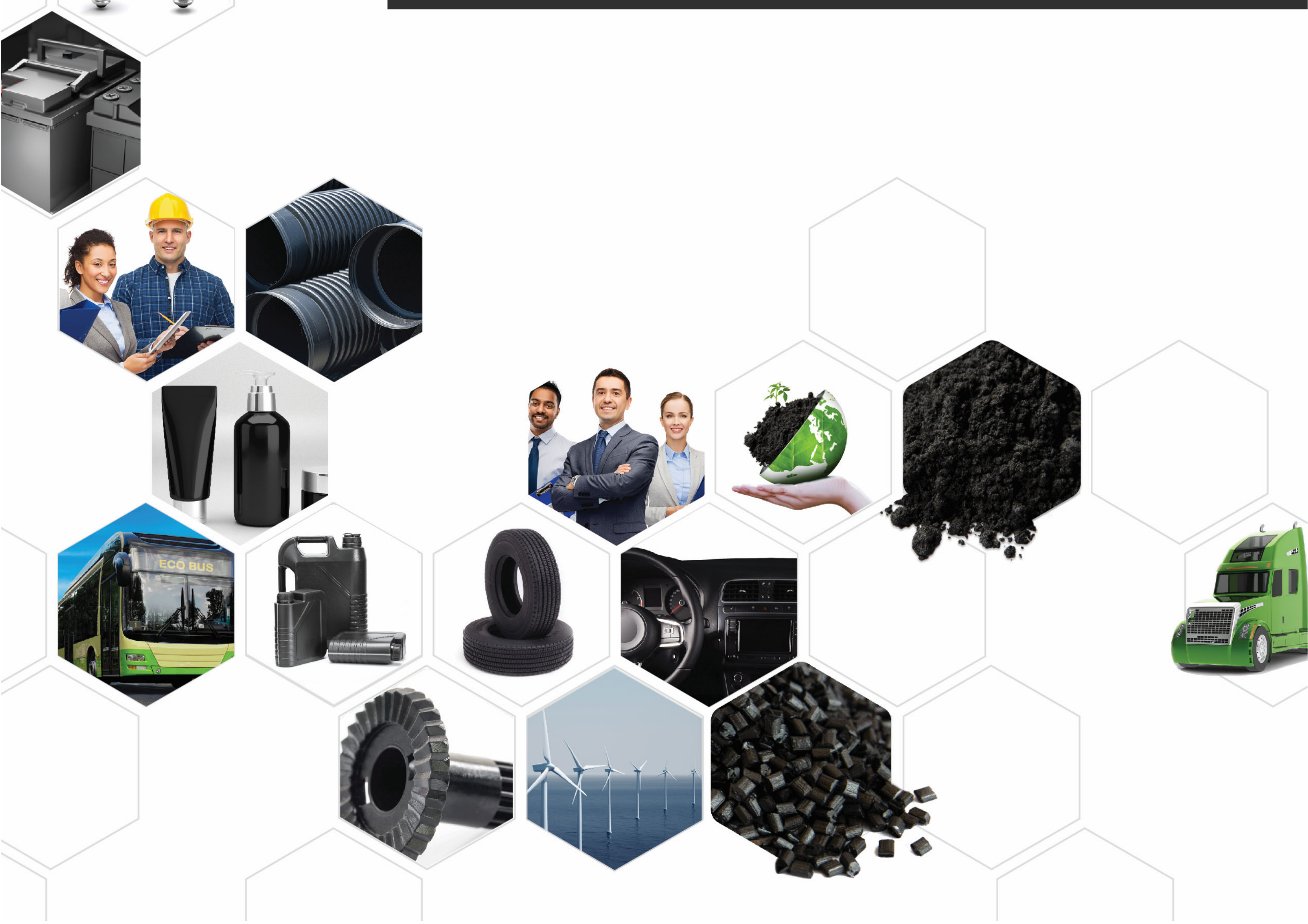
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine-month periods ended March 31, 2023 and 2022



[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, 2023 and 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2023 and 2022 and with the audited consolidated financial statements for the years ended June 30, 2022 and 2021. The purpose of this document is to provide information on our activities. The information contained herein is dated as of May 10, 2023, date on which the MD&A was approved by the Corporation's board of directors. 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") applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting. The Corporation 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 measures section for more information. The terms "we", "our", "us", ''NanoXplore'' or the "Corporation" mean NanoXplore Inc. and its subsidiaries, unless otherwise indicated.

"Q3-2023" and "Q3-2022" refer to the three-month periods ended March 31, 2023 and 2022 respectively, and "YTD 2023" and "YTD 2022" refer to the nine-month periods ended March 31, 2023 and 2022 respectively.

1. FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements within the meaning of applicable Canadian securities laws with respect to the Corporation. 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. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but it advises the reader that these assumptions with regard to future events, many of which are beyond the Corporation's control, could prove incorrect as they are subject to risks and uncertainties inherent in the Corporation's 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 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 MD&A. The forward-looking statements are 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 statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that they will prove to be correct.

Many factors could cause NanoXplore's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section "*Risks and Uncertainties*" of this MD&A 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 statements contained in this MD&A about prospective results of operations, financial position or cash flows are 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.

2. BUSINESS OVERVIEW

CORPORATION OVERVIEW

NanoXplore is a graphene company, a manufacturer and supplier of high-volume graphene powder for use in transportation and 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 Corporation has the following subsidiaries:

- NanoXplore Switzerland Holding SA ("NanoXplore Switzerland"), based in Switzerland, with an equity interest of 100% [2022 – 100%]. NanoXplore Switzerland holds 100% of CEBO Injections SA ("CEBO").
- NanoXplore Holdings USA, Inc. ("NanoXplore Holdings USA"), based in the United States, with an equity interest of 100% [2022 – 100%]. NanoXplore Holdings USA holds 100% of NanoXplore USA, Inc.
- Sigma Industries Inc. ("Sigma"), based in Canada, with an equity interest of 100% [2022 – 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.
- Canuck Compounders Inc. ("Canuck"), based in Canada, with an equity interest of 100% [2022 – 100%];
- VoltaXplore Inc. ("VoltaXplore"), based in Canada, with an equity interest of 100% [2022 – 50%].

KEY FINANCIAL HIGHLIGHTS

- Higher revenues from customers during Q3-2023 of $31,125,291 compared to $27,997,816 during Q3-2022, representing an 11% increase;
- Record gross margin on revenues from customers of 18.3% in Q3-2023 compared to 9.7% in Q3-2022;
- Record adjusted EBITDA(1) of $451,705 in Q3-2023 compared to -$2,384,227 in Q3-2022;
- Cash flows from operating activities were once again positive by $1,593,497 in Q3-2023 bringing our YTD to $751,847, a significant improvement over YTD 2022 and past years;
- Total liquidity of $47,775,756 as at March 31, 2023, including cash and cash equivalents of $37,422,456;
- Total long-term debt of $8,312,297 as at March 31, 2023.

BUSINESS HIGHLIGHTS

During the nine-month period ended March 31, 2023, the Corporation continued to focus on developing markets for its graphene products and to develop down stream pre-mixed additives and products that facilitate such introduction. The Corporation has been successful in integration of GrapheneBlack in a few streams of products, both internally and externally. The Corporation continues its engagement with many potential customers that are currently validating GrapheneBlack and GrapheneBlack improved masterbatches, concentrates, and products.

During the quarter, the Corporation announced its 5-year strategic and investment plan and has begun executing it. The plan represents an increase in the production capacity of graphene, battery materials and graphene enhanced masterbatch, compound and composite products. The Corporation will provide a regular update to its shareholders on the progress of the plan.

The Corporation is actively working to set up its battery focused research and development facility. It has leased a location in the vicinity of its headquarters and is setting up pilot scale production systems for anode active materials and for conductive and performance additives.

(1) Adjusted EBITDA is a non-IFRS measure and that the reconciliation can be found in the section "Overall Results"

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.

VoltaXplore

On March 24, 2023, NanoXplore Inc. purchased Martinrea Innovation Developments Inc.'s 50% equity stake in VoltaXplore for an aggregate equity consideration of $9,987,586. NanoXplore now owns 100% of VoltaXplore, a graphene-enhanced Li-ion battery manufacturer for the Electric Vehicle and grid storage markets.

The Government of Canada has recognized the critical importance of clean technology manufacturing by introducing a 30% refundable investment tax credit ("ITC") in its 2023 Budget. This federal government initiative, along with the provincial financial support, is in line with NanoXplore's decision to move forward with the construction of a 2GWh battery cell gigafactory in Quebec. At nameplate capacity, the facility may produce up to 130 million cells per year. The ITC along with the provincial financial support were major milestones for NanoXplore and VoltaXplore. VoltaXplore anticipates finalizing remaining funding in the next few months to potentially start construction in early calendar 2024.

S&P/TSX Small Cap Index Inclusion

On September 16, 2022, after the close of trading, the Corporation was added to the S&P/TSX Small Cap index as part of the semi-annual rebalancing.

Purchase of assets of XG Sciences Inc.

On August 25, 2022, the Corporation purchased a significant portion of the assets of XG Sciences Inc. ("XG" or "XG Sciences") for an amount of 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 entered into an asset purchase agreement pursuant to which the Corporation acquired XG's mechanical milling platform, research and development lab and all issued and pending patents and trademarks, among other items.

As a result of the transaction, the Corporation now owns all patents and patent applications including a portfolio of 7 patents (6 issued and 1 pending) of silicon-graphene battery materials and all XG trademarks. This complements the Corporation's existing intellectual properties and know-how related to graphene and graphene-silicon composite materials for Li-ion batteries.

The Corporation has moved all the assets from Lansing, Michigan to Canada to establish a dedicated battery material R&D facility. The Corporation has leased a location in the vicinity of its headquarters and has already installed some of XG's R&D assets in this facility. This facility will include pilot scale production systems for anode active materials and for conductive and performance additives and will incorporate trade secrets and know how acquired from XG into existing knowledge of the Corporation. Moreover, the Corporation plans to use these assets to build a silicon-graphene anode material facility with a production capacity of 100-200 tons per year during 2023.

Total liquidity

As at March 31, 2023, the Corporation had total liquidity of $47,775,756, including cash and cash equivalents and availability under the Corporation's operating loans.

Long-term debt

The total long-term debt decreased from $9,450,814 as at June 30, 2022 to $8,312,297 as at March 31, 2023 for a variation of $1,138,517. Repayment amounted to $1,303,613 during the nine-month period ended March 31, 2023.

3. OVERALL RESULTS

HIGHLIGHTS

The following table sets out certain highlights of the Corporation's performance for the three and nine-month periods ended March 31, 2023 and 2022. Refer to the Corporation's unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2023 and 2022 for a detailed account of the Corporation's performance for the periods presented in the tables below.

	Q3-2023	Q3-2022	Variation		YTD 2023	YTD 2022	Variation	
	$	$	$	%	$	$	$	%
Revenues	**31,580,560**	28,406,750	3,173,810	11%	**90,538,207**	66,026,683	24,511,524	37%
Operating loss	**(2,095,609)**	(4,204,045)	2,108,436	50%	**(9,619,937)**	(14,238,888)	4,618,951	32%
Loss	**(2,447,604)**	(4,516,108)	2,068,504	46%	**(10,794,625)**	(12,831,919)	2,037,294	16%
Loss per share (Basic and diluted)	**(0.01)**	(0.03)			**(0.07)**	(0.08)		
Non-IFRS Measures *								
Adjusted EBITDA	**451,705**	(2,384,227)	2,835,932	119%	**(1,384,027)**	(9,283,659)	7,899,632	85%

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Corporation results. In addition to IFRS measures, management uses non-IFRS measures in the Corporation's disclosures that it believes provide the most appropriate basis on which to evaluate the Corporation's results.

* NON-IFRS MEASURES

This MD&A was prepared using results and financial information determined under IFRS. However, the Corporation considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Corporation. These measures, which the Corporation believes are widely used by investors, securities analysts and other interested parties in evaluating the Corporation's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted EBITDA".

The following table provides a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" for the three and nine-month periods ended March 31, 2023 and 2022.

	Q3-2023	Q3-2022	YTD 2023	YTD 2022
	$	$	$	$
Loss	**(2,447,604)**	(4,516,108)	**(10,794,625)**	(12,831,919)
Current and deferred income tax recovery	**21,316**	(134,303)	**201,074**	(556,150)
Net interest expenses (revenues)	**(83,705)**	274,559	**(86,266)**	669,251
Share of loss of a joint venture	**414,384**	171,807	**1,059,880**	403,282
Gain on disposal of property, plant and equipment	**—**	—	**—**	(1,923,352)
Foreign exchange	**124,908**	(189,108)	**1,055,009**	(132,474)
Canada Emergency Wage Subsidy ("CEWS")	**—**	—	**—**	(840,249)
Share-based compensation expenses	**247,138**	175,592	**844,862**	527,470
Non-operational items (1)	**40,000**	(17,414)	**116,000**	295,012
Depreciation and amortization	**2,135,268**	1,850,748	**6,220,039**	5,105,470
Adjusted EBITDA	**451,705**	(2,384,227)	**(1,384,027)**	(9,283,659)

The following table provides a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" for the three-month periods ended March 31, 2023 (Q3-2023), December 31, 2022 (Q2-2023) and September 30, 2022 (Q1-2023).

	Q3-2023 $	Q2-2023 $	Q1-2023 $
Loss	**(2,447,604)**	(2,422,949)	(5,924,072)
Current and deferred income tax recovery	**21,316**	397,369	(217,611)
Net interest expenses (revenues)	**(83,705)**	(58,214)	55,653
Share of loss of a joint venture	**414,384**	334,066	311,430
Foreign exchange	**124,908**	(683,939)	1,614,040
Share-based compensation expenses	**247,138**	374,892	222,832
Non-operational items [1]	**40,000**	76,000	—
Depreciation and amortization	**2,135,268**	2,124,075	1,960,696
Adjusted EBITDA	**451,705**	141,300	(1,977,032)

[1] Non-operational items consist of professional fees related to business acquisition (Canuck in the last year period), to filing prospectuses.

RESULTS OF OPERATIONS VARIANCE ANALYSIS – THREE-MONTH PERIODS

Revenues

	Q3-2023 $	Q3-2022 $	Variation $	 %	Q2-2023 $	Variation $	 %
Revenues from customers	**31,125,291**	27,997,816	3,127,475	11%	**31,417,369**	(292,078)	(1%)
Other income	**455,269**	408,934	46,335	11%	**307,753**	147,516	48%
Total revenues	**31,580,560**	28,406,750	3,173,810	11%	**31,725,122**	(144,562)	(0%)

Revenues from customers decreased from $31,417,369 in Q2-2023 to $31,125,291 in Q3-2023. This decrease is mainly due to lower tooling revenues.

Revenues from customers increased from $27,997,816 in Q3-2022 to $31,125,291 in Q3-2023. This increase is mainly due to a positive product mix including graphene enhanced products, higher volume, a positive FX impact and price increases partially offset by lower tooling revenues.

Other income increased from $307,753 in Q2-2023 to $455,269 in Q3-2023 and increased from $408,934 in Q3-2022 to $455,269 in Q3-2023. The increases are due to grants received from R&D programs.

Adjusted EBITDA

The adjusted EBITDA improved from -$2,384,227 in Q3-2022 to $451,705 in Q3-2023. The variation is mainly explained by higher gross margin on revenues from customers which increased by $2,972,466 compared to Q3-2022 due to higher revenues as describe above, higher margin product mix, improved productivity and cost control.

Loss

The loss decreased from $4,516,108 in Q3-2022 to $2,447,604 in Q3-2023. The variation is mainly explained as follows:

- An increase in adjusted EBITDA of $2,835,932 as explained above;
- Partially offset by:
  - Foreign exchange loss of $124,908 in Q3-2023 compared to a gain of $189,108 in Q3-2022;
  - Higher share loss of a joint venture of $242,577; and
  - Higher depreciation and amortization of $284,520 due mainly to the acquisition of the assets of XG.

Foreign exchange

	Q3-2023 $	Q3-2022 $	Variation $	Variation %	Q2-2023 $	Variation $	Variation %
Foreign exchange from operations	**308,826**	158,489	150,337	(95%)	506,372	(197,546)	39%
Foreign exchange on derivative contracts	**(183,918)**	(347,597)	163,679	(47%)	(1,190,311)	1,006,393	(85%)
Total foreign exchange	**124,908**	(189,108)	314,016	(166%)	(683,939)	808,847	(118%)

The Corporation had a negative impact on foreign exchange from operations of $308,826 in Q3-2023 and of $158,489 in Q3-2022. There was also a loss of $506,372 in Q2-2023. This is due to fluctuation of the US rate at the end of each quarter.

The foreign exchange on derivative contracts is a non-realized gain of $183,918 in Q3-2023 and of $347,597 in Q3-2022. There was also a gain of $1,190,311 in Q2-2023. The gain during Q2-2023 was due to the decrease of the US rate from 1.3833 as of September 30, 2022 to 1.3544 as of December 31, 2022. The rate as of March 31, 2023 remained stable versus previous quarter end at 1.3533.

RESULTS OF OPERATIONS VARIANCE ANALYSIS – NINE-MONTH PERIODS

Revenues

	YTD 2023 $	YTD 2022 $	Variation $	Variation %
Revenues from customers	**89,689,827**	64,253,741	25,436,086	40%
Other income	**848,380**	1,772,942	(924,562)	(52%)
Total revenues	**90,538,207**	66,026,683	24,511,524	37%

Revenues from customers increased from $64,253,741 in the last year period to $89,689,827 in the current period. This increase is mainly due to a positive product mix including graphene enhanced products, the acquisition of Canuck in December 2021, higher volume, a positive FX impact and price increases partially offset by lower tooling revenues.

Other income decreased from $1,772,942 in the last year period to $848,380 in the current period. The decrease is mainly explained by the end of the CEWS program set up by the Canadian Federal government to help businesses deal with the COVID-19 pandemic. The Corporation received $ nil under this program in the current period compared to $840,249 in the last year period as the program ended in October 2021.

Adjusted EBITDA

The adjusted EBITDA improved from -$9,283,659 in the last year period to -$1,384,027 in the current period. The variation is explained as follows:

- Gross margin on revenues from customers increased by $9,760,339 compared to the last year period due to higher sales as describe above, higher margin product mix, improved productivity and cost control; and
- Partially offset by higher administrative expenses (SG&A and R&D) of $1,597,382 mainly due to additional headcounts and higher wages, including higher accrued variable compensation.

Loss

The loss decreased from $12,831,919 in the last year period to $10,794,625 in the current period. The variation is mainly explained as follows:

- An increase in adjusted EBITDA of $7,899,632 as explained above;
- Net interest revenues of $86,266 in the current period compared to net interest expenses of $669,251 in the last year period explained by higher interest revenues due to the increase of the interest rates and to lower interest expenses due to advance payment on long-term debt and to reimbursement of operating loans;
- These were offset by :
  - In the last year period, the Corporation recognized a gain on disposal of property, plant and equipment of $1,923,352 resulting from the sale of the properties held for sale located in Quebec and in Newton;
  - A decrease of $840,249 in government assistance received from the Canadian federal government through its CEWS program;
  - Higher depreciation and amortization of $1,114,569 due mainly to the acquisition of Canuck and to the assets of XG;
  - Higher loss on foreign exchange on derivative contracts of $1,229,035 as explained below;
  - Deferred income tax expense of $120,173 in the current period compared to a recovery of $554,566 in the last year period; and
  - Higher share loss of a joint venture of $656,598.

Foreign exchange

	YTD 2023	**YTD 2022**	**Variation**	
	$	**$**	**$**	**%**
Foreign exchange from operations	**(136,980)**	(95,428)	(41,552)	44%
Foreign exchange on derivative contracts	**1,191,989**	(37,046)	1,229,035	(3,318%)
Total foreign exchange	**1,055,009**	(132,474)	1,187,483	(896%)

The Corporation had a positive impact on foreign exchange from operations of $136,980 in the current period compared to $95,428 in the last year period due to the increase of the US rate at the end of each period.

The foreign exchange on derivative contracts is a non-realized loss of $1,191,989 in the current period compared to a positive impact of $37,046 in the last year period. The loss is due to a spike increase of the US rate to 1.3533 as of March 31, 2023 with a higher level of coverage over the next two years. Since March 31, 2023, the Canadian dollar has strengthened and with current level of contracts, each 100 bps movement in the US to CAD rate will be an impact of approximately $400,000.

FINANCIAL OUTLOOK

Given the performance in the first 9 months of the year, the Corporation now expects total revenues between $120 and $125 million for the year ending June 30, 2023.

SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the eight most recently reported quarters. This unaudited quarterly information has been prepared in accordance with IFRS.

		Revenues $	Loss $	Basic and diluted loss per share $	
Q3-2023	March 31, 2023	31,580,560	(2,447,604)	(0.01)	
Q2-2023	December 31, 2022	31,725,122	(2,422,949)	(0.01)	**Note 1**
Q1-2023	September 30, 2022	27,232,525	(5,924,072)	(0.04)	**Note 2**
Q4-2022	June 30, 2022	28,280,476	(2,708,675)	(0.02)	**Note 3**
Q3-2022	March 31, 2022	28,406,750	(4,516,108)	(0.03)	**Note 4**
Q2-2022	December 31, 2021	18,801,487	(3,585,180)	(0.02)	**Note 5**
Q1-2022	September 30, 2021	18,818,446	(4,730,631)	(0.03)	**Note 6**
Q4-2021	June 30, 2021 (1)	20,886,168	(4,437,041)	(0.03)	

Note 1 The revenues were higher due to higher volume and price increases. Loss was lower due to higher margins and positive foreign exchange on derivative contracts.

Note 2 The loss was higher due to a negative impact of foreign exchange on derivative contracts, lower margin and higher administrative expenses.

Note 3 The loss was lower due to positive product mix, improved productivity and cost control.

Note 4 Higher revenues are mainly explained by positive product mix including graphene enhanced product, the acquisition of Canuck, price increase and new sales program.

Note 5 The loss was lower than usual given a gain on disposal of property, plant and equipment of $1,601,271.

Note 6 The loss was higher than usual given less CEWS received and lower gross margin on total revenues due to increases in raw material and labour costs.

(1) Since the initial net assets acquired from CSP Newton Plant 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. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	As at March 31, 2023 $	As at June 30, 2022 $	Variation $	Main reasons for significant variation
Assets				
Cash and cash equivalents	**37,422,456**	51,232,068	(13,809,612)	Refer to section Cash Flows
Accounts receivable and Contract asset	**21,887,318**	21,077,868	809,450	Timing in cash receipt
Inventory	**17,282,123**	17,507,812	(225,689)	
Investment in a joint venture	**—**	4,238,774	(4,238,774)	Acquisition of the other 50% of VoltaXplore
Right-of-use assets	**9,274,972**	8,381,031	893,941	Mainly due to acquisition of VoltaXplore
Property, plant and equipment, and equipment deposits	**63,024,708**	54,329,195	8,695,513	Mainly due to acquisition of the assets of XG Sciences and VoltaXplore
Intangible assets	**14,508,750**	7,256,340	7,252,410	Mainly due to acquisition of the assets of XG Sciences and VoltaXplore
Goodwill	**1,919,673**	1,919,673	—	
Other assets	**1,912,184**	1,315,688	596,496	
Total assets	**167,232,184**	167,258,449	(26,265)	
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payable	**19,968,383**	17,029,869	2,938,514	Timing in cash payment
Contract liability	**1,755,669**	536,060	1,219,609	Timing in tooling projects
Operating loans	**1,480,400**	4,648,900	(3,168,500)	Cash flows management
Defined benefit liabilities	**535,566**	296,817	238,749	
Balance of purchase price of business acquisition	**—**	956,014	(956,014)	Repayment for the acquisition of Canuck
Lease liability	**15,789,992**	15,232,915	557,077	
Long-term debt	**8,312,297**	9,450,814	(1,138,517)	Mainly due to repayment of debt
Deferred taxes liabilities	**1,653,956**	1,575,665	78,291	
Total liabilities	**49,496,263**	49,727,054	(230,791)	
Shareholders' Equity				
Share capital	**180,008,203**	169,354,272	10,653,931	Issuance of shares due to acquisition of VoltaXplore
Reserve	**4,820,003**	4,185,185	634,818	
Foreign currency translation reserve	**(70,772)**	12,070	(82,842)	
Deficit	**(67,021,513)**	(56,020,132)	(11,001,381)	
Total shareholders' equity	**117,735,921**	117,531,395	204,526	
Total liabilities and shareholders' equity	**167,232,184**	167,258,449	(26,265)	

CASH FLOWS

	YTD 2023 $	YTD 2022 $	Variation $	%
Cash used in operating activities prior to changes in non-cash working capital items	**(1,403,773)**	(8,894,542)	7,490,769	84%
Changes in non-cash working capital items	**2,155,620**	(7,525,312)	9,680,932	129%
Operating activities	**751,847**	(16,419,854)	17,171,701	105%
Financing activities	**(6,548,926)**	26,370,293	(32,919,219)	(125%)
Investing activities	**(8,042,303)**	(4,430,962)	(3,611,341)	(82%)
Net effect of currency exchange rate on cash and cash equivalents	**29,770**	11,348	18,422	162%
Net change in cash and cash equivalents	**(13,809,612)**	5,530,825	(19,340,437)	(350%)

Operating activities

Cash flows used in operating activities prior to changes in non-cash working capital items were $1,403,773 in the current period compared to $8,894,542 in the last year period. The variation is mainly explained by an improvement of the adjusted EBITDA of $7,899,632 partially offset by a reduction of $840,249 in the amount received from the CEWS program.

Changes in non-cash working capital items amounted to $2,155,620 in the current period, which is explained as follows:

- A decrease in accounts receivable and contract asset of $456,259 mainly due to timing in cash receipts;
- A increase of accounts payable and accrued liabilities of $1,421,748 mainly due to timing in payment; and
- An increase of contract liability of $1,199,121 due to timing of projects.

Financing activities

Cash flows used in financing activities were $6,548,926 in the current period compared to cash flows generated of $26,370,293 in the last year period. In the current period, the operating loans decreased by $3,300,000 and repayment of $3,705,227 was completed on long-term debt and lease liability. These were offset by stock options exercised for proceeds of $480,951.

In the last year period, the Corporation completed an issuance of common shares following a public financing for net proceeds of $27,996,232, a long-term debt of $1,539,094 was issued, the operating loans increased by $1,771,175, stock options have been exercised for proceeds of $847,749 and lease incentive of $1,253,921 was received. These were offset by repayment of $7,037,878 on long-term debt and lease liability, which included debt repayment of $2,229,049 in advance.

Investing activities

Cash flows used in investing activities were $8,042,303 in the current period compared to $4,430,962 in the last year period. In the current period, the Corporation paid $6,373,704 for capital expenditures, mainly related to the acquisition of the assets of XG Sciences and paid $1,000,000 related to the balance of purchase price of the acquisition of Canuck.

In the last year period, the Corporation paid $6,369,094 for the acquisition of Canuck, net of cash acquired, $2,051,304 for the repayment of balance of purchase price of the assets of CSP Newton Plant, $1,000,000 to reinvest in VoltaXplore and $3,213,114 for capital expenditures which are mostly related to expenditures of composites equipment. These were offset by the sale of three buildings for an amount of $8,325,052.

USE OF PROCEEDS

Use of Proceeds Reconciliation

i) February 2021

On February 12, 2021, the Corporation raised gross proceeds of $46,000,000 by issuing a total of 11,500,000 Common Shares pursuant to a short form prospectus offering (the "February 2021 Offering"). The net proceeds of the February 2021 Offering were $43,382,567, after deduction of underwriters' fees and other expenses.

The net proceeds of the February 2021 Offering are expected to be used by the Corporation within 24 months following the closing of the February 2021 Offering, as follows.

	Use of proceeds as described in the Short Form Prospectus dated February 5, 2021	Use of proceeds as of February 5, 2023
Battery initiatives	4,000,000	5,000,000
Sales and marketing of graphene	20,000,000	20,000,000
Debt reduction	15,000,000	14,219,410
General corporate purposes	4,320,000	4,100,590
Total	**43,320,000**	**43,320,000**

The increase in planned expenditure for battery initiatives is mainly explained by higher-than-expected costs of equipment.

ii) February 2022

On February 24, 2022, the Corporation raised gross proceeds of $30,001,200 by issuing a total of 6,522,000 Common Shares pursuant to a short form prospectus offering (the "February 2022 Offering"). The net proceeds of the February 2022 Offering were $27,996,232, after deduction of underwriters' fees and other expenses.

The net proceeds of the February 2022 Offering are expected to be used by the Corporation within 24 months following the closing of the February 2022 Offering, as follows.

	Use of proceeds as described in the Short Form Prospectus dated February 24, 2022	Revised estimate of the use of proceeds as of the date hereof
Acquisition of assets or companies, partnerships and General corporate purposes	27,996,232	27,996,232
Total	**27,996,232**	**27,996,232**

The Corporation had negative cash flows from operating activities for the year ended June 30, 2022 and for the nine-month period ended March 31, 2023. The Corporation cannot guarantee if it will have positive or negative cash flow from operating activities in future periods. To the extent that the Corporation has negative cash flows in any future period, certain of the proceeds from the February 2022 Offering or future offerings may be used to fund such negative cash flows from operating activities.

With respect to the potential negative economic impacts of the COVID-19 pandemic on our business and its negative collateral effects on the supply of materials and labour availability along with the armed conflict between Russia and Ukraine, the Corporation 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 AND CAPITAL RESOURCES

Throughout the COVID-19 pandemic, the Corporation has taken controlled and measured actions to preserve liquidity, including flexing and reducing its cost base, eliminating discretionary spending across its global footprint and delaying capital spending where and when appropriate. In addition, the Corporation enhanced its liquidity position with public financing for net proceeds of $27,996,232 during the financial year 2022. As at March 31, 2023, the Corporation had total liquidity of $47,775,756, including cash and cash equivalents and availability under the Corporation's operating loans.

Management believes that the Corporation has sufficient funds to meet its obligations, operating expenses and some development expenditures for the ensuing 12 months as they fall due. The Corporation's ability to continue its development activities is dependent on the impact of COVID-19, supply chain issues and the speed of introduction of graphene products into different industries. Although graphene products have generated revenues, the graphene commercial activity is still in the commercial introduction stage and, as a result, the Corporation could be dependent on external financing to fund its continued development program, if the commercial introduction of the graphene is delayed. The Corporation's main sources of funding have been the issuance of equity securities for cash, debt, cash flow from operations and funds from the government of Quebec with respect to R&D tax credits and other programs.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Corporation did not have any off-balance sheet arrangements, except for the commitment disclosed in the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2023 and 2022.

Management believes that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Corporation and its activities, please refer to the consolidated financial statements for the years ended June 30, 2022 and 2021. These identified financial instruments and risks are consistent through the periods.

OUTSTANDING SHARES

As at May 9, 2023, the Corporation has:

- 169,353,431 common shares issued and outstanding;
- 3,275,000 options outstanding with expiry dates ranging between December 19, 2023 and April 4, 2028 with exercise prices between $1.22 and $6.44. If all the options were exercised, 3,275,000 shares would be issued for cash proceeds of $8,219,750.

5. 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 for the three and nine-month periods ended March 31, 2023 and 2022.

6. RISKS AND UNCERTAINTIES

The operations of the Corporation 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 Corporation's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Corporation.

For a detailed description of risks and uncertainties, refer to the annual management's discussion and analysis for the years ended June 30, 2022 and 2021.

7. ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and judgments about the future. Management periodically reviews these estimates, which are based on historical experience, changes in the business environment and other factors, including expectations of future events, that management considers reasonable under the circumstances. The estimates involve judgments we make based on the information available. However, accounting estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market events or to circumstances beyond the Corporation's control. Such changes are reflected in the assumptions when they occur. This discussion addresses only those estimates that we consider important based on the degree of uncertainty and the likelihood of a material impact if we had used different estimates. There are many other areas in which we use estimates about uncertain matters.

For a detailed description of the critical accounting judgments and estimates associated with the Corporation and its activities, please refer to the section "Significant management estimates and judgments in applying accounting policies" in the note 2 in the consolidated financial statements for the years ended June 30, 2022 and 2021. The Corporation was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the consolidated financial statements for the years ended June 30, 2022 and 2021.

FUTURE CHANGES IN ACCOUNTING POLICIES

Certain 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, 2022 and 2021 and to the note 2 in the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2023 and 2022 for the details of these standards and amendments.

8. CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, attest to the design of the disclosure controls and procedures ("DC&P") and the design and effectiveness of internal controls over financial reporting.

No changes were made to the Corporation's internal controls over financial reporting during Q3-2023 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Limitation on Scope of Design

The scope of design of internal controls over financial reporting and DC&P excluded the controls, policies, and procedures of VoltaXplore, which was acquired on March 24, 2023. VoltaXplore's contributions to the Corporation's consolidated statements of loss and comprehensive loss for the nine-month period ended March 31, 2023 was 0% of total revenues. Additionally, as at March 31, 2023, VoltaXplore's assets and liabilities represented approximately 5% and 5%, respectively, of the Corporation's consolidated assets and liabilities. The amounts recognized for the net assets acquired as at the date of this acquisition are described in Note 3a of the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2023 and 2022.