NanoXplore

Performance Through Carbon Chemistry

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
For the three-month and nine-month periods ended March 31, 2019 and 2018

[Unless specified otherwise, all amounts are expressed in Canadian dollars]

This interim Management's discussion and analysis (”MD&A”) provides a review of NanoXplore Inc.'s operations, performance and financial position for the three-month and nine-month periods ended March 31, 2019 and 2018 and should be read in conjunction with the unaudited consolidated financial statements for the three-month and nine-month periods ended March 31, 2019 and 2018 and with the audited consolidated financial statements for the year ended June 30, 2018 and 2017. The purpose of this document is to provide information on our activities. The information contained herein is dated as of May 24, 2019. You will find more information about us on NanoXplore's website at **www.nanoxplore.ca** and on SEDAR at www.sedar.com, including all press releases.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. We occasionally refer to non-IFRS financial measures in the MD&A. See the Non-IFRS financial measures section for more information. The terms “we”, “our”, “us”, ''NanoXplore'' “the Group NanoXplore” or the “Company” mean NanoXplore Inc. and its subsidiaries, unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. We consider the assumptions on which these forward-looking statements are based to be reasonable, but we advise the reader that these assumptions with regard to future events, many of which are beyond our control, could prove incorrect as they are subject to risks and uncertainties inherent in our activities. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information of future events, except when required by the regulatory authorities.

This MD&A contains forward-looking statements. When used in this MD&A, the words ''may'', ''would'', ''could'', ''will'', ''intend'', ''plan'', ''anticipate'', ''believe'', ''seek'', ''propose'', ''estimate'', ''project'', ''expect'' and similar expressions are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect NanoXplore's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in the risk factors described under the section risks and uncertainties of this statement. The forward-looking information is based on certain key expectations and assumptions made by NanoXplore, including expectations and assumptions concerning availability of capital resources, business performance, market conditions, customer demand. Although NanoXplore believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Many factors could cause NanoXplore's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section risks and uncertainties of this statement as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. NanoXplore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements. Forward-looking information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on NanoXplore's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

BUSINESS OVERVIEW

COMPANY OVERVIEW

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 address of the Company's corporate office is 25, Boul. Montpellier, St-Laurent (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 November 23, 2017, through its wholly-owned subsidiary NanoXplore Switzerland Holding SA incorporated on November 9, 2017, the Company acquired all of the issued and outstanding shares of CEBO Injections SA, based in Switzerland. CEBO provides customers with high precision and high-quality injection molded products, and serves the automotive, medical, industrial and watches manufacturing markets. CEBO has expertise in highly precise parts, over molding, insert molding, and complex and precise parts and assemblies of plastic, metal and ceramic.

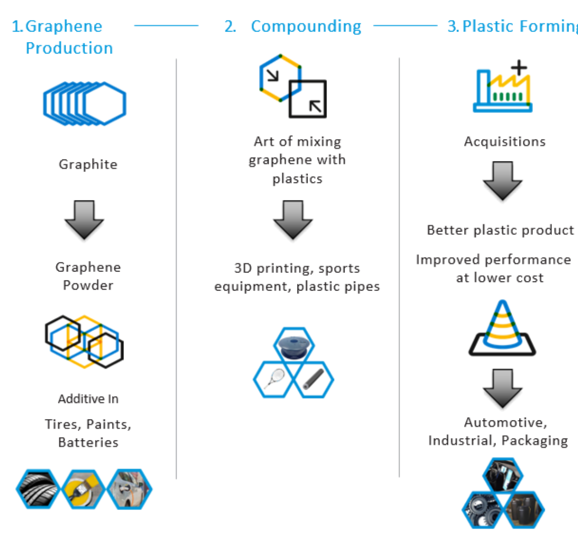
On September 21, 2018, the Company acquired all of the issued and outstanding shares of Sigma Industries Inc ("Sigma"). Sigma is a manufacturing company specializing in the manufacture of composite products that has three operating subsidiaries and employs 275 people. It operates in the markets for heavy 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.

The Company has the following subsidiaries:

- NanoXplore GmbH, based in Germany, with an equity interest of 100%;
- 9334-7474 Québec Inc., based in Canada, with an equity interest of 100%. 9334-7474 Québec Inc. holds 100% of Rada Industries Ltd. ("Rada Industries"). On April 9, 2019, Rada Industries changed its name to 9396-2173 Québec Inc.
- NanoXplore Switzerland SA, based in Switzerland, with an equity interest of 100%. NanoXplore Switzerland SA holds 100% of CEBO Injections SA. ("CEBO").
- Sigma Industries Inc., based in Canada, with an equity interest of 100%. Sigma has three active wholly-owned subsidiaries; Rene Composite Materials Ltd., based in Quebec, Faroex Ltd., based in Manitoba, and RMC Advanced Technologies Inc, based in Tennessee (USA).

BUSINESS HIGHLIGHTS

Following the recent acquisition of CEBO and Sigma, the Company plans a vertical integration of the business, starting from the supply of the graphite to the production of graphene and enhanced plastic composites parts to be used in our packaging and automotive applications.



On January 11, 2019, the Company completed a total financing of $30,988,240 which included issuance of 16,144,800 common shares at a price of $1.30 per share for gross proceeds of $20,988,240 and $10,000,000 of convertible unsecured subordinated debentures.

In January 2019, NanoXplore expanded its executive management team with significant acquisitions; Mr. Rocco Marinaccio, former Vice President – Flexible Manufacturing Group of Martinrea International Inc., and Mr. Denis Bertrand, former Chief Executive Officer of Sigma Industries Inc., joined NanoXplore to act full-time as Chief Operating Officer and Chief Business Development Officer respectively.

Furthermore, Mr. Rob Wildeboer, currently acting as Executive Chairman of Martinrea International Inc., joined the Board of Directors of NanoXplore and was appointed as Chair of the Board of Directors of the Corporation in January 2019. Mr. Benoît Gascon, Chief Executive Officer of Mason Graphite Inc., who was serving as Chair of the Board of Directors, continues as Vice Chair. These new members will help to strategically position the Company for long-term success and will also have an impact on our operations as the Company builds its 10,000 ton/year graphene production facility this year.

On April 8, 2019, the Company made the strategic decision to sell Rada's main assets to a subsidiary of Roda Packaging Inc. which is a Rada's customer. Company's decision is based upon focusing on higher value-add graphene and graphene-enhanced plastic product.

Manufacturing

NanoXplore has plastic and composites production facilities in Quebec, Manitoba and in Vallorbe (Switzerland) with an additional plant under construction in the US and has capacity to produce 25 metric tonnes of graphene per year and a capacity of 400 metric tonnes/year master batch pellet.

Concurrent with its recent financing, NanoXplore plans to build a facility eventually capable to produce 10,000 tons of graphene per year. In order to do so, NanoXplore has set forth a feasibility study to define the design and cost parameters of the new plant in collaboration with DF Mining & Handling. The study envisions a modular graphene production plant consisting of 5 graphene production lines, each with a capacity of 2,000 metric ton/year. The report can be found on Sedar on August 27, 2018.

Research and Development

NanoXplore has a very active internal research and development effort and supplements this with external collaborations at many Canadian universities and research institutes. NanoXplore is currently investing in research programs with McGill University, University of Waterloo, Institut national de la recherche scientifique (INRS-EMT), École de technologie supérieure (ETS), Centre de Technologie Minérale et de Plasturgie (CTMP), Concordia University and the National Research Council (NRC). The Company has highly qualified staff including several PhD qualifications, MSc, and engineering or science degrees. Our researches are mainly related to graphene/composite and to increase the strength-to-weight ratio of materials with graphene, and to use graphene to increase energy efficiency.

Sustainable Development Technology Canada ("SDTC")

Since 2018, NanoXplore began a project in collaboration with SDTC, an arm's-length foundation created by the Government of Canada. The project will demonstrate that through the strategic application of graphene to engineering plastics, the overall performance of many vehicle components (namely trucks, buses, unmanned aerial vehicles) can be significantly improved in terms of mechanical, thermal and electrical shielding performance, while meaningfully reducing weight. It is anticipated to be achieved at no cost premium to the customer. The Project's environmental benefits will be achieved through Greenhouse Gas ("GHG") savings related to light weighting of components and of the overall vehicle.

Subject to certain terms and conditions, SDTC will reimburse 33% of eligible project cost for a maximum of $3,250,000 for the period from September 1, 2017 to April 30, 2021.

FINANCIAL HIGHLIGHTS

The following selected financial data are derived from the Financial Statements of the Company for the following periods:

	Three-month periods ended March 31		Nine-month periods ended March 31	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Revenues	**20,720,455**	2,985,281	**46,775,190**	5,405,956
Loss for the period	**(2,736,849)**	(1,137,515)	**(5,886,267)**	(4,521,668)
Basic loss per share	**(0.03)**	(0.01)	**(0.06)**	(0.06)

	Nine-month periods ended March 31			
	2019	**2018**	**Difference**	
	$	**$**	**$**	**%**
Consolidated Statements of Cash Flows				
Operating activities	**(3,543,526)**	(2,370,773)	(1,172,753)	49%
Investing activities	**(13,259,710)**	(1,712,181)	(11,547,529)	674%
Financing activities	**30,701,362**	20,003,568	10,697,794	53%
Net change in cash before net effect of currency exchange rate	**13,898,126**	15,920,614	(2,022,488)	-13%

	As at March 31, 2019	**As at June 30, 2018**	**As at June 30, 2017**
	$	**$**	**$**
Consolidated Statements of Financial Position			
Cash	**29,174,918**	15,268,666	421,214
Accounts receivable	**13,186,896**	2,895,012	462,322
Inventory	**7,911,549**	1,542,863	293,317
Right-of-use assets	**5,203,342**	—	—
Property, plant and equipment	**23,983,676**	6,488,020	3,383,184
Intangible asset	**881,880**	338,260	—
Goodwill	**7,489,543**	—	—
Total assets	**89,313,200**	26,886,737	4,736,483
Operating loan	**4,703,753**	1,328,400	215,000
Long-term Debt and Convertible debentures - Loan	**27,519,886**	4,567,970	2,162,705
Total liabilities	**47,223,964**	11,128,750	3,444,842
Equity	**42,089,236**	15,757,987	1,291,641

Variances are explained in the sections "**CONSOLIDATED OPERATIONS**" and "**FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**".

Acquisition of Sigma Industries Inc.

On September 21, 2018, the Company acquired all of the issued and outstanding shares of Sigma for a total amount of $8,793,581 paid by the issuance of 4,579,988 common shares of its share capital to all existing shareholders of Sigma and acquired all the outstanding debentures of Sigma Industries for a total amount of $9,993,500 of which $9,011,000 is paid by cash and $982,500 is paid by the issuance of 511,719 shares of its share capital to the Sigma Debentures Holders. The exchange ratio to determine the amount paid is based on a fixed price; each Sigma common share will be exchanged for 0.39 common share of NanoXplore. The value of Sigma common shares has been set at $0.75 and the value of NanoXplore common shares has been set at $1.92.

Based on the stock price (TSX-V) of NanoXplore shares at the acquisition date of $1.61, the fair value of the total consideration paid amounted to $17,208,648 and is detailed as follows:

	Number of shares	Fair value of shares $	Paid by cash $	Total consideration $
All outstanding shares of Sigma	4,579,988	7,373,780	–	**7,373,780**
All outstanding debentures of Sigma	511,719	823,868	9,011,000	**9,834,868**
Total	**5,091,707**	**8,197,648**	**9,011,000**	**17,208,648**

This transaction was financed using the Company's available cash.

The assets and liabilities of Sigma are included in the consolidated statement of financial position as at March 31, 2019 and the operating results are reflected in its consolidated statement of operations since September 21, 2018. The results between the acquisition date and the period ended March 31, 2019 and the results if the combination had taken place at the beginning of fiscal year 2019 are as follows:

	Nine-month period results $	Since acquisition date - consolidated in NanoXplore results $
Total consideration paid for:		
Revenues	**54,288,266**	**39,184,779**
Net income	**912,555**	**581,276**

Selected Quarterly Information

		Revenue	Net loss	Basic and diluted loss per share	
Q3-2019	March 31, 2019	20,720,455	(2,736,849)	(0.03)	**Note 2 & 3**
Q2-2019	December 31, 2018	22,147,009	(1,550,237)	(0.02)	**Note 2**
Q1-2019	September 30, 2018	3,907,726	(1,599,181)	(0.02)	
Q4-2018	June 30, 2018	3,250,531	(1,622,962)	(0.02)	
Q3-2018	March 31, 2018	2,985,281	(1,137,515)	(0.01)	
Q2-2018	December 31, 2017	1,807,020	(1,020,915)	(0.01)	
Q1-2018	September 30, 2017	613,655	(2,363,238)	(0.04)	**Note 1**
Q4-2017	June 30, 2017	813,456	(553,282)	(0.01)	

Note 1 The higher loss than usual is explained by the listing expenses of $1,443,860 incurred in the RTO.
Note 2 The higher revenue is explained by sales of $39,184,779 from Sigma, which are consolidated since September 21, 2018 in the results.
Note 3 The higher loss than usual is due to an increase in salaries which is explained by the addition of strategic new positions and the grant of stock options.

CONSOLIDATED OPERATIONS

CONSOLIDATED STATEMENT OF LOSS

	Three-month periods ended March 31				Nine-month periods ended March 31			
	2019	2018	Difference		2019	2018	Difference	
	$	$	$	%	$	$	$	%
Revenues	**20,720,455**	2,985,281	17,735,174	86%	**46,775,190**	5,405,956	41,369,234	88%
Expenses								
Cost of sales	**17,202,828**	2,144,469	15,058,359	88%	**38,440,589**	3,940,712	34,499,877	90%
Research and development costs	**669,883**	531,919	137,964	21%	**1,914,933**	921,933	993,000	52%
Selling, general and administrative	**4,047,117**	1,067,652	2,979,465	74%	**8,393,360**	2,731,613	5,661,747	67%
Share-based compensation	**420,601**	44,177	376,424	89%	**673,019**	197,996	475,023	71%
Depreciation (production)	**569,453**	191,272	378,181	66%	**1,439,196**	336,478	1,102,718	77%
Depreciation (other)	**204,835**	28,131	176,704	86%	**474,937**	112,220	362,717	76%
Amortization	**63,580**	—	63,580	100%	**140,581**	—	140,581	100%
Foreign exchange	**(31,207)**	56,136	(87,343)	280%	**309,168**	46,576	262,592	85%
	23,147,090	4,063,756	19,083,334	82%	**51,785,783**	8,287,528	43,498,255	84%
Operating loss	**(2,426,635)**	(1,078,475)	(1,348,160)	56%	**(5,010,593)**	(2,881,572)	(2,129,021)	42%
Listing expenses	**—**	—	—	100%	**—**	(1,443,860)	1,443,860	100%
Interest on long-term debt	**(590,987)**	(79,697)	(511,290)	87%	**(1,060,706)**	(143,304)	(917,402)	86%
Interest revenue	**106,648**	21,262	85,386	80%	**170,716**	43,244	127,472	75%
Share of loss of a joint venture	**—**	(1,201)	1,201	100%	**—**	(3,392)	3,392	100%
Loss before income taxes	**(2,910,974)**	(1,138,111)	(1,772,863)	61%	**(5,900,583)**	(4,428,884)	(1,471,699)	25%
Current income taxes recovery	**—**	8,105	(8,105)	100%	**—**	38,245	(38,245)	100%
Deferred income taxes expense	**174,125**	(7,509)	181,634	104%	**14,316**	(131,029)	145,345	-1015%
	174,125	596	173,529	100%	**14,316**	(92,784)	107,100	748%
Loss for the period	**(2,736,849)**	(1,137,515)	(1,599,334)	58%	**(5,886,267)**	(4,521,668)	(1,364,599)	23%
Other comprehensive loss								
Items that may be subsequently reclassified to profit and loss:								
Exchange differences on translation of foreign subsidiaries	**266**	20,717	(20,451)	-7688%	**6,341**	22,209	(15,868)	-250%
Items that will not be reclassified to profit and loss:								
Retirement benefits – Net actuarial losses	**142,355**	—	142,355	100%	**46,102**	—	46,102	100%
Total comprehensive loss	**(2,594,228)**	(1,116,798)	(1,477,430)	57%	**(5,833,824)**	(4,499,459)	(1,334,365)	23%
Loss per share								
Basic and diluted	**(0.03)**	(0.01)			**(0.06)**	(0.06)		

REVENUE

Sales of products

Sales of products increased by $17,735,174 and $41,369,234 for the three and nine-month periods ended March 31, 2019 compared to the corresponding period in 2018. The increase is mainly due to the consolidation of Sigma since September 21, 2018 which counts for $17,884,576 and $39,184,779 for the three and nine-month periods ended March 31, 2019.

OPERATING COST

General increase of expenses during the three-month and the nine-month period ended March 31, 2019 is mainly due to the consolidation of Sigma expenses since September 21, 2018 and CEBO's expenses since November 23, 2017. The increase of expenses, which are mainly related to cost of sales, are in line with the increase of sales for the period.

Non-recurring expenses

Listing expenses amounted to $1,443,860 for the three-month and nine-month periods ended March 31, 2018. The fees were related to the reverse takeover transactions of Graniz Mondal Inc in August 2017.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	As at March 31, 2019 $	As at June 30, 2018 $	Difference $	Main reasons for significant differences
Assets				
Cash	**29,174,918**	15,268,666	13,906,252	Increase due to private placement financing of $30.9M, offset by $9M to acquire Sigma Debentures Holder, by PP&E acquisition of $6.9M and to normal operations
Accounts receivable	**13,186,896**	2,895,012	10,291,884	Increase mainly due to Sigma
Inventory	**7,911,549**	1,542,863	6,368,686	Increase mainly due to Sigma
Deferred income tax assets	**630,000**	—	630,000	
Right-of-use assets	**5,203,342**	—	5,203,342	Early adoption of IFRS 16
Property, plant and equipment	**23,983,676**	6,488,020	17,495,656	Increase mainly due to equipment acquired with Sigma's acquisition and to $4.7M related to the plant expansion in Sainte-Clotilde-de-Beauce
Intangible asset	**881,880**	338,260	543,620	
Goodwill	**7,489,543**	—	7,489,543	Preliminary goodwill arising on Sigma's acquisition
Other assets	**851,396**	353,916	497,480	Increase mainly due to Sigma
Total assets	**89,313,200**	26,886,737	62,426,463	
Liabilities and shareholders' equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payables	**12,766,481**	2,953,461	9,813,020	Increase mainly due to Sigma's acquisition
Deferred grant	**347,120**	164,940	182,180	
Contract liability	**606,460**	145,012	461,448	
Credit facilities	**4,703,753**	1,328,400	3,375,353	Increase mainly due to Sigma
Non-current portion of payable	**—**	490,180	(490,180)	Second payment related to the acquisition of Cebo due in Nov. 2019 is included in Accounts payable
Defined benefit liabilities	**774,301**	782,290	(7,989)	
Long-term debt	**19,943,581**	4,567,970	15,375,611	Increase due to new debt of $9.9M acquired with Sigma's acquisition and to the early adoption of IFRS 16
Convertible debentures - Loan	**7,576,305**		7,576,305	Fair value of $10M of convertible debentures issued in the private placement financing of January 2019
Deferred income taxes liabilities	**505,963**	696,497	(190,534)	
Total liabilities	**47,223,964**	11,128,750	36,095,214	
Equity				
Share capital	**52,821,935**	23,502,555	29,319,380	Issuance of share related to Sigma acquisition and financing incurred in January 2019
Reserve	**3,477,326**	2,871,633	605,693	
Convertible debentures - Options	**2,240,000**	—	2,240,000	Fair value of the conversion option attached to the convertible debentures
Foreign currency translation reserve	**19,831**	13,490	6,341	
Deficit	**(16,469,856)**	(10,629,691)	(5,840,165)	Losses of the period
Total equity	**42,089,236**	15,757,987	26,331,249	
Total equity and liabilities	**89,313,200**	26,886,737	62,426,463	

CASH FLOW

	Nine-month periods ended March 31			
	2019	**2018**	**Difference**	
	$	**$**	**$**	**%**
Cash used in operations prior to changes in working capital	**(2,486,633)**	(2,511,408)	24,775	1%
Changes in non-cash working capital	**(1,056,893)**	140,635	(1,197,528)	852%
Operating activities	**(3,543,526)**	(2,370,773)	(1,172,753)	(49%)
Investing activities	**(13,259,710)**	(1,712,181)	(11,547,529)	(674%)
Financing activities	**30,701,362**	20,003,568	10,697,794	53%
Net effect of currency exchange rate on cash	**8,126**	—	8,126	100%
Net change in cash	**13,906,252**	15,920,614	(2,014,362)	-13%

Operating activities

Operating activities cash flows during the nine-month period ended March 31, 2019 decreased of $1,172,753 compared to the comparable period in 2018. The decrease of $1,197,528 in changes in non-cash working capital is due to the decrease of deferred revenues, which are related to timing in various customer projects.

Investing Activities

Cash flows used in investing activities during the nine-month period ended March 31,2019 are mainly related to the acquisition of Sigma during September 2018 for a net cash amount of $7,300,496 and to the net increase of $4.8M of addition of property, plant and equipment. These additions are mostly for the plant expansion located in Sainte-Clotilde-de-Beauce, in the Chaudière-Appalaches region.

In December 31, 2017, and in March 23, 2018, Sigma announced that it has signed a long-term contract to manufacture components for a new vehicle program in one of the Company's principal markets. The contract, which represents new business for the Company, is valid for the entire length of the program estimated between 7 to 10 years. Production should begin in the Company's 2020 fiscal year, based on current program expectations. This is an automated production chain project assessed at 10.5 million dollars. This stately modernization project for the fabrication of components for a new vehicle program has partly been made possible by the financial contribution of the Quebec government for which the Company was awarded an interest-free loan worth $3.5 million dollars and by the financial contribution of Banque Nationale, Roynat, and the Fonds Capital expansion région Thetford.

Financing activities

Cash flows generated in financing activities during the nine-month period ended in March 31, 2019 and 2018 are related to private placement financing. In January 2019, the Company completed a brokered private placement financing of 16,144,800 common shares at a price of $1.30 per share for gross proceeds of $20,988,240 and a private placement financing of $10,000,000 of convertible unsecured subordinated debentures. During the nine-month period ended in March 31, 2018, the Company completed a brokered private placement financing of subscription receipts sold at a price of $0.45 per subscription receipt for gross proceeds of $9,697,082 and a second private placement financing of units sold at a price of $1.65 per unit for gross proceeds of $10,000,155.

LIQUIDITY AND CAPITAL RESOURCES

The graphene business is in the development stage and as result the Company has minimal sources of operating revenue from those operations. The Company main sources of funding have been the issuance of equity securities for cash, debt, funds from the government of Quebec with respect to R&D tax credits, from the federal government with respect to R&D tax credits, from SDTC and from the Industrial Research Assistance Program.

Management believes that the Company has sufficient funds to meet its obligations and planned net expenditures for the ensuing 12 months. The Company's ability to continue its development activities beyond 12 months is dependent on the generation of sufficient cash flows from operations. With the private placement financing of $30,988,240 closed on January 11, 2019, the Company's financial condition strengthened and is allowing the Company to invest in capital expenditures in order to expand the existing graphene production plant by adding new production lines and by purchasing equipment. The private placement financing will also be used to increase working capital and for general corporate purposes. Following these significant capital investments, and considering the recent acquisition of Sigma, the Company expects to have sufficient cash flows to continue its planned development activities.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the annual consolidated financial statements of June 30, 2018. These identified financial instruments and risks are consistent through the periods.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements, except for a commitment to purchase raw materials to certain suppliers disclosed in the audited consolidated financial statements for the year ended June 30, 2018 and 2017, for forward currency exchange and for investment in a major long-term contract with a customer.

The Company set up a credit facility of up to US$25 million allowing it to enter into forward foreign exchange contract transactions. This amount partially covers the Company's potential requirements over the next 24 months. The Company will proactively monitor the need to use this facility based on market conditions As at March 31, 2019, the Company held options for a minimum of US$7.7 million and a maximum of US$17.5 million depending of the exchange rate of such derivatives contracts. Minimum rates vary from 1.2550 to up to 1.3450 and the Company may potentially participate to some depreciation of the Canadian dollar versus the U.S. dollar of approximately 3 cents on average. The contracts are valid until February 2021.

The investment in a major long-term contract with a customer for an automated production chain project is assessed at $10.5 million dollars. This stately modernization project for the fabrication of components for a new vehicle program has partly been made possible by the financial contribution of the Quebec government for which the Company was awarded an interest-free loan worth $3.5 million dollars and by the financial contribution of Banque Nationale, Roynat, and the Fonds Capital expansion région Thetford. The automated production chain's establishment will be carried out in the plant located at Sainte-Clotilde-de-Beauce, in the Chaudière-Appalaches region. Approximately 40% of the purchase orders are placed.

OUTSTANDING SHARES

As at May 24, 2019, the Company has:

- 111,199,548 common shares issued and outstanding;
- 3,600,466 options outstanding with expiry dates ranging between January 2, 2020 and February 20, 2024 with exercise prices between $0.45 and $1.80. If all the options were exercised, 3,600,466 shares would be issued for proceeds of $4,183,543;
- 13,115,546 warrants and Broker Warrants outstanding with expiry dates ranging between August 2, 2019 and March 27, 2020 with exercise prices between $0.45 and $2.30. If all the warrants were exercised, 13,115,546 shares would be issued for proceeds of $14,077,085.

RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the Note 7 "Related party transactions" in the unaudited condensed interim financial statements for the three-month and nine-month periods ended March 31, 2019 and 2018.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, technology and manufacturing. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

For a detailed description of risks and uncertainties, refer to the annual consolidated financial statements of June 30, 2018.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Note 3 "Critical accounting judgments and estimates" in the audited financial statements for the years ended June 30, 2018 and 2017. The Company was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the audited financial statements for the years ended June 30, 2018 and 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

The standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods. Refer to the unaudited condensed interim financial statements for the three-month and nine-month periods ended March 31, 2019 and 2018 for the details of these standards and amendments.

CONTROLS AND PROCEDURES

The information provided in this MD&A, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems. This Board of directors discuss quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the year-to-date financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the design and implementation of such processes by those responsible for a venture issuer are subject to cost limitation. DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Board of Directors has approved the Financial Statements.