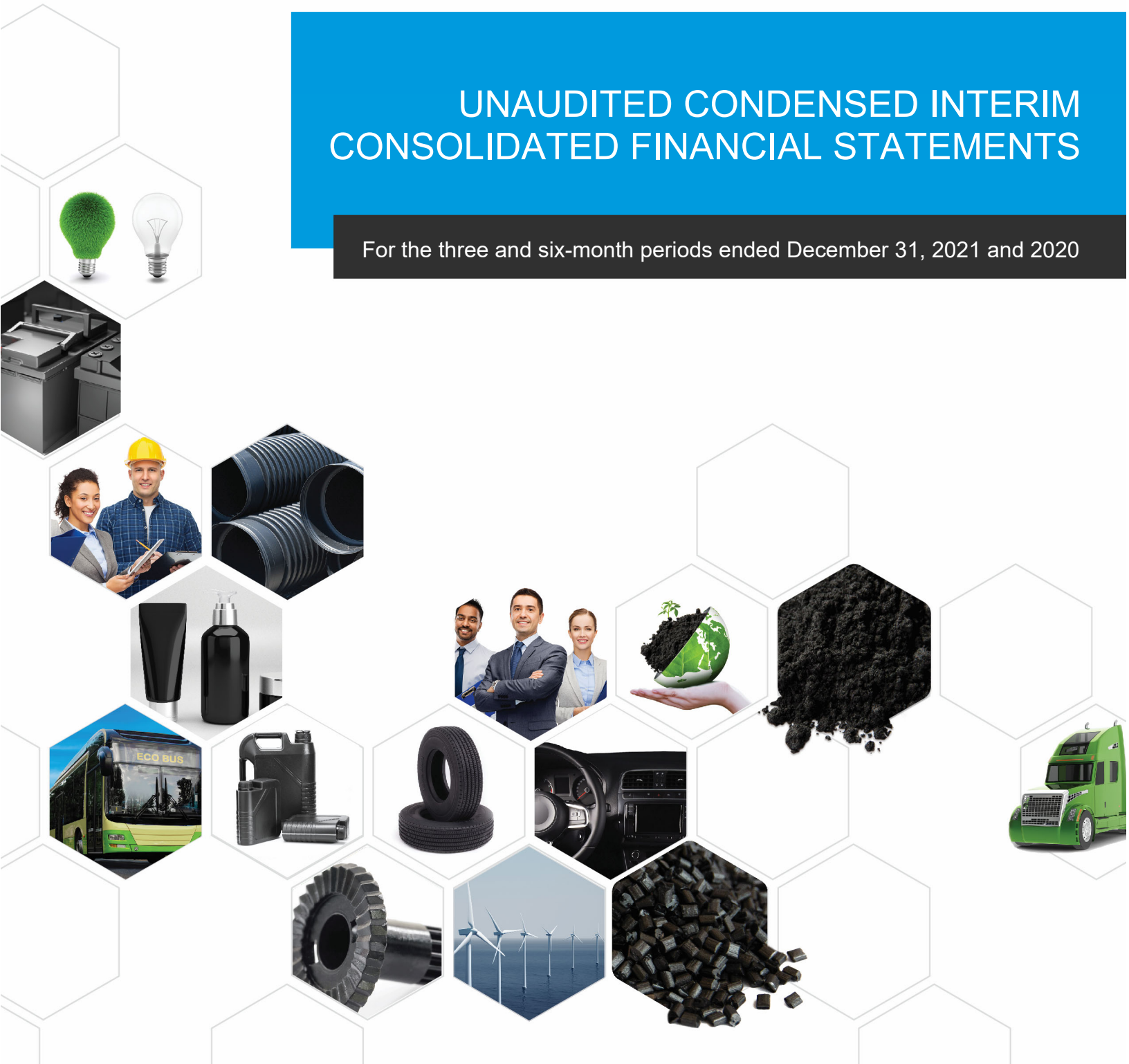
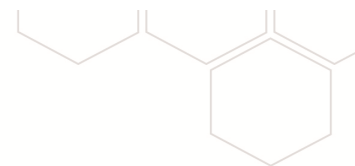


# Nano Plore

## UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended December 31, 2021 and 2020





## Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)	As at December 31, 2021 \$	As at June 30, 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	31,217,916	50,524,583
Accounts receivable and contract asset	19,374,251	12,733,190
Inventory	14,895,827	11,036,407
Prepaid expenses and other assets	1,747,016	616,964
	<b>67,235,010</b>	<b>74,911,144</b>
Property held for sale <i>[Note 4c]</i>	—	2,424,351
	<b>67,235,010</b>	<b>77,335,495</b>
<b>Non-current assets</b>		
Lease deposits	180,546	58,044
Equipment deposits	181,029	291,077
Investment in a joint venture	3,751,584	3,983,059
Right-of-use assets <i>[Note 4a]</i>	7,718,711	4,885,169
Property, plant and equipment <i>[Note 4b]</i>	53,765,104	54,934,470
Intangible assets	3,313,751	3,354,446
Goodwill <i>[Note 3a]</i>	6,178,629	460,164
<b>Total assets</b>	<b>142,324,364</b>	<b>145,301,924</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Operating loans <i>[Note 5]</i>	1,828,917	1,343,300
Accounts payable and accrued liabilities	16,356,041	15,229,027
Income taxes payable	439,188	—
Deferred grant	54,278	—
Contract liability	1,712,520	1,740,789
Current portion of lease liability <i>[Note 5]</i>	2,206,120	1,625,541
Current portion of long-term debt <i>[Note 5]</i>	1,649,043	3,497,174
	<b>24,246,107</b>	<b>23,435,831</b>
Long-term debt directly associated with property held for sale <i>[Note 4c]</i>	—	1,035,431
	<b>24,246,107</b>	<b>24,471,262</b>
<b>Non-current liabilities</b>		
Balance of purchase price of business acquisition <i>[Note 3a]</i>	941,835	—
Defined benefit liabilities	816,695	811,316
Lease liability <i>[Note 5]</i>	12,626,317	7,949,206
Long-term debt <i>[Note 5]</i>	7,406,073	8,155,266
Deferred tax liabilities	629,419	927,952
<b>Total liabilities</b>	<b>46,666,446</b>	<b>42,315,002</b>
<b>Shareholders' equity</b>		
Share capital	140,982,428	140,067,376
Reserve	3,952,018	3,880,555
Foreign currency translation reserve	31,181	88,173
Deficit	(49,307,709)	(41,049,182)
<b>Total shareholders' equity</b>	<b>95,657,918</b>	<b>102,986,922</b>
<b>Total liabilities and shareholders' equity</b>	<b>142,324,364</b>	<b>145,301,924</b>

See accompanying notes to unaudited condensed interim consolidated financial statements

Note 1 – Nature of operations and liquidity risk

Note 9 – Subsequent event

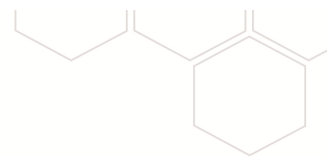
Approved on behalf of the Board of Directors

**Soroush Nazarpour**

Soroush Nazarpour

**Benoit Gascon**

Benoit Gascon

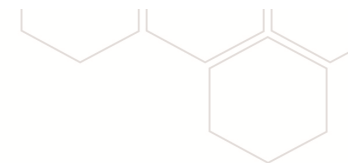


### Consolidated Statements of Loss and Comprehensive loss

(Unaudited - Expressed in Canadian dollars)	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Revenues</b>				
Revenues from customers	18,425,908	16,218,363	36,255,925	29,426,261
Other income	375,579	1,245,468	1,364,008	3,614,237
	<b>18,801,487</b>	<b>17,463,831</b>	<b>37,619,933</b>	<b>33,040,498</b>
<b>Cost of Sales and Expenses</b>				
Cost of sales	17,009,350	14,267,963	34,303,197	25,271,954
Research and development expenses	1,017,180	866,640	1,860,816	1,617,368
Selling, general and administrative expenses	4,184,801	3,655,889	7,827,529	6,597,943
Share-based compensation expenses	179,937	184,483	351,878	262,081
Depreciation (production)	1,194,883	923,615	2,332,903	2,069,325
Depreciation (other)	331,665	421,101	662,228	753,528
Amortization	126,467	146,545	259,591	283,835
Foreign exchange	(25,890)	144,631	56,634	18,462
	<b>24,018,393</b>	<b>20,610,867</b>	<b>47,654,776</b>	<b>36,874,496</b>
<b>Operating loss</b>	<b>(5,216,906)</b>	<b>(3,147,036)</b>	<b>(10,034,843)</b>	<b>(3,833,998)</b>
Gain on disposal of property, plant and equipment	1,601,271	—	1,923,352	—
Gain on a bargain purchase [Note 3b]	—	—	—	1,125,450
Interest on operating loans, long-term debt and convertible debentures	(130,862)	(460,450)	(319,188)	(980,413)
Interest accretion on lease liability	(150,816)	(125,222)	(264,167)	(230,857)
Interest revenue	107,422	34,039	188,663	102,742
Share of loss of a joint venture	(173,734)	—	(231,475)	—
<b>Loss before income taxes</b>	<b>(3,963,625)</b>	<b>(3,698,669)</b>	<b>(8,737,658)</b>	<b>(3,817,076)</b>
Current income tax recovery (expense)	76,421	40,477	(2,945)	6,070
Deferred income tax recovery	302,024	254,611	424,792	314,167
	<b>378,445</b>	<b>295,088</b>	<b>421,847</b>	<b>320,237</b>
<b>Loss</b>	<b>(3,585,180)</b>	<b>(3,403,581)</b>	<b>(8,315,811)</b>	<b>(3,496,839)</b>
<b>Other comprehensive loss</b>				
<i>Items that may be subsequently reclassified to profit and loss:</i>				
Exchange differences on translation of foreign subsidiaries	(47,150)	(21,855)	(56,992)	(27,171)
<i>Items that will not be reclassified to profit and loss:</i>				
Retirement benefits – Net actuarial gains (losses)	(48,137)	57,215	57,284	(215,765)
<b>Total comprehensive loss</b>	<b>(3,680,467)</b>	<b>(3,368,221)</b>	<b>(8,315,519)</b>	<b>(3,739,775)</b>
<b>Loss per share</b>				
Basic and diluted	(0.02)	(0.02)	(0.05)	(0.02)
Weighted average number of common shares outstanding (basic and diluted)	158,194,206	141,975,965	158,070,630	141,129,277

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

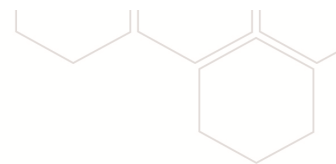
See accompanying notes to unaudited condensed interim consolidated financial statements



### Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)	Number of common shares	Share capital \$	Reserve \$	Convertible debentures - Options \$	Foreign currency translation reserve \$	Deficit \$	Shareholders' equity \$
<b>Balance as at June 30, 2020</b>	140,226,610	84,837,145	3,588,215	2,240,000	58,505	(29,756,603)	60,967,262
Loss	—	—	—	—	—	(3,496,839)	(3,496,839)
Other comprehensive loss	—	—	—	—	(27,171)	(215,765)	(242,936)
Comprehensive loss	—	—	—	—	(27,171)	(3,712,604)	(3,739,775)
Exercise of stock options	568,667	998,120	(305,220)	—	—	—	692,900
Conversion of the convertible debentures	5,434,782	10,601,688	—	(2,240,000)	—	—	8,361,688
Share-based compensation	—	—	262,081	—	—	—	262,081
<b>Balance as at December 31, 2020</b>	146,230,059	96,436,953	3,545,076	—	31,334	(33,469,207)	66,544,156
Loss	—	—	—	—	—	(8,310,822)	(8,310,822)
Other comprehensive loss	—	—	—	—	56,839	730,847	787,686
Comprehensive loss	—	—	—	—	56,839	(7,579,975)	(7,523,136)
Issuance of common shares (net of issuing costs of \$2,617,433)	11,500,000	43,382,567	—	—	—	—	43,382,567
Exercise of stock options	200,000	247,856	(75,855)	—	—	—	172,001
Share-based compensation	—	—	411,334	—	—	—	411,334
<b>Balance as at June 30, 2021</b>	157,930,059	140,067,376	3,880,555	—	88,173	(41,049,182)	102,986,922
Loss	—	—	—	—	—	(8,315,811)	(8,315,811)
Other comprehensive loss	—	—	—	—	(56,992)	57,284	292
Comprehensive loss	—	—	—	—	(56,992)	(8,258,527)	(8,315,519)
Exercise of stock options	403,067	915,052	(280,415)	—	—	—	634,637
Share-based compensation	—	—	351,878	—	—	—	351,878
<b>Balance as at December 31, 2021</b>	158,333,126	140,982,428	3,952,018	—	31,181	(49,307,709)	95,657,918

See accompanying notes to unaudited condensed interim consolidated financial statements



## Consolidated Statements of Cash Flows

	Six-month periods ended December 31,	
	2021	2020
(Unaudited - Expressed in Canadian dollars)	\$	\$
<b>Cash flows from operating activities</b>		
Loss	(8,315,811)	(3,496,839)
Items not affecting cash:		
Depreciation and amortization	3,254,722	3,106,688
Share-based compensation expenses	351,878	262,081
Share of loss of a joint venture	231,475	—
Interest accretion on lease liability	264,167	230,857
Interest accretion on long-term debt and convertible debentures	167,023	216,087
Other financial expenses	15,977	137,598
Deferred income tax recovery	(424,792)	(314,167)
Gain on a bargain purchase [Note 3b]	—	(1,125,450)
Gain on disposal of property, plant and equipment	(1,923,352)	—
Difference between amounts paid for employee benefits and current period expenses	30,440	54,078
Net change in fair value of foreign exchange derivatives	314,824	(578,362)
Unrealized foreign exchange	(299,647)	300,816
Changes in non-cash operating working capital items:		
Accounts receivable and contract asset	(2,645,306)	1,982,865
Inventory	(1,452,085)	(258,890)
Prepaid expenses and other assets	(1,061,993)	(694,132)
Accounts payable and accrued liabilities	(1,811,344)	(1,907,923)
Income taxes payable	(119,951)	(323,623)
Deferred grant	54,278	(276,342)
Contract liability	(28,687)	223,206
	<b>(13,398,184)</b>	<b>(2,461,452)</b>
<b>Cash flows from financing activities</b>		
Exercise of stock options	634,637	692,900
Variation of operating loans	87,797	189,486
Lease incentive received	1,253,921	—
Repayment of lease liability	(1,327,002)	(1,150,526)
Repayment of long-term debt	(4,334,070)	(698,788)
	<b>(3,684,717)</b>	<b>(966,928)</b>
<b>Cash flows from investing activities</b>		
Variation of lease deposits	(122,502)	—
Business acquisition, net of cash acquired [Note 3a]	(6,468,840)	(2,303,450)
Repayment of balance of purchase price of business acquisition [Note 3b]	(2,051,304)	—
Additions to intangible assets	(209,797)	(98,712)
Additions to property, plant and equipment	(1,734,725)	(4,383,069)
Variation of equipment deposits	—	(474,447)
Disposal of property, plant and equipment	8,325,052	—
	<b>(2,262,116)</b>	<b>(7,259,678)</b>
<b>Change in cash and cash equivalents</b>	<b>(19,345,017)</b>	<b>(10,688,058)</b>
<b>Net effect of currency exchange rate on cash</b>	<b>38,350</b>	<b>5,473</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>50,524,583</b>	<b>33,796,686</b>
<b>Cash and cash equivalents, end of period</b>	<b>31,217,916</b>	<b>23,114,101</b>
Interest on operating loans, long-term debt and lease liability paid	444,290	1,007,659
Income tax paid	146,160	213,187
Additions to property, plant and equipment included in accounts payable and accrued liabilities	253,981	289,288
Additions to property, plant and equipment paid with equipment deposits	110,048	—
Investment tax credit recorded against the property, plant and equipment and included in accounts receivable and contract asset	—	1,000,000
Amount included in cash and cash equivalents consisting of guaranteed investment certificates bearing interest at a rate of 0.89% and being redeemable on demand	10,000,000	—

See accompanying notes to unaudited condensed interim consolidated financial statements

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

## 1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

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

On December 15, 2021, the Company acquired all of the issued and outstanding shares of Canuck Compounds Inc. (“Canuck”) (*Note 3a*).

### 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.

The COVID-19 pandemic and its negative collateral effects on the supply of materials and the availability of labour continued to have an adverse effect on our business, results of operations, cash flows and financial position. 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.

### Liquidity risk

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures for the ensuing 12 months as they fall due. The Company’s ability to continue its development activities is dependent on the impact of COVID-19 and the 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 commercial introduction of the graphene 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 Canada emergency wage subsidies program.

The unaudited condensed interim consolidated financial statements of NanoXplore for the three and six-month periods ended December 31, 2021 and 2020 were reviewed, approved and authorized for issue by the Company’s Board of Directors on February 10, 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries for the three and six-month periods ended December 31, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"], and applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting.

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

The significant accounting judgments, estimates and assumptions used in these unaudited condensed interim consolidated financial statements are consistent with those disclosed in the most recent audited annual consolidated financial statements for the year ended June 30, 2021.

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

### Basis of consolidation

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

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

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements and the new accounting standards issued but not yet in effect remain unchanged as compared with the most recent annual consolidated financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes for the year ended June 30, 2021.

## 3. BUSINESS COMBINATIONS

### a) Canuck

On December 15, 2021, the Company acquired all of the issued and outstanding shares of Canuck for a total preliminary consideration of \$9,048,509. This amount represents \$9,300,000 plus cash on hand, less debt and a working capital adjustment, subject to post-closing adjustments, and a discount on the balance of purchase price due in 24 months. This transaction was financed using the Company's available cash. This acquisition was concluded to expand the Company's downstream, value-added product offering through enhanced masterbatch and compounds.

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

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

	\$
Paid in cash at closing date	6,762,121
Estimated post-closing adjustments	344,553
Balance of purchase price due in 12 months	1,000,000
Balance of purchase price due in 24 months <i>(\$1,000,000 discounted at a rate of 3%)</i>	941,835
<b>Total consideration</b>	<b>9,048,509</b>

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting under IFRS 3, Business Combinations. To account for the transaction, the Company has performed a preliminary valuation of the net asset acquired. At the time of issuance of these condensed interim consolidated financial statements, certain aspects of the valuation of the net assets acquired are not finalized due to the unavailability of some information. Consequently, part of the fair value adjustments, mainly relating to intangible assets and deferred income taxes, is included in Goodwill. The work will be completed within 12 months of the acquisition date.

	\$
<b>Net identifiable assets acquired:</b>	
Cash	293,281
Accounts receivable and contract asset	5,213,197
Inventory	2,333,240
Prepaid expenses and other assets	60,807
Right-of-use assets	1,573,966
Property, plant and equipment	911,154
	<b>10,385,645</b>
Operating loans	(345,000)
Accounts payable and accrued liabilities	(3,948,951)
Income taxes payable	(559,139)
Lease liability	(1,581,650)
Long-term debt	(491,861)
Deferred tax liabilities	(129,000)
	<b>(7,055,601)</b>
Total identifiable net assets	3,330,044
Goodwill	5,718,465
<b>Total consideration paid or to be paid in cash</b>	<b>9,048,509</b>

Since December 15, 2021, the assets and liabilities of Canuck are included in the consolidated statement of financial position and the operating results are reflected in the Company's consolidated statement of loss and comprehensive loss. Between the acquisition date and the period ended December 31, 2021, revenues of \$728,681 and net income of \$8,145 have been recognized in the consolidated statement of loss and comprehensive loss. Transaction costs of \$212,425 were expensed and are included in Selling, general and administrative expenses.

#### b) CSP Newton Plant

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 Newton Plant") used in connection with its lightweight composite solutions and material business as conducted at 1400 Burris Road, Newton, North Carolina, for an unadjusted purchase price of US\$3,500,000. The purchase price was reduced by an inventory adjustment of US\$128,929. This acquisition was concluded to expand the Company's business in the United States.



CSP Newton Plant employed nearly thirty people and operated mainly in the markets of composite products for heavy trucks and machinery. It sold its products to original equipment manufacturers and distributors in the United States, Canada and South America.

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

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

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

	\$
<b>Net identifiable assets acquired:</b>	
Inventory	1,014,930
Property, plant and equipment <sup>(1)</sup>	4,824,131
	<u>5,839,061</u>
Deferred tax liabilities	(276,414)
	<u>(276,414)</u>
Total identifiable net assets	5,562,647
Gain on a bargain purchase <sup>(1)</sup>	(1,125,450)
<b>Total consideration paid or to be paid in cash</b>	<u><b>4,437,197</b></u>

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

<sup>(1)</sup> Since the initial net assets acquired were estimated and the valuation was completed during Q4-2021, the fair value of the property, plant and equipment has been increased by \$1,125,450 and this adjustment has been reflected retrospectively to the acquisition date as a gain on a bargain purchase in conformity with IFRS 3, *Business Combinations*.

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

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

	Six-month period ended December 31, 2021 \$	Year ended June 30, 2021 \$
<b>Balance at the beginning</b>	<b>4,885,169</b>	5,878,706
Additions <sup>(1)</sup>	<b>1,857,140</b>	126,017
Acquired in a business combination	<b>1,573,966</b>	–
Depreciation	<b>(600,759)</b>	(1,102,914)
Effect of foreign exchange differences	<b>3,195</b>	(16,640)
<b>Balance at the end</b>	<u><b>7,718,711</b></u>	<u>4,885,169</u>

	As at December 31, 2021 \$	As at June 30, 2021 \$
<b>Balance at the end</b>		
Cost	11,157,398	7,723,097
Accumulated depreciation	(3,438,687)	(2,837,928)
<b>New book value</b>	<b>7,718,711</b>	<b>4,885,169</b>

(1) Following the disposal of the land and building (Note 4b), the Company signed a leaseback for the property and a portion of the gain on disposal amounting to \$1,453,471 was accounted against the additions of right-of-use assets and will be recognized over the duration of the lease

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

**b) Property, plant and equipment**

	Land & Building \$	Production equipment \$	Leasehold improvements \$	Laboratory, computer, office equipment and rolling stock \$	Total \$
<b>Balance as at June 30, 2020</b>	13,106,182	33,347,199	1,949,384	1,277,810	49,680,575
Additions	1,322,272	7,498,798	50,625	356,412	9,228,107
Acquired in a business combination	2,487,731	2,336,400	–	–	4,824,131
Transfer to assets held for sales	(3,159,345)	–	–	–	(3,159,345)
Disposals	(368,648)	(11,343)	–	(20,299)	(400,290)
Depreciation	(602,108)	(3,071,456)	(240,002)	(641,026)	(4,554,592)
Effect of foreign exchange differences	(357,886)	(295,948)	–	(30,282)	(684,116)
<b>Balance as at June 30, 2021</b>	<b>12,428,198</b>	<b>39,803,650</b>	<b>1,760,007</b>	<b>942,615</b>	<b>54,934,470</b>
Additions	<b>236,927</b>	<b>1,548,418</b>	<b>563,316</b>	<b>78,149</b>	<b>2,426,810</b>
Acquired in a business combination	–	<b>864,434</b>	<b>6,660</b>	<b>40,060</b>	<b>911,154</b>
Transfer to leasehold improvements	<b>(872,155)</b>	–	<b>872,155</b>	–	–
Disposals	<b>(2,358,015)</b>	–	–	–	<b>(2,358,015)</b>
Depreciation	<b>(263,589)</b>	<b>(1,739,960)</b>	<b>(120,522)</b>	<b>(270,301)</b>	<b>(2,394,372)</b>
Effect of foreign exchange differences	<b>77,359</b>	<b>160,064</b>	–	<b>7,634</b>	<b>245,057</b>
<b>Balance as at December 31, 2021</b>	<b>9,248,725</b>	<b>40,636,606</b>	<b>3,081,616</b>	<b>798,157</b>	<b>53,765,104</b>
<b>As at June 30, 2021</b>					
Cost	13,208,847	45,705,902	2,058,489	1,662,561	62,635,799
Accumulated depreciation	(780,649)	(5,902,252)	(298,482)	(719,946)	(7,701,329)
<b>Net book value</b>	<b>12,428,198</b>	<b>39,803,650</b>	<b>1,760,007</b>	<b>942,615</b>	<b>54,934,470</b>
<b>As at December 31, 2021</b>					
Cost	<b>10,219,414</b>	<b>48,230,799</b>	<b>3,500,620</b>	<b>1,786,114</b>	<b>63,736,947</b>
Accumulated depreciation	<b>(970,689)</b>	<b>(7,594,193)</b>	<b>(419,004)</b>	<b>(987,957)</b>	<b>(9,971,843)</b>
<b>Net book value</b>	<b>9,248,725</b>	<b>40,636,606</b>	<b>3,081,616</b>	<b>798,157</b>	<b>53,765,104</b>

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

Additions of production equipment under lease during the six-month periods ended December 31, 2021 amounted to \$85,111 [Year ended June 30, 2021 – \$384,405]. Leased assets are pledged as security for the related lease liability.

As at December 31, 2021, there are \$643,185, \$7,917,756 and \$46,155 of building, production equipment and computer respectively, that are not yet available for use and for which depreciation has not started [As at June 30, 2021 – \$8,104,470 and \$46,155 of production equipment and computer].

### c) Property held for sale

As at December 31, 2021, the property held for sale amounted to \$ nil [As at June 30, 2021 – \$2,424,351].

The Company sold the property located in Tennessee (United States) on August 24, 2021 for an amount of US\$950,000.

The Company sold the property located in Quebec on October 8, 2021 for an amount of \$3,000,000. A gain on disposal has been accounted for an amount of \$1,599,184 and the related long-term debt has been reimbursed. [As at June 30, 2021, the long-term debt directly associated with this property held for sale amounted to \$1,035,431].

## 5. CREDIT FACILITIES

	Maturity	Effective interest rate	As at December 31, 2021	As at June 30, 2021
		%	\$	\$
<b>Operating loans, fixed and variable rates</b>				
– Authorized amount of \$10,356,807	<b>2022</b>	<b>2.7% to 4.1%</b>	<b>1,828,917</b>	1,343,300
<b>Lease liability</b>	<b>2022 to 2031</b>	<b>0.8% to 10.0%</b>	<b>14,832,437</b>	9,574,747
<b>Long-term debt, fixed and variable rates</b>	<b>2022 to 2030</b>	<b>3.2% to 5.7%</b>	<b>9,055,116</b>	11,652,440
			<b>25,716,470</b>	22,570,487
Less: current portion of operating loans			<b>1,828,917</b>	1,343,300
Less: current portion of lease liability			<b>2,206,120</b>	1,625,541
Less: current portion of long-term debt			<b>1,649,043</b>	3,497,174
			<b>20,032,390</b>	16,104,472

Under these agreements, the Company has agreed to respect certain conditions and financial ratios. As at December 31, 2021, all conditions and financial ratios were met. Several movable hypothecs on specific assets of the Company and its subsidiaries and on the universality of the Company's present and future, tangible and intangible assets have been given as security for these long-term debt and credit facilities.

## 6. RELATED PARTY TRANSACTIONS

Martinrea International Inc. ("Martinrea") is a shareholder of the Company with significant influence. Subsidiaries of Martinrea purchased graphene-enhanced products and tooling products from the Company during the three and six-month periods ended December 31, 2021 for an amount of \$508,948 and \$892,293, respectively [2020 – nil and nil]. As at December 31, 2021, an amount of \$273,131 due by Martinrea is included in Accounts receivable and contract assets [At as June 30, 2021 – \$125,171].

During the three and six-month periods ended December 31, 2021, the Company has rendered services to the joint venture VoltaXplore Inc., for an amount of \$3,455 and \$4,707, respectively [2020 – nil and nil]. As at December 31, 2021, an amount of \$32,420 due by VoltaXplore Inc. is included in Accounts receivable and contract assets [At as June 30, 2021 – \$69,965].

## 7. SEGMENTED DISCLOSURE

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

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**8. COMMITMENTS**

The Company is committed to purchase raw materials to certain suppliers within two years. The Company is also committed to purchase equipment and building improvements for a total amount of \$481,833 of which \$181,029 was already paid and included in the consolidated statements of financial position under Equipment deposits as at December 31, 2021.

As at December 31, 2021, the Company held forward exchange contracts for a minimum of US\$24.7 million and a maximum of US\$35.6 million depending on the exchange rate of such derivative contracts. Rates vary from 1.1838 to up to 1.3576. The contracts are valid until November 2023. The carrying value of the derivative foreign currency forward exchange contracts amounted to \$83,121 as at December 31, 2021 and was included in Accounts payable and accrued liabilities [At as June 30, 2021 – \$466,003 included in Accounts receivable and contract asset].

The Company and Martinrea have committed to provide up to an additional \$6,000,000 each in development funding in VoltaXplore Inc. if, as and when required (*Note 9*).

**9. SUBSEQUENT EVENT**

In January 2022, the Company and Martinrea have provided \$1,000,000 each in cash to VoltaXplore to continue to support the construction of a demonstration facility.