consolidated financial statements

**[Unaudited – Unless specified otherwise, amounts are expressed in Canadian dollars]**

## **1. NATURE OF OPERATIONS**

NanoXplore Inc., and its subsidiaries (together “NanoXplore” or the “Corporation”), is a graphene company, a manufacturer and supplier of high-volume graphene powder for use in industrial markets. Also, the Corporation provides standard and custom graphene-enhanced plastic and composite products to various customers in transportation, packaging, electronics, and other industrial sectors. The Corporation was formed by amalgamation under the Canada Business Corporations Act by certificate of amalgamation dated September 21, 2017 and is headquartered at 4500 Thimens Blvd, Montreal, QC, Canada.

On July 15, 2021, NanoXplore Inc. graduated from the Toronto Stock Exchange (“TSX”) Venture Exchange to the TSX. NanoXplore is traded under “GRA” on the TSX and is also listed on the OTCQX and traded under “NNXPF”.

The unaudited condensed interim consolidated financial statements of the Corporation for the three-month periods ended September 30, 2022 and 2021 were reviewed, approved and authorized for issue by the Corporation’s Board of Directors on November 14, 2022.

### **Macroeconomics and Supply chain issues**

The COVID-19 pandemic and its negative collateral effects on the supply of materials and the availability of labour continued to have an adverse effect on our business, results of operations, cash flows and financial position, which is further exacerbated by the recent conflict between Russia and Ukraine. However, the full impact cannot be determined at this time. The extent of the impact will depend on various factors, including the possibility of future shutdowns, the potential for a recession in key markets due to the effect of the pandemic or other pandemics or other economic factors, and on the resulting impact on customers and suppliers, such as inflationary cost increases for wages, materials, energy, and other costs, any supply chain disruptions. A material deterioration in any of the foregoing could have a material adverse effect on the Corporation’s business and results of operations. The Corporation expects to be able to continue to respond to the COVID-19 pandemic, and supply chain issues in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

The unaudited condensed interim consolidated financial statements of the Corporation and its subsidiaries for the three-month periods ended September 30, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”], and applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the Corporation’s functional currency, except where otherwise indicated. Each entity of the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The significant accounting judgments, estimates and assumptions used in these unaudited condensed interim consolidated financial statements are consistent with those disclosed in the most recent audited annual consolidated financial statements for the year ended June 30, 2022.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and measured at fair value. Management considers that the fair value of financial assets and liabilities recorded in the financial statements approximates the carrying amount.

## **Basis of consolidation**

The unaudited condensed interim consolidated financial statements include the accounts of the Corporation and its subsidiaries. The subsidiaries are using consistent accounting policies and the same reporting period as the parent company. All intercompany transactions, balances and unrealized gains or losses have been eliminated.

## **Standards, interpretations and amendments to published standards adopted with an effect on the unaudited condensed interim consolidated financial statements**

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes for the year ended June 30, 2022.

The following standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods.

### **Amendment to IAS 1 – Presentation of Financial Statements**

On October 31, 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted.

## **3. BUSINESS COMBINATIONS**

On December 15, 2021, the Corporation acquired all of the issued and outstanding shares of Canuck for a total consideration of \$9,158,408. This amount represents \$9,300,000 plus cash on hand, less debt and a working capital adjustment, and a discount on the balance of purchase price due in 24 months. This transaction was financed using the Corporation's available cash. This acquisition was concluded to expand the Corporation's downstream, value-added product offering through enhanced masterbatch and compounds.

Canuck employs approximately 40 people and provides sustainable and engineered recycled plastic compounds for use in transportation, building and construction, agriculture and packaging markets. Canuck's manufacturing facility is based in Cambridge, Ontario.

The fair value of the total consideration at the date of the transaction is presented in the table below:

|                                                                                              | <b>\$</b>        |
|----------------------------------------------------------------------------------------------|------------------|
| Paid in cash at closing date                                                                 | 6,762,121        |
| Post-closing adjustments                                                                     | 454,452          |
| Balance of purchase price due in 12 months                                                   | 1,000,000        |
| Balance of purchase price due in 24 months ( <i>\$1,000,000 discounted at a rate of 3%</i> ) | 941,835          |
| <b>Total consideration</b>                                                                   | <b>9,158,408</b> |

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting under IFRS 3, *Business Combinations*. The total purchase price was allocated to the assets acquired and liabilities assumed based on the fair value of the total consideration at the closing date of the transaction.



|                                                       | \$                      |
|-------------------------------------------------------|-------------------------|
| <b>Net identifiable assets acquired:</b>              |                         |
| Cash                                                  | 386,039                 |
| Accounts receivable and contract asset                | 5,209,753               |
| Inventory                                             | 2,317,473               |
| Prepaid expenses and other assets                     | 71,208                  |
| Right-of-use assets                                   | 1,550,072               |
| Property, plant and equipment                         | 2,820,720               |
| Intangible assets                                     | 3,900,000               |
|                                                       | <u>16,255,265</u>       |
| Operating loans                                       | (345,000)               |
| Accounts payable and accrued liabilities              | (4,008,005)             |
| Income taxes payable                                  | (461,315)               |
| Lease liability                                       | (1,581,650)             |
| Long-term debt                                        | (491,861)               |
| Deferred tax liabilities                              | (1,668,535)             |
|                                                       | <u>(8,556,366)</u>      |
| Total identifiable net assets                         | 7,698,899               |
| Goodwill                                              | 1,459,509               |
| <b>Total consideration paid or to be paid in cash</b> | <u><b>9,158,408</b></u> |

Since December 15, 2021, the assets and liabilities of Canuck are included in the consolidated statement of financial position and the operating results are reflected in the Corporation's consolidated statement of loss and comprehensive loss.

The Corporation has given a general and continuing security interest in all Canuck's movable, tangible and intangible assets to secure the balance of purchase price payable.

#### 4. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

##### a) Right-of-use assets

|                                        | Three-month<br>period ended<br>September 30,<br>2022<br>\$ | Year ended<br>June 30,<br>2022<br>\$ |
|----------------------------------------|------------------------------------------------------------|--------------------------------------|
| <b>Balance at the beginning</b>        | 8,381,031                                                  | 4,885,169                            |
| Additions                              | —                                                          | 3,252,623                            |
| Acquired in a business combination     | —                                                          | 1,550,072                            |
| Depreciation                           | (379,440)                                                  | (1,382,130)                          |
| Effect of foreign exchange differences | 143,138                                                    | 75,297                               |
| <b>Balance at the end</b>              | <u><b>8,144,729</b></u>                                    | <u><b>8,381,031</b></u>              |
| <b>Balance at the end</b>              |                                                            |                                      |
| Cost                                   | 12,744,228                                                 | 12,601,090                           |
| Accumulated depreciation               | (4,599,499)                                                | (4,220,059)                          |
| <b>Net book value</b>                  | <u><b>8,144,729</b></u>                                    | <u><b>8,381,031</b></u>              |

The majority of right-of-use assets are leases of land and building.



**b) Property, plant and equipment**

|                                         | Land & Building<br>\$ | Production equipment<br>\$ | Leasehold improvements<br>\$ | Laboratory, computer, office equipment and rolling stock<br>\$ | Total<br>\$       |
|-----------------------------------------|-----------------------|----------------------------|------------------------------|----------------------------------------------------------------|-------------------|
| <b>Balance as at July 1, 2021</b>       | 12,428,198            | 39,803,650                 | 1,760,007                    | 942,615                                                        | 54,934,470        |
| Additions                               | 570,420               | 2,479,978                  | 586,185                      | 220,408                                                        | 3,856,991         |
| Acquired in a business combination      | —                     | 2,774,000                  | 6,660                        | 40,060                                                         | 2,820,720         |
| Transfer to leasehold improvements      | (872,155)             | —                          | 872,155                      | —                                                              | —                 |
| Disposals                               | (2,358,015)           | —                          | —                            | —                                                              | (2,358,015)       |
| Depreciation                            | (406,040)             | (3,749,771)                | (379,601)                    | (697,222)                                                      | (5,232,634)       |
| Effect of foreign exchange differences  | 88,701                | 191,182                    | 17,706                       | 10,074                                                         | 307,663           |
| <b>Balance as at June 30, 2022</b>      | 9,451,109             | 41,499,039                 | 2,863,112                    | 515,935                                                        | 54,329,195        |
| <b>Additions</b>                        | <b>54,206</b>         | <b>499,781</b>             | <b>-</b>                     | <b>2,105,845</b>                                               | <b>2,659,832</b>  |
| Depreciation                            | (94,613)              | (1,076,832)                | (99,730)                     | (64,871)                                                       | (1,336,046)       |
| Effect of foreign exchange differences  | —                     | 324,636                    | 82,955                       | 11,140                                                         | 418,731           |
| <b>Balance as at September 30, 2022</b> | <b>9,410,702</b>      | <b>41,246,624</b>          | <b>2,846,337</b>             | <b>2,568,049</b>                                               | <b>56,071,712</b> |
| <b>As at June 30, 2022</b>              |                       |                            |                              |                                                                |                   |
| Cost                                    | 10,560,847            | 51,088,621                 | 3,535,883                    | 1,930,081                                                      | 67,115,432        |
| Accumulated depreciation                | (1,109,738)           | (9,589,582)                | (672,771)                    | (1,414,146)                                                    | (12,786,237)      |
| <b>Net book value</b>                   | <b>9,451,109</b>      | <b>41,499,039</b>          | <b>2,863,112</b>             | <b>515,935</b>                                                 | <b>54,329,195</b> |
| <b>As at September 30, 2022</b>         |                       |                            |                              |                                                                |                   |
| Cost                                    | 10,615,053            | 51,815,647                 | 3,593,952                    | 4,043,724                                                      | 70,068,376        |
| Accumulated depreciation                | (1,204,351)           | (10,569,023)               | (747,615)                    | (1,475,675)                                                    | (13,996,664)      |
| <b>Net book value</b>                   | <b>9,410,702</b>      | <b>41,246,624</b>          | <b>2,846,337</b>             | <b>2,568,049</b>                                               | <b>56,071,712</b> |

The majority of property, plant and equipment is pledged as security for the credit facilities (Note 6).

Additions of production equipment under lease during the three-month period ended September 30, 2022 amounted to \$ nil [Year ended June 30, 2022 – \$254,605]. Leased assets are pledged as security for the related lease liability.

As at September 30, 2022, there are \$556,729 and \$503,884 of building and production equipment respectively, that are not yet available for use and for which depreciation has not started [As at June 30, 2021 – \$606,907 and \$749,182 of building and production equipment respectively].

On August 24, 2022, the Corporation purchased a significant portion of the assets of XG Sciences Inc. ("XG") for an amount of \$3,894,900 [US\$3,000,000] in a sale conducted by XG's senior secured creditor pursuant to Article 9 of Michigan's enactment of the Uniform Commercial Code. The Corporation and the senior creditor have entered into an asset purchase agreement pursuant to which NanoXplore is acquiring XG's mechanical milling platform, research and development lab and all issued and pending patents and trademarks, among other items. To account for the transaction, the Corporation has estimated the value of the assets acquired and recorded such value in the inventory, property, plant and equipment and intangible assets based on this estimate.

## 5. INTANGIBLE ASSETS

|                                        | As at September 30, 2022 |                                |                  | As at June 30, 2022   |                                |             |
|----------------------------------------|--------------------------|--------------------------------|------------------|-----------------------|--------------------------------|-------------|
|                                        | Customer relationship    | Patents, licenses and software | Total            | Customer relationship | Patents, licenses and software | Total       |
|                                        | \$                       | \$                             | \$               | \$                    | \$                             | \$          |
| <b>Balance at the beginning</b>        | <b>6,408,108</b>         | <b>848,232</b>                 | <b>7,256,340</b> | 3,166,170             | 188,276                        | 3,354,446   |
| Additions [Note 4b]                    | –                        | 1,694,900                      | 1,694,900        | –                     | 761,072                        | 761,072     |
| Acquired in a business combination     | –                        | –                              | –                | 3,900,000             | –                              | 3,900,000   |
| Amortization                           | (207,623)                | (37,587)                       | (245,210)        | (659,449)             | (101,849)                      | (761,298)   |
| Effect of foreign exchange differences | 8,465                    | –                              | 8,465            | 1,387                 | 733                            | 2,120       |
| <b>Balance at the end</b>              | <b>6,208,950</b>         | <b>2,505,545</b>               | <b>8,714,495</b> | 6,408,108             | 848,232                        | 7,256,340   |
| <b>Balance at the end</b>              |                          |                                |                  |                       |                                |             |
| Cost                                   | 8,581,360                | 2,826,217                      | 11,407,577       | 8,572,895             | 1,131,317                      | 9,704,212   |
| Accumulated amortization               | (2,372,410)              | (320,672)                      | (2,693,082)      | (2,164,787)           | (283,085)                      | (2,447,872) |
| <b>Net book value</b>                  | <b>6,208,950</b>         | <b>2,505,545</b>               | <b>8,714,495</b> | 6,408,108             | 848,232                        | 7,256,340   |

## 6. CREDIT FACILITIES

|                                                  | Maturity     | Effective interest rate % | As at September 30, 2022 \$ | As at June 30, 2022 \$ |
|--------------------------------------------------|--------------|---------------------------|-----------------------------|------------------------|
| <b>Operating loans, fixed and variable rates</b> |              |                           |                             |                        |
| – Authorized amount of \$12,201,399              | 2022 to 2023 | 3.8% to 7.1%              | 5,897,480                   | 4,648,900              |
| <b>Lease liability</b>                           | 2022 to 2031 | 2.1% to 10.0%             | 14,941,816                  | 15,232,915             |
| <b>Long-term debt, fixed and variable rates</b>  | 2023 to 2030 | 5.0% to 6.2%              | 9,025,338                   | 9,450,814              |
|                                                  |              |                           | <b>29,864,634</b>           | 29,332,629             |
| Less: current portion of operating loans         |              |                           | 5,897,480                   | 4,648,900              |
| Less: current portion of lease liability         |              |                           | 2,535,309                   | 2,490,911              |
| Less: current portion of long-term debt          |              |                           | 4,661,733                   | 3,168,932              |
|                                                  |              |                           | <b>16,770,112</b>           | 19,023,886             |

Under these agreements, the Corporation has agreed to respect certain conditions and financial ratios. As at September 30, 2022, all conditions and financial ratios were met. Several movable hypothecs on specific assets of the Corporation and its subsidiaries and on the universality of the Corporation's present and future, tangible and intangible assets have been given as security for these long-term debt and credit facilities.

## 7. RELATED PARTY TRANSACTIONS

Martinrea International Inc. ("Martinrea") is a shareholder of the Corporation with significant influence. Subsidiaries of Martinrea purchased graphene-enhanced products and tooling products from the Corporation during the three-month period ended September 30, 2022 for an amount of \$212,673 [2021 – \$383,345]. As at September 30, 2022, an amount of \$629,792 due by Martinrea is included in Accounts receivable and contract assets [As at June 30, 2022 – \$628,008].

During the three-month period ended September 30, 2022, the Corporation has rendered services to its joint venture VoltaXplore Inc. for an amount of \$24,767 [2021 – \$1,252]. As at September 30, 2022, an amount of \$65,911 is included in Accounts receivable and contract assets [As at June 30, 2022 – \$37,435].

## **8. SEGMENTED DISCLOSURE**

The Corporation's Chief Operating Decision Maker analyzes the information for the Corporation as a whole on a consolidated basis only and, as such, the Corporation determined that it has only one operating segment.

## **9. COMMITMENTS**

The Corporation is committed to purchase raw materials to certain suppliers within two years.

As at September 30, 2022, the Corporation held derivative foreign currency forward exchange contracts to sell for a minimum of US\$26.6 million and a maximum of US\$38.9 million depending on the exchange rate of such derivative contracts. Rates vary from 1.1804 to up to 1.3720. The contracts are valid until September 2024. As at September 30, 2022, the carrying value of the derivative foreign currency forward exchange contracts of \$2,903,213 is included in Accounts payable and accrued liabilities [As at June 30, 2022 – \$336,995 included in Accounts payable and accrued liabilities].

The Corporation and Martinrea have committed to provide up to an additional \$6,000,000 each in development funding in VoltaXplore Inc. if, as and when required. On this amount, \$1,000,000 was already provided during the year ended June 30, 2022.