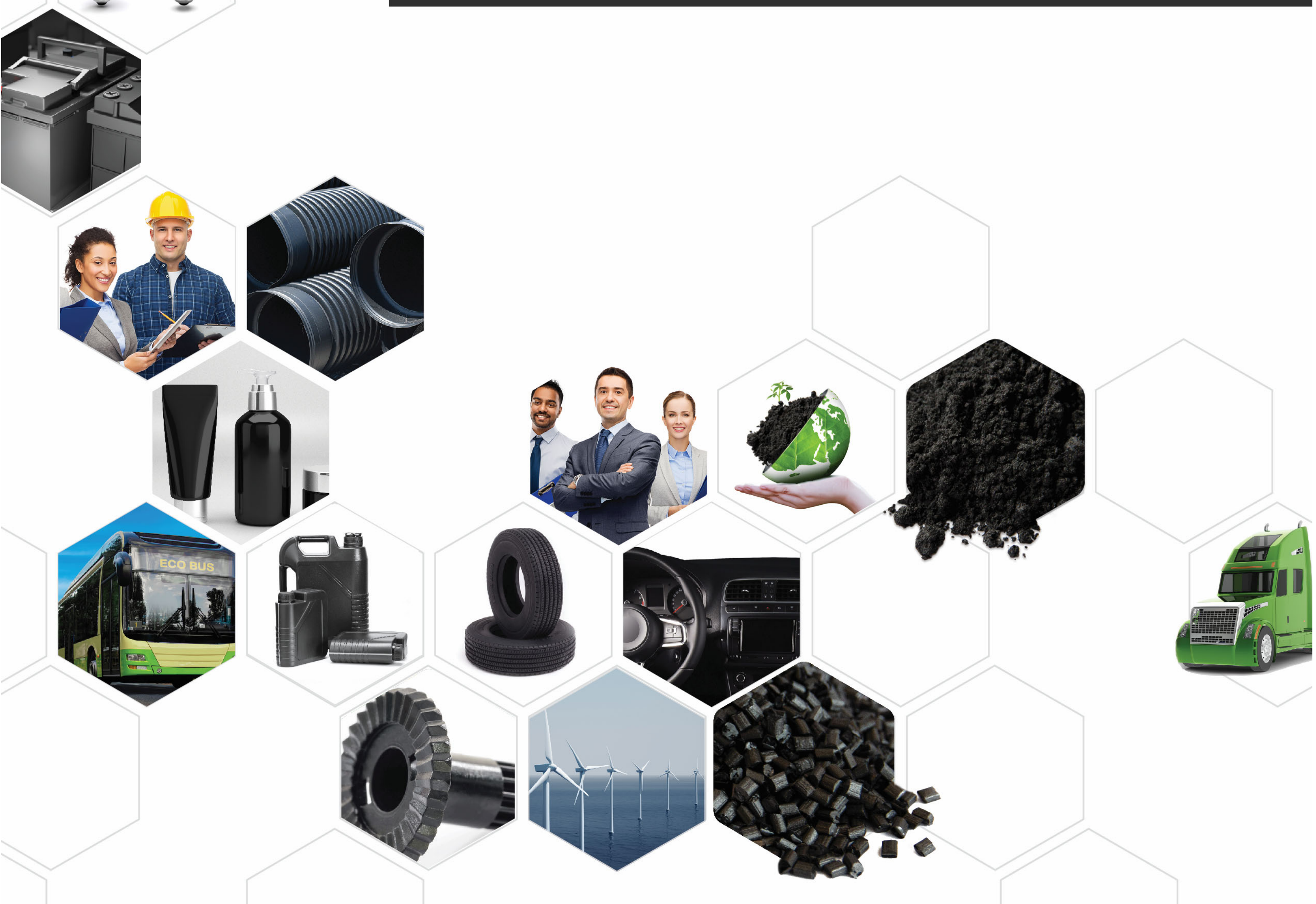
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended December 31, 2020 and 2019



[Unaudited and not reviewed – Unless specified otherwise, amounts are expressed in Canadian dollars]

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

NanoXplore Inc., and its subsidiaries (together "NanoXplore" or the "Company"), is a graphene company, a manufacturer and supplier of high-volume graphene powder for use in industrial markets. Also, the Company provides standard and custom graphene-enhanced plastic and composite products to various customers in transportation, packaging, electronics, and other industrial sectors. The Company 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.

NanoXplore Inc. is listed on the TSX Venture Exchange and has traded under "GRA" and is also listed on the OTCQX and has traded under "NNXPF".

On September 11, 2020, through its wholly-owned indirect subsidiary RMC Advanced Technologies Inc., the Company acquired substantially all of the assets of CSP Composites, LLC, Continental Structural Plastics, Inc. and Continental Structural Plastics of North Carolina, Inc. (collectively, "CSP") used in connection with its lightweight composite solutions and material business as conducted at 1400 Burris Road, Newton, North Carolina.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to reduce or cease normal operations.

Even though our manufacturing operation resumed during the month of May, the COVID-19 global pandemic had and continue to have a significant negative impact on our customer's business activities. This slowdown of manufacturing operations and dissipation of customer demand had a negative impact on the Company's financial results since the second half of March 2020.

The COVID-19 pandemic is expected to have an adverse effect on our business, results of operations, cash flows and financial position 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, impact on customers and suppliers, the rate at which economic conditions, operations return to pre-COVID levels, any continued or future governmental orders or lock-downs due to this wave of COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

In light of the discovery of an effective vaccine and the start of its deployment, it allows us to hope for an end to the crisis. Until the situation is stable, the Company will continue to respond in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

Liquidity risk

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures for the ensuing 12 months as they fall due. The Company's ability to continue its development activities is dependent on the impact of Covid-19 and the beginning of commercial operation of the graphene products. The graphene commercial activity is in the development stage, and as a result, the Company has minimal sources of operating revenue from those operations and could be dependent on external financing to fund its continued development program, if the beginning of the commercial operation of the graphene activity is delayed. The Company's main sources of funding have been the issuance of equity securities for cash *(note 10)*, debt, and funds from the government of Quebec with respect to R&D tax credits, from Sustainable Development Technology Canada ("SDTC") and from the Canada emergency wage subsidies program.

The unaudited condensed interim consolidated financial statements of NanoXplore for the three and six-month periods ended December 31, 2020 and 2019 were reviewed, approved and authorized for issue by the Company's Board of Directors on February 24, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries for the three and six-month periods ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"]. These unaudited condensed interim consolidated financial statements were prepared in accordance with IAS 34, Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the Company's functional currency, except where otherwise indicated. Each entity of the Company 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, 2020.

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 Company 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, 2020, except for the amendments to certain accounting standards which are relevant to the Company and were adopted by the Company as of July 1, 2020 as described below:

AMENDMENT TO IFRS16 – COVID-19 RELATED RENT CONCESSIONS

On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions – Amendment to IFRS 16. Under certain conditions, this amendment allows a lessee to recognize any COVID-19 related rent concession in the same way it would account for the change under IFRS 16 if the change were not a lease modification. There has been no impact of the adoption of this amendment as at July 1, 2020.

AMENDMENTS TO IFRS 3 – BUSINESS COMBINATIONS

The amendments to IFRS 3 clarifies the definition of a business and includes an optional concentration test to determine whether an acquired set of activities and assets is a business. There has been no impact of the adoption of this amendment as at July 1, 2020.

[EXPRESSED IN CANADIAN DOLLARS]

3. BUSINESS COMBINATIONS

On September 11, 2020, through its wholly-owned indirect subsidiary RMC Advanced Technologies Inc., the Company acquired substantially all of the assets of CSP Composites, LLC, Continental Structural Plastics, Inc. and Continental Structural Plastics of North Carolina, Inc. (collectively, "CSP") used in connection with its lightweight composite solutions and material business as conducted at 1400 Burris Road, Newton, North Carolina, for an unadjusted purchase price of US$3,500,000. The purchase price was reduced by an inventory adjustment of US$128,929. This acquisition was concluded to expand the Company's business in the United States.

CSP employs nearly thirty people and operates mainly in the markets of composite products for heavy trucks and machinery. It sells its products to original equipment manufacturers and distributors in the United States, Canada and South America.

This transaction was financed using the Company's available cash. The adjusted purchase price of US$3,371,071 [$4,437,197] is payable in two installments:

(i) US$1,750,000 at the closing date; and
(ii) US$1,621,071 12 months after the closing date and is recorded under Accounts payable and accrued liabilities in the consolidated statements of financial position.

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting under IFRS 3, Business Combination. To account for the transaction, the Company has performed a preliminary business valuation of CSP at the date of acquisition and a preliminary purchase price allocation. At the time of issuance of these consolidated financial statements, certain aspects of the valuation and purchase price allocation are not finalized due to the unavailability of some information. The work will be completed within 12 months of the acquisition date, at the latest.

	$
Net identifiable assets acquired:	
Inventory	1,014,930
Property, plant and equipment	3,422,267
	4,437,197
Total consideration:	
Consideration paid or to be paid in cash	4,437,197
	4,437,197

Since September 11, 2020, the assets acquired are included in the consolidated statement of financial position and the operating results are reflected in the Company's consolidated statement of loss.

[EXPRESSED IN CANADIAN DOLLARS]

4. PROPERTY, PLANT AND EQUIPMENT

	Land & Building $	Production equipment $	Leasehold improvements $	Laboratory, computer, office equipment and rolling stock $	Total $
Balance as at June 30, 2019	13,051,792	16,891,365	24,153	608,022	30,575,332
Additions	490,340	18,521,113	2,004,565	914,003	21,930,021
Disposals	–	(12,377)	–	–	(12,377)
Depreciation	(546,577)	(2,178,927)	(79,334)	(252,682)	(3,057,520)
Effect of foreign exchange differences	110,627	126,025	–	8,467	245,119
Balance as at June 30, 2020	13,106,182	33,347,199	1,949,384	1,277,810	49,680,575
Additions	**185,639**	**2,684,756**	**50,625**	**216,007**	**3,137,027**
Acquired in a business combination	**1,351,375**	**2,053,805**	**–**	**17,087**	**3,422,267**
Disposals	**–**	**(8,333)**	**–**	**(50,932)**	**(59,265)**
Depreciation	**(281,350)**	**(1,627,435)**	**(120,001)**	**(253,483)**	**(2,282,269)**
Effect of foreign exchange differences	**(198,046)**	**(95,742)**	**–**	**(3,128)**	**(296,916)**
Balance as at December 31, 2020	**14,163,800**	**36,354,250**	**1,880,008**	**1,203,361**	**53,601,419**
As at June 30, 2020					
Cost	13,773,000	37,773,362	2,085,634	1,869,645	55,501,641
Accumulated depreciation	(666,818)	(4,426,163)	(136,250)	(591,835)	(5,821,066)
Net book value	13,106,182	33,347,199	1,949,384	1,277,810	49,680,575
As at December 31, 2020					
Cost	**15,171,382**	**42,436,571**	**2,136,259**	**2,049,617**	**61,793,829**
Accumulated depreciation	**(1,007,582)**	**(6,082,321)**	**(256,251)**	**(846,256)**	**(8,192,410)**
Net book value	**14,163,800**	**36,354,250**	**1,880,008**	**1,203,361**	**53,601,419**

The majority of property, plant and equipment is pledged as security for the credit facilities (Note 5).

Additions of production equipment under lease during the period ended amounted to nil [As at June 30, 2020 – $2,746,297]. Leased assets are pledged as security for the related lease liability.

As at December 31, 2020, there are $2,052,757 and $3,973,638 of building and production equipment, respectively, that are not yet available for use and for which depreciation has not started [As at June 30, 2020 – $2,219,215, $18,963,271 and $335,815 of building, production equipment and computer].

5. CREDIT FACILITIES

	Maturity	Effective interest rate %	As at December 31, 2020 $	As at June 30, 2020 $
Operating loans, fixed and variable rates – Authorized amount of $9,947,430	**2021**	**3.0% to 4.3%**	**2,347,430**	2,152,568
Convertible debentures – Loan *[Note 6]*	**December 2023**	**13.1%**	**–**	8,156,305
Lease liability	**2021 to 2030**	**0.6% to 5.5%**	**10,253,546**	11,135,875
Long-term debt, fixed and variable rates	**2021 to 2028**	**4.0% to 10.0%**	**14,919,955**	15,544,822
			27,520,931	36,989,570
Less: current portion of operating loans			**2,347,430**	2,152,568
Less: current portion of lease liability			**1,471,411**	1,839,242
Less: current portion of long-term debt			**4,183,445**	2,713,735
			19,518,645	30,284,025

Under these agreements, the Company has agreed to respect certain conditions and financial ratios. As at December 31, 2020, all conditions and financial ratios were met. Several movable hypothecs on specific assets of the Company and its subsidiaries and on the universality of the Company's present and future, tangible and intangible assets have been given as security for these long-term debt and credit facilities.

6. EQUITY

Pursuant to the convertible debentures conversion option, as the volume-weighted average trading price of the common shares was greater than $3.00 for 20 consecutive trading days, $10,000,000 of the convertible debentures principal amount was converted into common shares of the Company at a price of $1.84 per common share on December 8, 2020, resulting in the issuance of 5,434,782 common shares of the Company. This has also resulted in a $2,240,000 transfer from Convertible debentures – Options to Share capital.

7. RELATED PARTY TRANSACTIONS

Martinrea International Inc. is a shareholder of the Company with significant influence. During the six-month period ended December 31, 2020, a subsidiary of Martinrea International Inc. purchased graphene-enhanced products from the Company for an amount of $6,246 [2019 – Martinrea International Inc. exercised 2,750,000 warrants for an amount of $1,925,000].

8. SEGMENTED DISCLOSURE

Our Chief Operating Decision Maker analyzes the information for the Company as a whole on a consolidated basis only and, as such, the Company determined it has only one operating segment. Revenues are generated from our activities in Canada, in the United States and in Switzerland and all sales of products come from enhanced plastics and composite products.

9. COMMITMENTS

The Company has committed to purchase raw materials to certain suppliers within two years.

As at December 31, 2020, the Company held options for a minimum of US$9.8 million and a maximum of US$14.2 million depending on the exchange rate of such derivative contracts. Rates vary from 1.2800 to up to 1.3651. The contracts are valid until December 2022. The carrying value of the derivative foreign currency forward exchange contracts amounted to $366,989 as at December 31, 2020 and was included in Accounts receivable and contract asset [June 30, 2020 – $211,373 included in Accounts payable and accrued liabilities].

10. SUBSEQUENT EVENT

On February 12, 2021, the Company completed financing by way of short form prospectus of 11,500,000 common shares at a price of $4.00 per share for gross proceeds of $46,000,000. The Company intends to use the net proceeds of the financing for battery initiatives, debt reduction, sales and marketing of graphene and for general corporate purposes.

The aggregate issuance costs related to these issuances, including the commission, is estimated at $2,680,000 and will be paid in cash.