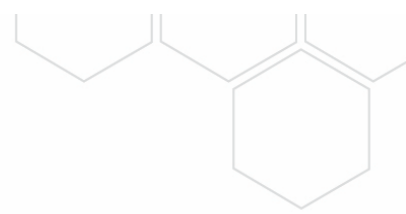


Nano Plore

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the three and nine-month periods ended March 31, 2021 and 2020



**[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 and nine-month periods ended March 31, 2021 and 2020 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine-month periods ended March 31, 2021 and 2020 and with the audited consolidated financial statements for the year ended June 30, 2020 and 2019. The purpose of this document is to provide information on our activities. The information contained herein is dated as of May 26, 2021. 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.

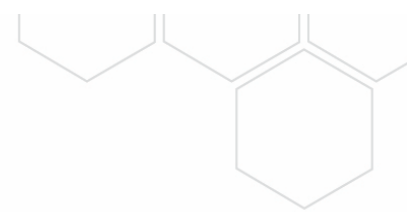
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. We occasionally refer to non-IFRS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

The Company has the following active subsidiaries:

- 9334-7474 Québec Inc., based in Canada, with an equity interest of 100% [2020 – 100%].
- NanoXplore Switzerland Holding SA (“NanoXplore Switzerland”), based in Switzerland, with an equity interest of 100% [2020 – 100%]. NanoXplore Switzerland holds 100% of CEBO Injections SA (“CEBO”);
- Sigma Industries Inc., based in Canada, with an equity interest of 100% [2020 – 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 the United States.

Subsequent to the end of the period, on April 15, 2021, NanoXplore and Martinrea International Inc. (“Martinrea”) formed a joint venture named VoltaXplore Inc. (“VoltaXplore”), a battery-based initiative to service the electric transportation and grid storage market.

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.

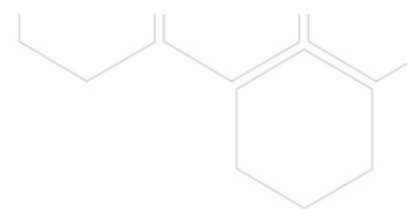
Even though our manufacturing operation resumed during the month of May 2020, the COVID-19 global pandemic had and continues to have a significant negative impact on our customers’ business activities. This slowdown of manufacturing operations and dissipation of customer demand had a negative impact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

The COVID-19 pandemic had 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, and 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.

The discovery of several effective vaccines and their deployment 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.

VoltaXplore

On April 15, 2021, NanoXplore and Martinrea formed VoltaXplore, a battery-based initiative to service the electric transportation and grid storage market. VoltaXplore will initially build a demonstration facility to develop and produce electric vehicle (EV) batteries enhanced with graphene, one of the world’s thinnest and strongest materials, with tremendous characteristics. VoltaXplore will be developing and manufacturing Li-Ion battery cells for electric vehicles initially in a new 1MWh facility in Montreal. Following a successful demonstration of improved battery performance using graphene, and based on positive customer feedback as well as building the business case, VoltaXplore intends to build and commission a 10GWh battery cell manufacturing facility in Canada. The joint venturers believe that graphene-enhanced batteries will considerably improve existing battery performance.



CLEAN50 Award

NanoXplore Founder & CEO, Dr. Soroush Nazarpour, Ph.D., has been selected as one of the honourees of the 2021 Clean50 Awards to recognize NanoXplore's efforts in advancing sustainability through innovation in material development, reducing transportation emissions by making vehicles lighter, enhancing the efficiency of electric vehicle batteries, as well as extending the life of recycled plastics through the use of graphene.

Acquisition of Newton Facility

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 total purchase price of US\$3,500,000. The purchase price was reduced by a downward inventory adjustment of US\$128,929. This acquisition was concluded in order 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.

Graphene plant project in Montreal

The Company's graphene plant in Montreal of a 4,000/mt capacity became operational on July 7, 2020.

Financing and advance debt payment

On February 12, 2021, the Company completed a financing 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.

During the month of March 2021, the Company made advance payments of approximately of \$1,370,000 on its long-term debt to improve its financial position.

FINANCIAL HIGHLIGHTS

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

	As at March 31, 2021 \$	As at June 30, 2020 \$	As at June 30, 2019 \$
Consolidated Statements of Financial Position			
Cash and cash equivalents	60,183,252	33,796,686	27,819,140
Accounts receivable and contract asset	11,791,072	11,202,100	15,016,481
Inventory	9,417,075	7,116,492	7,589,896
Right-of-use assets	5,141,010	5,878,706	5,502,111
Property, plant and equipment and equipment deposits	55,536,165	50,774,739	31,230,797
Intangible assets	3,480,151	3,803,674	4,267,929
Goodwill	460,164	460,164	460,164
Total assets	147,060,378	113,647,870	92,844,734
Operating loans	2,139,450	2,152,568	1,339,480
Long-term debt, lease liability and Convertible debentures - Loan	22,911,875	34,837,002	32,566,411
Total liabilities	41,565,738	52,680,608	54,749,009
Shareholders' equity	105,494,640	60,967,262	38,095,725

	Three-month periods ended March 31		Nine-month periods ended March 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenues	18,421,736	14,866,180	51,462,234	52,582,779
Loss for the period	(3,873,781)	(2,993,379)	(8,496,070)	(7,589,967)
Basic loss per share	(0.03)	(0.02)	(0.06)	(0.06)

	Nine-month periods ended March 31	
	2021	2020
	\$	\$
Consolidated Statements of Cash Flows		
Operating activities	(4,819,894)	(5,285,147)
Financing activities	39,960,567	3,501,302
Investing activities	(8,671,632)	(15,515,924)
Net change in cash and cash equivalent before net effect of currency exchange rate	26,469,041	(17,299,769)

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

Selected Quarterly Information

		Revenues	Loss	Basic and diluted loss per share	
		\$	\$	\$	
Q3-2021	March 31, 2021	18,421,736	(3,873,781)	(0.03)	
Q2-2021	December 31, 2020	17,463,831	(3,403,581)	(0.02)	Note 1
Q1-2021	September 30, 2020	15,576,667	(1,218,708)	(0.01)	Note 2
Q4-2020	June 30, 2020	12,568,227	(682,833)	(0.01)	Note 3
Q3-2020	March 31, 2020	14,866,180	(2,993,379)	(0.02)	Note 4
Q2-2020	December 31, 2019	17,733,510	(2,266,153)	(0.02)	Note 5
Q1-2020	September 30, 2019	19,983,089	(2,330,435)	(0.02)	
Q4-2019	June 30, 2019	22,745,880	(4,717,098)	(0.04)	Note 6

Note 1 The increase in revenues is explained by the business acquisition of CSP, completed on September 11, 2020. The pandemic is still negatively impacting our revenues. We also received government assistance of approximately \$945,000 from the Canadian federal government through its Canada Emergency Wage Subsidy ("CEWS") program. The loss was higher than usual given less CEWS received, a negative FX (USD/CAD) impact and higher selling, general and administrative expenses explained by the addition of strategic new positions, the addition of CSP and higher salary expenses.

Note 2 Resumed activity has been observed among our customers, which explains an increase in revenues compared to the previous quarter, but the pandemic still negatively impacted our revenues. We also received government assistance of approximately \$2,200,000 from the Canadian federal government through its CEWS program. Although the COVID-19 pandemic negatively impacted the quarterly results, the loss was less significant than expected given the CEWS received.

Note 3 The decrease in revenues is explained by the negative impact of the COVID-19 pandemic partially offset by government assistance of approximately \$1,900,000 from the Canadian federal government through its CEWS program. Although the COVID-19 pandemic negatively impacted the quarterly results, the loss was less significant than expected given the CEWS and the cost reduction plan put in place during the period.

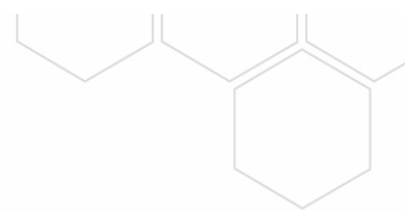
Note 4 The decrease in revenues is mainly explained by a decline in the transportation market (particularly trucks).

Note 5 The decrease in revenues is mainly explained by a decline in the transportation market (particularly trucks).

Note 6 The higher loss than usual is attributed to the sales of Rada Industries' equipment, which resulted in a loss of \$738,524 and an increase of total salaries due to higher incentives.

CONSOLIDATED OPERATIONS

	Three-month periods ended March 31				Nine-month periods ended March 31			
	2021	2020	Difference		2021	2020	Difference	
	\$	\$	\$	%	\$	\$	\$	%
Revenues								
Revenues from customers	17,619,603	14,543,180	3,076,423	21%	47,045,864	51,709,008	(4,663,144)	(9%)
Other income	802,133	323,000	479,133	148%	4,416,370	873,771	3,542,599	405%
	18,421,736	14,866,180	3,555,556	24%	51,462,234	52,582,779	(1,120,545)	(2%)
Cost of Sales and Expenses								
Cost of sales	16,193,459	11,981,803	4,211,656	35%	41,465,413	44,089,794	(2,624,381)	(6%)
Research and development expenses	969,435	810,177	159,258	20%	2,586,803	2,346,288	240,515	10%
Selling, general and administrative expenses	3,074,499	2,926,542	147,957	5%	9,672,442	8,648,102	1,024,340	12%
Share-based compensation	187,270	128,634	58,636	46%	449,351	549,825	(100,474)	(18%)
Depreciation (production)	1,109,720	766,029	343,691	45%	3,179,045	2,287,618	891,427	39%
Depreciation (other)	344,277	222,810	121,467	55%	1,097,805	643,594	454,211	71%
Amortization	134,492	147,020	(12,528)	(9%)	418,327	445,037	(26,710)	(6%)
Foreign exchange	13,320	591,172	(577,852)	(98%)	31,782	503,269	(471,487)	(94%)
	22,026,472	17,574,187	4,452,285	25%	58,900,968	59,513,527	(612,559)	(1%)
Operating loss	(3,604,736)	(2,708,007)	(896,729)	33%	(7,438,734)	(6,930,748)	(507,986)	7%
Interest on operating loans, long-term debt and convertible debentures	(234,732)	(305,528)	70,796	(23%)	(1,215,145)	(994,994)	(220,151)	22%
Interest on lease liability	(140,382)	(93,106)	(47,276)	51%	(371,239)	(279,237)	(92,002)	33%
Interest revenue	41,817	86,375	(44,558)	(52%)	144,559	348,038	(203,479)	(58%)
Loss before income taxes	(3,938,033)	(3,020,266)	(917,767)	30%	(8,880,559)	(7,856,941)	(1,023,618)	13%
Current income taxes recovery (expense)	6,618	(22,044)	28,662	(130%)	12,688	(79,238)	91,926	(116%)
Deferred income taxes recovery	57,634	48,931	8,703	18%	371,801	346,212	25,589	7%
	64,252	26,887	37,365	139%	384,489	266,974	117,515	44%
Loss for the period	(3,873,781)	(2,993,379)	(880,402)	29%	(8,496,070)	(7,589,967)	(906,103)	12%
Other comprehensive loss								
<i>Items that may be subsequently reclassified to profit and loss:</i>								
Exchange differences on translation of foreign subsidiaries	36,373	40,767	(4,394)	(11%)	9,202	72,796	(63,594)	(87%)
<i>Items that will not be reclassified to profit and loss:</i>								
Retirement benefits – Net actuarial gains	264,254	141,611	122,643	87%	48,489	34,887	13,602	39%
Total comprehensive loss	(3,573,154)	(2,811,001)	(762,153)	27%	(8,438,379)	(7,482,284)	(956,095)	13%
Loss per share								
Basic and diluted	(0.03)	(0.02)			(0.06)	(0.06)		



RESULTS OF OPERATIONS VARIANCE ANALYSIS - FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

Revenues

Revenues from customers increased from \$14,543,180 in 2020 to \$17,619,603 in 2021 mainly due to the addition of revenues coming from CSP, acquired on September 11, 2020. Revenues in the trucking and transit buses industries improved from last year despite the start of the pandemic in March 2020. However, the pandemic is still having an adverse effect on some of our markets such as industrial products, coach buses and wind energy. It also has significantly delayed the introduction of our graphene products to customers.

Other income was \$323,000 in 2020 compared to \$802,133 in 2021. The increase is explained by the Canadian federal government's CEWS program set up to help businesses deal with the COVID-19 pandemic. The Company received approximately \$590,000 under this program during Q3-2021.

Loss for the period

The loss for the three-month period increased from \$2,993,379 in 2020 to \$3,873,781 in 2021. This variation of \$880,402 is mainly explained as follows:

- Gross margin was negatively impacted by \$1,135,233 due to the adverse impact of FX (USD/CAD) on revenues from customers, higher labour and maintenance expenses and lower profit on tooling;
- Higher administrative expenses (SG&A and R&D) of approximately \$365,000 mainly due to the addition of CSP's expenses and hiring of new employees;
- Higher depreciation and amortization expenses of approximately \$452,000 mainly explained by the depreciation related to the graphene plant, which became operational in July 2020; and
- These negative variations were offset by government assistance of approximately \$590,000 received from the Canadian federal government through its CEWS program and by a less negative impact on FX (USD/CAD) than last year.

RESULTS OF OPERATIONS VARIANCE ANALYSIS - FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

Revenues

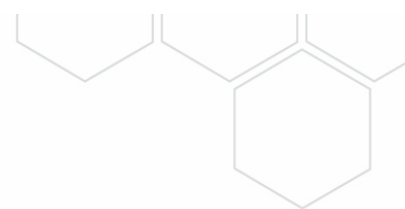
Revenues from customers decreased from \$51,709,008 in 2020 to \$47,045,864 in 2021. The decrease in revenues is mainly explained by non-recurring tooling revenues significantly higher in 2020 than in 2021, by the negative impact of FX (USD/CAD) and by the negative impact of the COVID-19 pandemic which has affected all our markets. Revenues from CSP, acquired on September 11, 2020, offset lower revenues.

Other income increased from \$873,771 in 2020 to \$4,416,370 in 2021. The increase is explained by the Canadian federal government's CEWS program set up to help businesses deal with the COVID-19 pandemic. The Company received approximately \$3,718,000 under this program during the nine-month period ended March 31, 2021.

Loss for the period

The loss for the nine-month period increased from \$7,589,967 in 2020 to \$8,496,070 in 2021. This variation of \$906,103 is mainly explained as follows:

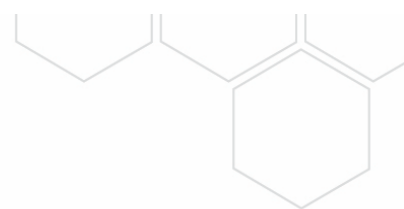
- The volume decrease related to revenues from customers due to the COVID-19 pandemic, the FX (USD/CAD) decline, higher labour and maintenance expenses and lower profit from tooling negatively impacted gross margin by approximately \$2,039,000;
- Higher administrative expenses (SG&A and R&D) of approximately \$1,064,000 due to the addition of strategic new positions, the addition of CSP's expenses and higher salary expenses;
- Additional depreciation and amortization expenses of approximately \$1,319,000 mainly explained by the depreciation related to the graphene plant, which became operational in July 2020; and
- Higher interest expenses during the nine-month period are explained by the addition of new lease equipment, interest on the convertible debentures not being capitalized during the current period (during the construction of the graphene plant, part of the interest on the convertible debentures was capitalized) and lower interest rate for the cash on hand (approximately \$515,000). These negative factors were offset by the government assistance of approximately \$3,718,000 received from the Canadian federal government through its CEWS program and by a less negative impact on FX (USD/CAD) than last year.



FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	As at March 31, 2021 \$	As at June 30, 2020 \$	Variation \$	Main reasons for significant variation
Assets				
Cash and cash equivalents	60,183,252	33,796,686	26,386,566	Refer to the Cash Flows section
Accounts receivable and contract asset	11,791,072	11,202,100	588,972	
Inventory	9,417,075	7,116,492	2,300,583	Increase is mainly related to the business acquisition of CSP and graphene inventory increase
Right-of-use assets	5,141,010	5,878,706	(737,696)	
Property, plant and equipment, and equipment deposits	55,536,165	50,774,739	4,761,426	Additions are mainly related to the business acquisition of CSP and the construction of the extruding line in the graphene plant
Intangible assets	3,480,151	3,803,674	(323,523)	
Goodwill	460,164	460,164	—	
Other assets	1,051,489	615,309	436,180	
Total assets	147,060,378	113,647,870	33,412,508	
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payable	12,497,416	11,432,494	1,064,922	
Deferred grant	—	276,342	(276,342)	
Contract liability	1,438,148	946,751	491,397	
Operating loans	2,139,450	2,152,568	(13,118)	
Defined benefit liabilities	1,225,237	1,310,464	(85,227)	
Long-term debt and lease liability	22,911,875	26,680,697	(3,768,822)	
Convertible debentures – Loan	—	8,156,305	(8,156,305)	Conversion of the principal amount of \$10M into 5,434,782 common shares of the Company
Deferred taxes liabilities	1,353,612	1,724,987	(371,375)	
Total liabilities	41,565,738	52,680,608	(11,114,870)	
Shareholders' Equity				
Share capital	139,933,621	84,837,145	55,096,476	Mainly due to the \$46M issuance of common shares and the conversion of the convertible debentures
Reserve	3,697,496	3,588,215	109,281	
Convertible debentures – Options	—	2,240,000	(2,240,000)	Result of the conversion of the convertible debentures
Foreign currency translation reserve	67,707	58,505	9,202	
Deficit	(38,204,184)	(29,756,603)	(8,447,581)	
Total shareholders' equity	105,494,640	60,967,262	44,527,378	
Total liabilities and shareholders' equity	147,060,378	113,647,870	33,412,508	



CASH FLOWS

	Nine-month periods ended March 31			
	2021	2020	Variation	
	\$	\$	\$	%
Cash used in operating activities prior to changes in non-cash working capital items	(3,346,522)	(2,666,445)	(680,077)	26%
Changes in non-cash working capital items	(1,473,372)	(2,618,702)	1,145,330	(44%)
Operating activities	(4,819,894)	(5,285,147)	465,253	(9%)
Financing activities	39,960,567	3,501,302	36,459,265	1,041%
Investing activities	(8,671,632)	(15,515,924)	6,844,292	(44%)
Net effect of currency exchange rate on cash and cash equivalents	(82,475)	34,528	(117,003)	(339%)
Net change in cash and cash equivalents	26,386,566	(17,265,241)	43,651,807	(253%)

Operating activities

Cash flows used in operating activities prior to changes in non-cash working capital items were \$3,346,522 in 2021 compared to \$2,666,445 in 2020, representing a variation of \$680,077. The COVID-19 pandemic, higher expenses, lower tooling profit and the FX (USD/CAD) decrease have negatively impacted cash flows from operating activities. However, these were offset by government assistance of approximately \$3,718,000 received from the Canadian federal government through its CEWS program.

Changes in non-cash working capital items decreased by \$1,473,372 for the nine-month period ended March 31, 2021. The decrease is explained by an inventory increase of \$1,349,281 mainly related to higher graphene inventory and to the business acquisition of CSP.

Financing activities

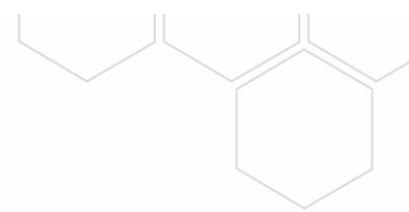
Cash flows generated in financing activities were \$39,960,567 in 2021 compared to \$3,501,302 in 2020. During 2021, the Company completed an issuance of common shares following a public financing for net proceeds of \$43,382,567 and stock options were exercised for \$772,151. These were offset by repayment of \$4,262,041 on long-term debt and lease liability which included prepayments of \$1,370,000. During 2020, warrants and broker warrants were exercised for \$6,422,041 which was offset by repayment of \$3,040,739 on long-term debt and lease liability.

Investing activities

Cash flows used in investing activities were \$8,671,632 in 2021 compared to \$15,515,924 in 2020. During 2021, approximately \$2,300,000 was paid to acquire the assets of CSP. In addition, approximately \$5,800,000 was paid for capital expenditures mostly related to extruding line of the graphene plant and composites equipment. During 2020, most of the expenditures were for the construction of the graphene plant in Montreal.

LIQUIDITY AND CAPITAL RESOURCES

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 speed of introduction of graphene products into different industries. The graphene commercial activity is in the commercial introduction 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, and funds from the government of Quebec with respect to R&D tax credits, from Sustainable Development Technology Canada ("SDTC") and from the CEWS.



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 consolidated financial statements of the years ended June 30, 2020 and 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 the commitment disclosed in the unaudited condensed interim consolidated financial statements of March 31, 2021 and 2020.

OUTSTANDING SHARES

As at May 26, 2021, the Company has:

- 157,920,059 common shares issued and outstanding;
- 3,843,466 options outstanding with expiry dates ranging between January 2, 2022 and April 6, 2026 with exercise prices between \$0.45 and \$3.85. If all the options were exercised, 3,843,466 shares would be issued for cash proceeds of \$6,217,460.

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 consolidated financial statements of March 31, 2021 and 2020.

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.

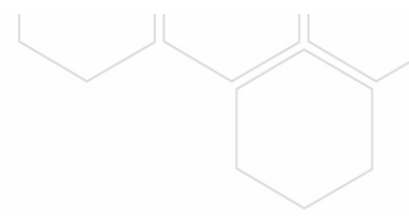
For a detailed description of risks and uncertainties, refer to the annual consolidated financial statements of June 30, 2020 and 2019 and to the annual information form of June 30, 2020.

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 section "Significant management estimations and judgments in applying accounting policies" in note 2 in the audited consolidated financial statements for the years ended June 30, 2020 and 2019. The Company was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the audited consolidated financial statements for the years ended June 30, 2020 and 2019.

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 note 3 in the consolidated financial statements for the years ended June 30, 2020 and 2019 and to note 2 in the consolidated financial statements for the periods ended March 31, 2021 and 2020 for the details of these standards and amendments.



CONTROLS AND PROCEDURES

The information provided in this MD&A, including the consolidated 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. The Board of Directors meets 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 unaudited condensed interim consolidated financial statements.