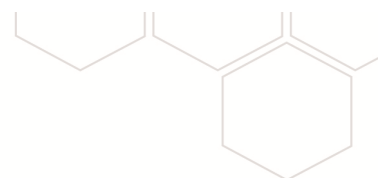


Nano Plore

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended December 31, 2022 and 2021





Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)	As at December 31, 2022 \$	As at June 30, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	38,583,691	51,232,068
Accounts receivable and contract asset	19,239,959	21,077,868
Inventory	17,754,201	17,507,812
Prepaid expenses and other assets	963,898	1,132,896
	76,541,749	90,950,644
Non-current assets		
Lease deposits	189,162	182,792
Equipment deposits	55,399	—
Investment in a joint venture	3,593,277	4,238,774
Right-of-use assets [Note 4a]	8,487,418	8,381,031
Property, plant and equipment [Note 4b]	55,954,467	54,329,195
Intangible assets [Note 5]	7,975,967	7,256,340
Goodwill	1,919,673	1,919,673
Total assets	154,717,112	167,258,449
Liabilities and Shareholders' Equity		
Current liabilities		
Operating loans [Note 6]	1,466,100	4,648,900
Accounts payable and accrued liabilities	16,614,699	17,029,869
Contract liability	1,002,095	536,060
Current portion of lease liability [Note 6]	2,579,136	2,490,911
Current portion of long-term debt [Note 6]	4,635,094	3,168,932
	26,297,124	27,874,672
Non-current liabilities		
Balance of purchase price of business acquisition [Note 3]	—	956,014
Defined benefit liabilities	481,966	296,817
Lease liability [Note 6]	12,447,907	12,742,004
Long-term debt [Note 6]	3,997,403	6,281,882
Deferred tax liabilities	1,626,261	1,575,665
Total liabilities	44,850,661	49,727,054
Shareholders' equity		
Share capital	169,846,092	169,354,272
Reserve	4,632,488	4,185,185
Foreign currency translation reserve	(87,642)	12,070
Deficit	(64,524,487)	(56,020,132)
Total shareholders' equity	109,866,451	117,531,395
Total liabilities and shareholders' equity	154,717,112	167,258,449

See accompanying notes to unaudited condensed interim consolidated financial statements

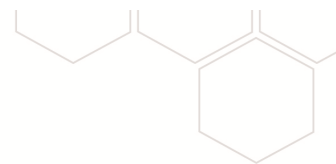
Approved on behalf of the Board of Directors

Soroush Nazarpour

Soroush Nazarpour

Benoit Gascon

Benoit Gascon

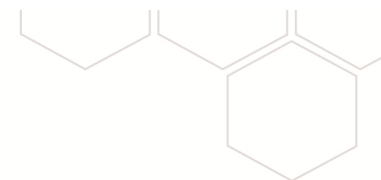


Consolidated Statements of Loss and Comprehensive loss

(Unaudited - Expressed in Canadian dollars)	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues				
Revenues from customers	31,417,369	18,425,908	58,564,536	36,255,925
Other income	307,753	375,579	393,111	1,364,008
	31,725,122	18,801,487	58,957,647	37,619,933
Cost of Sales and Expenses				
Cost of sales	25,836,971	17,009,350	49,823,935	34,303,197
Research and development expenses	743,018	1,017,180	1,464,123	1,860,816
Selling, general and administrative expenses	5,079,833	4,184,801	9,581,321	7,827,529
Share-based compensation expenses	374,892	179,937	597,724	351,878
Depreciation (production)	1,408,333	1,194,883	2,863,945	2,332,903
Depreciation (other)	445,630	331,665	705,504	662,228
Amortization	270,112	126,467	515,322	259,591
Foreign exchange	(683,939)	(25,890)	930,101	56,634
	33,474,850	24,018,393	66,481,975	47,654,776
Operating loss	(1,749,728)	(5,216,906)	(7,524,328)	(10,034,843)
Gain on disposal of property, plant and equipment	—	1,601,271	—	1,923,352
Interest on operating loans and long-term debt	(240,907)	(130,862)	(450,966)	(319,188)
Interest accretion on lease liability	(152,087)	(150,816)	(304,128)	(264,167)
Interest revenue	451,208	107,422	757,655	188,663
Share of loss of a joint venture	(334,066)	(173,734)	(645,496)	(231,475)
Loss before income taxes	(2,025,580)	(3,963,625)	(8,167,263)	(8,737,658)
Current income tax recovery (expense)	(40,161)	76,421	(86,569)	(2,945)
Deferred income tax recovery (expense)	(357,208)	302,024	(93,189)	424,792
	(397,369)	378,445	(179,758)	421,847
Loss	(2,422,949)	(3,585,180)	(8,347,021)	(8,315,811)
Other comprehensive loss				
<i>Items that may be subsequently reclassified to profit and loss:</i>				
Exchange differences on translation of foreign subsidiaries	63,089	(47,150)	(99,712)	(56,992)
<i>Items that will not be reclassified to profit and loss:</i>				
Retirement benefits – Net actuarial losses (gains)	(113,090)	(48,137)	(157,334)	57,284
Total comprehensive loss	(2,472,950)	(3,680,467)	(8,604,067)	(8,315,519)
Loss per share				
Basic and diluted	(0.01)	(0.02)	(0.05)	(0.05)
Weighted average number of common shares outstanding (basic and diluted)	165,590,199	158,194,206	165,516,405	158,070,630

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.

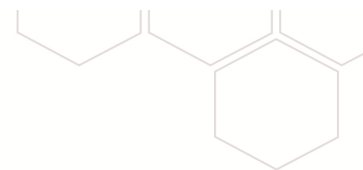
See accompanying notes to unaudited condensed interim consolidated financial statements



Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)	Number of common shares	Share capital \$	Reserve \$	Foreign currency translation reserve \$	Deficit \$	Shareholders' equity \$
Balance as at June 30, 2021	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 income	—	—	—	(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
Balance as at December 31, 2021	158,333,126	140,982,428	3,952,018	31,181	(49,307,709)	95,657,918
Loss	—	—	—	—	(7,224,783)	(7,224,783)
Other comprehensive income	—	—	—	(19,111)	512,360	493,249
Comprehensive loss	—	—	—	(19,111)	(6,712,423)	(6,731,534)
Issuance of common shares (net of issuing costs of \$2,004,968)	6,522,000	27,996,232	—	—	—	27,996,232
Exercise of stock options	368,399	375,612	(113,840)	—	—	261,772
Share-based compensation	—	—	347,007	—	—	347,007
Balance as at June 30, 2022	165,223,525	169,354,272	4,185,185	12,070	(56,020,132)	117,531,395
Loss	—	—	—	—	(8,347,021)	(8,347,021)
Other comprehensive loss	—	—	—	(99,712)	(157,334)	(257,046)
Comprehensive loss	—	—	—	(99,712)	(8,504,355)	(8,604,067)
Exercise of stock options	502,000	491,820	(150,421)	—	—	341,399
Share-based compensation	—	—	597,724	—	—	597,724
Balance as at December 31, 2022	165,725,525	169,846,092	4,632,488	(87,642)	(64,524,487)	109,866,451

See accompanying notes to unaudited condensed interim consolidated financial statements



Consolidated Statements of Cash Flows

	Six-month periods ended December 31,	
	2022	2021
(Unaudited - Expressed in Canadian dollars)	\$	\$
Cash flows from operating activities		
Loss	(8,347,021)	(8,315,811)
Items not affecting cash:		
Depreciation and amortization	4,084,771	3,254,722
Share-based compensation expenses	597,724	351,878
Share of loss of a joint venture	645,496	231,475
Interest accretion on lease liability	304,128	264,167
Interest accretion on long-term debt	58,682	167,023
Other financial expenses	23,468	15,977
Current income tax expense (recovery)	93,189	(424,792)
Gain on disposal of property, plant and equipment	—	(1,923,352)
Difference between amounts paid for employee benefits and current period expenses	1,977	30,440
Net change in fair value of foreign exchange derivatives	1,207,005	314,824
Unrealized foreign exchange	(503,312)	(299,647)
Changes in non-cash operating working capital items:		
Accounts receivable and contract asset	2,164,224	(2,645,306)
Inventory	(46,599)	(1,452,085)
Prepaid expenses and other assets	210,384	(1,061,993)
Accounts payable and accrued liabilities	(1,783,538)	(1,811,344)
Income taxes payable	—	(119,951)
Deferred grant	—	54,278
Contract liability	447,775	(28,687)
	(841,647)	(13,398,184)
Cash flows from financing activities		
Exercise of stock options	341,399	634,637
Variation of operating loans	(3,300,000)	87,797
Lease incentive received	—	1,253,921
Repayment of lease liability	(1,593,313)	(1,327,002)
Repayment of long-term debt	(944,599)	(4,334,070)
	(5,496,513)	(3,684,717)
Cash flows from investing activities		
Variation of lease deposits	1,578	(122,502)
Business acquisition, net of cash acquired	—	(6,468,840)
Repayment of balance of purchase price of business acquisition	(1,000,000)	(2,051,304)
Additions to intangible assets	(1,217,462)	(209,797)
Additions to property, plant and equipment	(4,069,234)	(1,734,725)
Variation of equipment deposits	(55,399)	—
Disposal of property, plant and equipment	—	8,325,052
	(6,340,517)	(2,262,116)
Change in cash and cash equivalents	(12,678,677)	(19,345,017)
Net effect of currency exchange rate on cash	30,300	38,350
Cash and cash equivalents, beginning of period	51,232,068	50,524,583
Cash and cash equivalents, end of period	38,583,691	31,217,916
Interest on operating loans, long-term debt and lease liability paid	770,373	444,290
Additions to property, plant and equipment included in accounts payable and accrued liabilities	—	253,981
Additions to property, plant and equipment paid with equipment deposits	—	110,048
Amount included in cash and cash equivalents consisting of guaranteed investment certificates bearing interest at a rate of 4.92% and having terms of 90 days [2021 - Rate of 0.89% and being redeemable on demand]	25,000,000	10,000,000

See accompanying notes to unaudited condensed interim consolidated financial statements

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

1. NATURE OF OPERATIONS

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

The unaudited condensed interim consolidated financial statements of the Corporation for the three and six-month periods ended December 31, 2022 and 2021 were reviewed, approved and authorized for issue by the Corporation’s Board of Directors on February 14, 2023.

Macroeconomics and Supply chain issues

The COVID-19 pandemic and its negative collateral effects on the supply of materials and labour availability along with the armed conflict between Russia and Ukraine continue to be part of today’s macro-economic landscape. In recent months, the resulting negative impacts have stabilized and are less disruptive to our operations than they have been. A material deterioration in any of the foregoing could have a material adverse effect on the Corporation’s business and results of operations. The Corporation expects to be able to continue to respond to these external forces in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed interim consolidated financial statements of the Corporation and its subsidiaries for the three and six-month periods ended December 31, 2022 and 2021 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 Corporation’s functional currency, except where otherwise indicated. Each entity of the Corporation 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, 2022.

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 Corporation and its subsidiaries. The subsidiaries are using consistent accounting policies and the same reporting period as the parent company. All intercompany transactions, balances and unrealized gains or losses have been eliminated.

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

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes for the year ended June 30, 2022.

The following standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods.

Amendment to IAS 1 – Presentation of Financial Statements

On October 31, 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted.

3. BUSINESS COMBINATIONS

On December 15, 2021, the Corporation acquired all of the issued and outstanding shares of Canuck for a total consideration of \$9,158,408. This amount represents \$9,300,000 plus cash on hand, less debt and a working capital adjustment, and a discount on the balance of purchase price due in 24 months. This transaction was financed using the Corporation's available cash. This acquisition was concluded to expand the Corporation'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
Post-closing adjustments	454,452
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
Total consideration	9,158,408

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.

	<u>\$</u>
Net identifiable assets acquired:	
Cash	386,039
Accounts receivable and contract asset	5,209,753
Inventory	2,317,473
Prepaid expenses and other assets	71,208
Right-of-use assets	1,550,072
Property, plant and equipment	2,820,720
Intangible assets	3,900,000
	<u>16,255,265</u>
Operating loans	(345,000)
Accounts payable and accrued liabilities	(4,008,005)
Income taxes payable	(461,315)
Lease liability	(1,581,650)
Long-term debt	(491,861)
Deferred tax liabilities	(1,668,535)
	<u>(8,556,366)</u>
Total identifiable net assets	7,698,899
Goodwill	1,459,509
Total consideration paid or to be paid in cash	<u>9,158,408</u>

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 Corporation's consolidated statement of loss and comprehensive loss.

The Corporation has given a general and continuing security interest in all Canuck's movable, tangible and intangible assets to secure the balance of purchase price payable.

4. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

a) Right-of-use assets

	Six-month period ended December 31, 2022 \$	Year ended June 30, 2022 \$
Balance at the beginning	8,381,031	4,885,169
Additions	704,850	3,252,623
Acquired in a business combination	-	1,550,072
Depreciation	(774,352)	(1,382,130)
Effect of foreign exchange differences	175,889	75,297
Balance at the end	<u>8,487,418</u>	<u>8,381,031</u>
Balance at the end		
Cost	13,481,829	12,601,090
Accumulated depreciation	(4,994,411)	(4,220,059)
Net book value	<u>8,487,418</u>	<u>8,381,031</u>

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 \$
Balance as at July 1, 2021	12,428,198	39,803,650	1,760,007	942,615	54,934,470
Additions	570,420	2,479,978	586,185	220,408	3,856,991
Acquired in a business combination	–	2,774,000	6,660	40,060	2,820,720
Transfer to leasehold improvements	(872,155)	–	872,155	–	–
Disposals	(2,358,015)	–	–	–	(2,358,015)
Depreciation	(406,040)	(3,749,771)	(379,601)	(697,222)	(5,232,634)
Effect of foreign exchange differences	88,701	191,182	17,706	10,074	307,663
Balance as at June 30, 2022	9,451,109	41,499,039	2,863,112	515,935	54,329,195
Additions	195,374	613,132	–	3,181,922	3,990,428
Depreciation	(198,820)	(2,056,928)	(207,887)	(331,462)	(2,795,097)
Effect of foreign exchange differences	–	341,556	66,671	21,714	429,941
Balance as at December 31, 2022	9,447,663	40,396,799	2,721,896	3,388,109	55,954,467
As at June 30, 2022					
Cost	10,560,847	51,088,621	3,535,883	1,930,081	67,115,432
Accumulated depreciation	(1,109,738)	(9,589,582)	(672,771)	(1,414,146)	(12,786,237)
Net book value	9,451,109	41,499,039	2,863,112	515,935	54,329,195
As at December 31, 2022					
Cost	10,756,221	51,940,842	3,582,553	5,127,203	71,406,819
Accumulated depreciation	(1,308,558)	(11,544,043)	(860,657)	(1,739,094)	(15,452,352)
Net book value	9,447,663	40,396,799	2,721,896	3,388,109	55,954,467

The majority of property, plant and equipment is pledged as security for the credit facilities (Note 6).

Additions of production equipment under lease during the six-month period ended December 31, 2022 amounted to \$ nil [Year ended June 30, 2022 – \$254,605]. Leased assets are pledged as security for the related lease liability.

As at December 31, 2022, there are \$697,897 and \$200,697 of building and production equipment respectively, that are not yet available for use and for which depreciation has not started [As at June 30, 2022 – \$606,907 and \$749,182 of building and production equipment respectively].

On August 24, 2022, the Corporation purchased a significant portion of the assets of XG Sciences Inc. (“XG”) for an amount of \$3,894,900 [US\$3,000,000] in a sale conducted by XG’s senior secured creditor pursuant to Article 9 of Michigan’s enactment of the Uniform Commercial Code. The Corporation and the senior creditor have entered into an asset purchase agreement pursuant to which NanoXplore is acquiring XG’s mechanical milling platform, research and development lab and all issued and pending patents and trademarks, among other items. To account for the transaction, the Corporation has estimated the value of the assets acquired and recorded such value in the inventory, property, plant and equipment and intangible assets based on this estimate.

5. INTANGIBLE ASSETS

	As at December 31, 2022			As at June 30, 2022		
	Customer relationship \$	Patents, licenses and software \$	Total \$	Customer relationship \$	Patents, licenses and software \$	Total \$
Balance at the beginning	6,408,108	848,232	7,256,340	3,166,170	188,276	3,354,446
Additions [Note 4b]	–	1,217,462	1,217,462	–	761,072	761,072
Acquired in a business combination	–	–	–	3,900,000	–	3,900,000
Amortization	(415,641)	(99,681)	(515,322)	(659,449)	(101,849)	(761,298)
Effect of foreign exchange differences	17,487	–	17,487	1,387	733	2,120
Balance at the end	6,009,954	1,966,013	7,975,967	6,408,108	848,232	7,256,340
Balance at the end						
Cost	8,590,382	2,348,779	10,939,161	8,572,895	1,131,317	9,704,212
Accumulated amortization	(2,580,428)	(382,766)	(2,963,194)	(2,164,787)	(283,085)	(2,447,872)
Net book value	6,009,954	1,966,013	7,975,967	6,408,108	848,232	7,256,340

As at December 31, 2022, there are \$213,437 of software that are not yet available for use and for which depreciation has not started [As at June 30, 2022 – \$ nil].

6. CREDIT FACILITIES

	Maturity	Effective interest rate %	As at December 31, 2022 \$	As at June 30, 2022 \$
Operating loans, fixed and variable rates				
– Authorized amount of \$11,820,500	2023	4.7% to 8.3%	1,466,100	4,648,900
Lease liability	2023 to 2032	2.1% to 10.0%	15,027,043	15,232,915
Long-term debt, fixed and variable rates	2023 to 2030	5.0% to 7.6%	8,632,497	9,450,814
			25,125,640	29,332,629
Less: current portion of operating loans			1,466,100	4,648,900
Less: current portion of lease liability			2,579,136	2,490,911
Less: current portion of long-term debt			4,635,094	3,168,932
			16,445,310	19,023,886

Under these agreements, the Corporation has agreed to respect certain conditions and financial ratios. As at December 31, 2022, all conditions and financial ratios were met. Several movable hypothecs on specific assets of the Corporation and its subsidiaries and on the universality of the Corporation's present and future, tangible and intangible assets have been given as security for these long-term debt and credit facilities.

7. RELATED PARTY TRANSACTIONS

Martinrea International Inc. ("Martinrea") is a shareholder of the Corporation with significant influence. Subsidiaries of Martinrea purchased graphene-enhanced products and tooling products from the Corporation during the three and six-month periods ended December 31, 2022 for an amount of \$182,735 and \$395,408, respectively [2021 – \$508,948 and \$892,293]. As at December 31, 2022, an amount of \$565,214 due by Martinrea is included in Accounts receivable and contract assets [As at June 30, 2022 – \$628,008].

During the three and six-month periods ended December 31, 2022, the Corporation has rendered services to its joint venture VoltaXplore Inc. for an amount of \$7,021 and \$12,913, respectively [2021 – \$3,455 and \$4,707]. As at December 31, 2022, an amount of \$28,476 is included in Accounts receivable and contract assets [As at June 30, 2022 – \$37,435].

8. SEGMENTED DISCLOSURE

The Corporation's Chief Operating Decision Maker analyzes the information for the Corporation as a whole on a consolidated basis only and, as such, the Corporation determined that it has only one operating segment.

9. COMMITMENTS

The Corporation is committed to purchase raw materials to certain suppliers within two years.

As at December 31, 2022, the Corporation held derivative foreign currency forward exchange contracts to sell for a minimum of US\$19.5 million and a maximum of US\$29.3 million depending on the exchange rate of such derivative contracts. Rates vary from 1.1838 to up to 1.3720. The contracts are valid until December 2024. As at December 31, 2022, the carrying value of the derivative foreign currency forward exchange contracts of \$1,544,000 is included in Accounts payable and accrued liabilities [As at June 30, 2022 – \$336,995 included in Accounts payable and accrued liabilities].

The Corporation 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. On this amount, \$1,000,000 was already provided during the year ended June 30, 2022.