



**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**  
**For the three-month and nine-month periods ended March 31, 2020 and 2019**

**[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, 2020 and 2019 and should be read in conjunction with the unaudited consolidated financial statements for the three-month and nine-month periods ended March 31, 2020 and 2019 and with the audited consolidated financial statements for the year ended June 30, 2019 and 2018. The purpose of this document is to provide information on our activities. The information contained herein is dated as of May 27, 2020. You will find more information about us on NanoXplore's website at [www.nanoxplore.ca](http://www.nanoxplore.ca) and on SEDAR at [www.sedar.com](http://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. If necessary, we refer to non-IFRS financial measures in the MD&A. In that case, see the Non-IFRS financial measures section for more information. The terms "we", "our", "us", "NanoXplore" or the "Company" mean NanoXplore Inc. and its subsidiaries, unless otherwise indicated.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

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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

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### 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 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".

The Company has the following subsidiaries:

- NanoXplore GmbH, based in Germany, with an equity interest of 100%. On January 20, 2020, NanoXplore GmbH was dissolved.
- 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 8, 2019, Rada Industries ceased operations by selling its main assets. On April 9, 2019, Rada Industries changed its name to 9396-2173 Québec Inc. On December 31, 2019, 9396-2173 Québec Inc. was dissolved.
- 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 two active wholly-owned subsidiaries; Faroex Ltd., based in Manitoba, and Rene Composite Materials Ltd., based in Quebec. Rene Composite Materials Ltd. has one active wholly-owned subsidiary; RMC Advanced Technologies Inc., based in Tennessee (USA).

### BUSINESS HIGHLIGHTS

#### 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.

As a result of the COVID-19 global pandemic, in the middle of March, certain Company's customers essentially idled their manufacturing operations. NanoXplore followed its customers and also temporarily idled most of its manufacturing operations in March. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's financial results during the second half of March and continued into the second civil quarter. Although the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, a phased restart of the Company's manufacturing facilities and dependent functions has slowly begun in May.

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 ultimate duration of the shutdowns, its impact on customers, 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.

#### Graphene plant project in Montreal

The Company focused on the development of its graphene plant in Montreal since the beginning of the financial year. The progress of the project has been impacted by the COVID-19 and we are now expected a delay of few months to complete the project. Commercial production should begin during the third civil quarter of 2020.

As at March 31, 2020, all major equipment has been delivered and secured in their physical location within the facility. Mechanical and electrical connections of the equipment were completed during civil Q1-2020. Commissioning of the plant has started at the end of January 2020 and expect to be completed in the third civil quarter of 2020.

For the nine-month period ended March 31, 2020, the Company spent \$14,245,323 for a total of \$16,754,719 since the inception of the project.

The facility has also become the Company's new Corporate Headquarters on January 20<sup>th</sup>, 2020.

### Private placement financing

On April 3, 2020, the Company completed a brokered private placement financing of 19,230,800 common shares at a price of \$1.30 per share for gross proceeds of \$25,000,040. The Company intends to use the net proceeds of the private placement to further research initiatives, particularly related to the use of graphene in lithium ion (Li-ion) batteries, U.S. expansion, debt repayment, expanding its graphene compounding capacity, working capital and general corporate purposes.

### NanoXplore's Shareholders structure change

On September 9, 2019, Mason Graphite Inc. sold its entire NanoXplore ownership position that resulted in a transaction of 22,188,333 shares to a group of buyers that included Martinrea International Inc., Caisse de dépôt et placement du Québec and Investissement Québec.

## 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	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues	<b>14,866,180</b>	20,720,455	<b>52,582,779</b>	46,775,190
Loss for the period	<b>(2,993,379)</b>	(2,736,849)	<b>(7,589,967)</b>	(5,886,267)
Basic loss per share	<b>(0.02)</b>	(0.03)	<b>(0.06)</b>	(0.06)

	Nine-month periods ended March 31			
	2020	2019	Difference	
	\$	\$	\$	%

Consolidated Statements of Cash Flows				
	2020	2019	Difference	%
	\$	\$	\$	%
Operating activities	<b>(5,285,147)</b>	(3,543,526)	(1,741,621)	(49%)
Investing activities	<b>(15,515,924)</b>	(13,259,710)	(2,256,214)	(17%)
Financing activities	<b>3,501,302</b>	30,701,362	(27,200,060)	(89%)
<b>Net change in cash before net effect of currency exchange rate</b>	<b>(17,299,769)</b>	13,898,126	(31,197,895)	(224%)

	As March 31, 2020	As at June 30, 2019	As at June 30, 2018
	\$	\$	\$
<b>Consolidated Statements of Financial Position</b>			
Cash	10,553,899	27,819,140	15,268,666
Accounts receivable	11,645,906	15,016,481	2,895,012
Inventory	7,147,486	7,589,896	1,542,863
Right-of-use assets	4,852,452	5,502,111	—
Property, plant and equipment and equipment deposit	47,628,563	31,230,797	6,488,020
Intangible asset	3,881,842	4,267,929	—
Goodwill	460,164	460,164	—
Total assets	87,099,648	92,844,734	26,886,737
Operating loans	1,574,440	1,339,480	1,328,400
Long-term Debt and Convertible debentures - Loan	30,913,818	32,566,411	4,567,970
Total liabilities	49,494,341	54,749,009	11,128,750
Shareholder's Equity	37,605,307	38,095,725	15,757,987

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

### Selected Quarterly Information

		Revenue	Net loss	Basic and diluted loss per share	
		\$	\$	\$	
Q3-2020	March 31, 2020	14,866,180	(2,993,379)	(0.02)	<b>Note 1</b>
Q2-2020	December 31, 2019	17,733,510	(2,266,153)	(0.02)	<b>Note 2</b>
Q1-2020	September 30, 2019	19,983,089	(2,330,435)	(0.02)	<b>Note 3</b>
Q4-2019	June 30, 2019	22,745,880	(4,717,098)	(0.04)	<b>Note 4</b>
Q3-2019	March 31, 2019	20,720,455	(2,736,849)	(0.03)	<b>Note 5</b>
Q2-2019	December 31, 2018	22,147,009	(1,550,237)	(0.02)	<b>Note 6</b>
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)	

**Note 1** The decrease of the revenue is mainly explained by a decline in the transportation market (particularly trucks), the divestiture of Rada Industries (Rada's activities have been sold in April 2019) and the impact of the Covid-19.

**Note 2** The decrease of the revenue is mainly explained a decline in the transportation market (particularly trucks) and the divestiture of Rada Industries (Rada's activities have been sold in April 2019).

**Note 3** The decrease of the revenue is mainly explained a decline in the transportation market (particularly trucks) and the divestiture of Rada Industries (Rada's activities have been sold in April 2019).

**Note 4** The higher loss than usual is attributed to the sales of Rada Industries' equipment, which results into a loss of \$738,524 and an increase of total salaries due to higher incentives.

**Note 5** The higher loss than usual is resulted from an increase in total salaries due to the addition of strategic new positions and the grant of stock options.

**Note 6** The higher revenue is explained by sales from Sigma, which are consolidated since September 21, 2018 in the consolidated results.

## CONSOLIDATED OPERATIONS

	Three-month periods ended March 31				Nine-month periods ended March 31			
	2020	2019	Difference		2020	2019	Difference	
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenues</b>	<b>14,866,180</b>	20,720,455	(5,854,275)	(39%)	<b>52,582,779</b>	46,775,190	5,807,589	12%
<b>Cost of Sales and Expenses</b>								
Cost of sales	<b>11,981,803</b>	17,202,828	(5,221,025)	(44%)	<b>44,089,794</b>	38,440,589	5,649,205	15%
Research and development expenses	<b>810,177</b>	669,883	140,294	17%	<b>2,346,288</b>	1,914,933	431,355	23%
Selling, general and administrative expenses	<b>2,926,542</b>	4,047,117	(1,120,575)	(38%)	<b>8,648,102</b>	8,393,360	254,742	3%
Share-based compensation	<b>128,634</b>	420,601	(291,967)	(227%)	<b>549,825</b>	673,019	(123,194)	(18%)
Depreciation (production)	<b>766,029</b>	569,453	196,576	26%	<b>2,287,618</b>	1,439,196	848,422	59%
Depreciation (other)	<b>222,810</b>	204,835	17,975	8%	<b>643,594</b>	474,937	168,657	36%
Amortization	<b>147,020</b>	63,580	83,440	57%	<b>445,037</b>	140,581	304,456	217%
Foreign exchange	<b>591,172</b>	(31,207)	622,379	105%	<b>503,269</b>	309,168	194,101	63%
	<b>17,574,187</b>	23,147,090	(5,572,903)	(32%)	<b>59,513,527</b>	51,785,783	7,727,744	15%
<b>Operating loss</b>	<b>(2,708,007)</b>	(2,426,635)	(281,372)	10%	<b>(6,930,748)</b>	(5,010,593)	(1,920,155)	38%
Interest on long-term debt	<b>(305,528)</b>	(512,767)	207,239	68%	<b>(994,994)</b>	(921,455)	(73,539)	8%
Interest on lease liability	<b>(93,106)</b>	(78,220)	(14,886)	(16%)	<b>(279,237)</b>	(139,251)	(139,986)	101%
Interest revenue	<b>86,375</b>	106,648	(20,273)	(23%)	<b>348,038</b>	170,716	177,322	104%
<b>Loss before income taxes</b>	<b>(3,020,266)</b>	(2,910,974)	(109,292)	4%	<b>(7,856,941)</b>	(5,900,583)	(1,956,358)	33%
Current income taxes recovery	<b>(22,044)</b>	—	(22,044)	(100%)	<b>(79,238)</b>	—	(79,238)	(100%)
Deferred income taxes expense	<b>48,931</b>	174,125	(125,194)	(256%)	<b>346,212</b>	14,316	331,896	2318%
	<b>26,887</b>	174,125	(147,238)	(548%)	<b>266,974</b>	14,316	252,658	1765%
<b>Loss for the period</b>	<b>(2,993,379)</b>	(2,736,849)	(256,530)	9%	<b>(7,589,967)</b>	(5,886,267)	(1,703,700)	29%
<b>Other comprehensive loss</b>								
<i>Items that may be subsequently reclassified to profit and loss:</i>								
Exchange differences on translation of foreign subsidiaries	<b>40,767</b>	266	40,501	99%	<b>72,796</b>	6,341	66,455	1048%
<i>Items that will not be reclassified to profit and loss:</i>								
Retirement benefits – Net actuarial losses	<b>141,611</b>	142,355	(744)	(1%)	<b>34,887</b>	46,102	(11,215)	(24%)
<b>Total comprehensive loss</b>	<b>(2,811,001)</b>	(2,594,228)	(216,773)	8%	<b>(7,482,284)</b>	(5,833,824)	(1,648,460)	28%
<b>Loss per share</b>								
Basic and diluted	<b>(0.02)</b>	(0.03)			<b>(0.06)</b>	(0.06)		

### Revenue by line of product

	Three-month periods ended March 31				Nine-month periods ended March 31			
	2020	2019	Difference		2020	2019	Difference	
	\$	\$	\$	%	\$	\$	\$	%
Transport	<b>10,649,000</b>	14,323,878	(3,674,878)	(26%)	<b>37,779,240</b>	31,764,325	6,014,915	19%
Agriculture	<b>404,000</b>	577,722	(173,722)	(30%)	<b>1,570,560</b>	1,463,046	107,514	7%
Wind energy	<b>878,000</b>	985,831	(107,831)	(11%)	<b>2,611,000</b>	1,810,697	800,303	44%
Industrial	<b>1,907,365</b>	3,635,229	(1,727,864)	(48%)	<b>7,418,110</b>	8,115,399	(697,289)	(9%)
Other	<b>1,027,815</b>	1,197,795	(169,980)	(14%)	<b>3,203,869</b>	3,621,723	(417,854)	(12%)
	<b>14,866,180</b>	20,720,455	(5,854,275)	(28%)	<b>52,582,779</b>	46,775,190	5,807,589	12%

### RESULTS OF OPERATIONS VARIANCE ANALYSIS - FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

Revenue decreased from \$20,720,455 for the three-month period ended March 31, 2019 to \$14,866,180 for the three-month period ended March 31, 2020 for a variation of \$5,854,275. During 2019, Sigma's business achieved strong annual sales mainly due to the strength of the trucking market. The trucking market is currently undergoing a downturn which negatively affects the Company sales since Q2-2020. Combined with the negative impact of Covid-19 pandemic, transport revenues decreased by \$3,674,878 for the three-month period ended March 31, 2020 compared to 2019. Moreover, a further decrease in sales is associated with the divestiture of Rada Industries (\$590,505) (Rada's activities have been sold in April 2019). The Covid-19 also impacted negatively the other lines of product.

The loss for the period increased from \$2,736,849 for the three-month period ended March 2019 to \$2,993,379 for the three-month period ended March 2020 for a variation of \$256,530. This increase is mainly explained by the decrease of the volume in sales (about \$1,060,000) and the net loss of about \$600,000 on foreign exchange expenses (the \$CA fell from an exchange rate of 1.30 in December 2019 to 1.42 in March 2020 against the \$US) on derivatives contracts and net assets labelled in \$US. These losses were partly compensated by lower SG&A expenses of about \$1,120,000 (non-recurrent compensation during last year period and a reduction of number of employees) and higher gross margin on certain products (about \$400,000).

### RESULTS OF OPERATIONS VARIANCE ANALYSIS - FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

Revenue increased from \$46,775,190 for the nine-month period ended March 31, 2019 to \$52,582,779 for the nine-month period ended March 31, 2020. The increase of \$5,807,589 is mainly explained by the consolidation of Sigma's sales of approximately \$46,700,000 in 2019 compared to approximately \$39,000,000 in 2019. Sigma has been acquired on September 21, 2018.

The loss for the period increased from \$5,886,267 for the nine-month period ended March 31, 2019 to \$7,589,967 for the nine-month period ended March 31, 2020 for a variation of \$1,703,700. This increase is mainly explained by the increase of approximately \$1,320,000 of depreciation and amortization related to Sigma's acquisitions and to additional cost incurred to support the future commercial activities of graphene of approximately \$388,000. The additional sales did not bring any additional profit given a drop in the gross margin due to a reduction in productivity.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

### CONSOLIDATED FINANCIAL POSITION

	As at March 31, 2020 \$	As at June 30, 2019 \$	Difference \$	Main reasons for significant differences
<b>Assets</b>				
Cash	10,553,899	27,819,140	(17,265,241)	Refer to section Cash Flow
Accounts receivable	11,645,906	15,016,481	(3,370,575)	Decrease in line with lower sales during Q3-2020 compared to Q4-2019
Inventory	7,147,486	7,589,896	(442,410)	
Right-of-use assets	4,852,452	5,502,111	(649,659)	
Property, plant and equipment, and equipment deposits	47,628,563	31,230,797	16,397,766	Additions are mainly related to the construction of the graphene plant
Intangible asset	3,881,842	4,267,929	(386,087)	
Goodwill	460,164	460,164	—	
Other assets	929,336	958,216	(28,880)	
<b>Total assets</b>	<b>87,099,648</b>	<b>92,844,734</b>	<b>(5,745,086)</b>	
<b>Liabilities and shareholders' equity</b>				
<b>Liabilities</b>				
Accounts payable, accrued liabilities and income taxes payables	13,632,858	14,997,652	(1,364,794)	
Deferred grant	—	231,745	(231,745)	
Contract liability	507,723	2,512,994	(2,005,271)	
Credit facilities	1,574,440	1,339,480	234,960	
Defined benefit liabilities	967,726	870,329	97,397	
Long-term debt	22,877,981	24,862,997	(1,985,016)	
Convertible debentures - Loan	8,035,837	7,703,414	332,423	
Deferred income taxes liabilities	1,897,776	2,230,398	(332,622)	
<b>Total liabilities</b>	<b>49,494,341</b>	<b>54,749,009</b>	<b>(5,254,668)</b>	
<b>Shareholders' equity</b>				
Share capital	60,537,116	53,445,389	7,091,727	Issuance of shares related to exercise of warrants in August 2019
Reserve	3,504,650	3,604,511	(99,861)	
Convertible debentures – Options	2,240,000	2,240,000	—	
Foreign currency translation reserve	85,723	12,927	72,796	
Deficit	(28,762,182)	(21,207,102)	(7,555,080)	
<b>Total Shareholders' equity</b>	<b>37,605,307</b>	<b>38,095,725</b>	<b>(490,418)</b>	
<b>Total Shareholders' equity and liabilities</b>	<b>87,099,648</b>	<b>92,844,734</b>	<b>(5,745,086)</b>	



## CASH FLOW

	Nine-month periods ended March 31			
	2020	2019	Difference	
	\$	\$	\$	%
Cash used in operating prior to changes in working capital	(2,666,445)	(2,486,633)	(179,812)	(7%)
Changes in non-cash working capital	(2,618,702)	(1,056,893)	(1,561,809)	(148%)
<b>Operating activities</b>	<b>(5,285,147)</b>	<b>(3,543,526)</b>	<b>(1,741,621)</b>	<b>(49%)</b>
<b>Investing activities</b>	<b>(15,515,924)</b>	<b>(13,259,710)</b>	<b>(2,256,214)</b>	<b>(17%)</b>
<b>Financing activities</b>	<b>3,501,302</b>	<b>30,701,362</b>	<b>(27,200,060)</b>	<b>(89%)</b>
<b>Net effect of currency exchange rate on cash</b>	<b>34,528</b>	<b>8,126</b>	<b>26,402</b>	<b>(325%)</b>
<b>Net change in cash</b>	<b>(17,265,241)</b>	<b>13,906,252</b>	<b>(31,171,493)</b>	<b>224%</b>

### Operating activities

Cash flows used in operating activities for the nine-month period ended March 31, 2020 increased by \$179,812 prior to changes in non-cash working capital compared to the same period of last year.

Changes in non-cash working capital decreased by \$2,618,702 for the nine-month period ended March 31, 2020. The decrease is explained by lower contract liability of \$2,010,907 explained by timing in billing and to lower accounts payable and accrued liabilities of \$4,507,414 explained by timing in payment of suppliers, by incentives compensation included as at June 30, 2019 that were paid during the current period and by less purchases due to a volume decrease in sales. The decrease was offset by lower receivables of \$3,551,940 explained also by a volume decrease in sales.

### Investing Activities

Cash flows used in investing activities for the nine-month period ended March 31, 2020 are mainly related to the net increase of approximately \$14,985,000 of addition of property, plant and equipment and of equipment deposits. These additions are mostly for the construction of the graphene plant in Montreal. During the corresponding period in 2019, cash flow used in investing activities was related to the acquisition of Sigma during September 2018 for a net cash amount of \$7,300,496 and to the net increase of approximately \$5,300,000 of addition of property, plant and equipment. These additions were mostly for the plant expansion located in Sainte-Clotilde-de-Beauce, in the Chaudière-Appalaches region.

### Financing activities

Cash flows generated from financing activities for the nine-month period ended March 31, 2020 are related to the exercise of warrants and broker warrants during the period from July 1 to August 2, 2019 for cash proceeds of \$6,442,041 while during the corresponding period in 2019, cash flows was generated mainly from the private placement and issuance of convertible debentures for a net of \$30,071,006 .

## LIQUIDITY AND CAPITAL RESOURCES

Management believes that the Company has sufficient funds to meets its obligations, operating expenses and some development expenditures for the ensuing 12 months as they fall due considering the completion of the private placement of \$25,000,040 on April 3, 2020. The Company's ability to continue its development activities is dependent on the beginning of the commercial operation of the graphene activity. 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, debt, funds from the government of Quebec with respect to R&D tax credit, funds from the federal government with respect to Sustainable Development Technology Canada ("SDTC") and funds from the Industrial Research Assistance Program.

## 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, 2019. 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 commitment to purchase raw materials to certain suppliers.

### OUTSTANDING SHARES

As at May 28, 2020, the Company has:

- 140,226,610 common shares issued and outstanding;
- 3,917,133 options outstanding with expiry dates ranging between January 2, 2022 and October 10, 2024 with exercise prices between \$0.45 and \$1.80. If all the options were exercised, 3,917,133 shares would be issued for proceeds of \$4,587,710;
- 5,434,783 convertible debentures outstanding with expiry date of December 31, 2023 with exercise price of \$1.84. If the conversion option right was exercised, 5,434,783 shares would be issued for proceeds of \$10,000,000.

## RELATED PARTY TRANSACTIONS

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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, 2020 and 2019.

## RISKS AND UNCERTAINTIES

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The operations of the Company are speculative due to the high-risk nature of its business, which involves 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, please refer to the annual consolidated financial statements of June 30, 2019 and 2018.

## CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Note 2 "Significant management estimations and judgments in applying accounting policies" in the unaudited condensed interim consolidated financial statements for the three-month and nine-month periods ended March 31, 2020 and 2019.

## FUTURE CHANGES IN ACCOUNTING POLICIES

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The standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods. Please refer to the unaudited condensed interim financial statements for the three-month and nine-month periods ended March 31, 2020 and 2019 for the details of these standards and amendments.

## CONTROLS AND PROCEDURES

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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 limitations. 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.