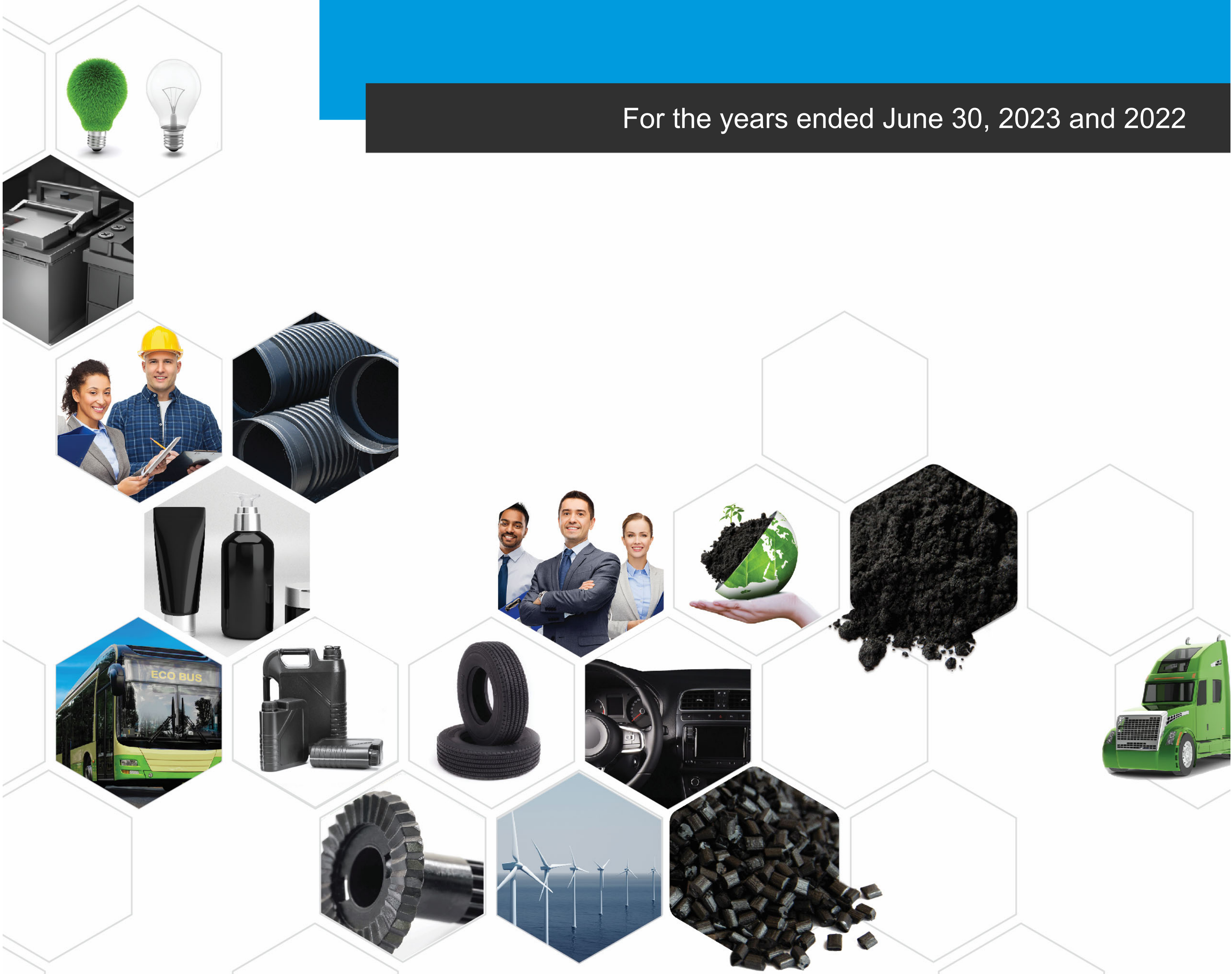
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022



Independent auditor's report

To the Shareholders of NanoXplore Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NanoXplore Inc. and its subsidiaries (together, the Corporation) as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Quebec, Canada G1V 5C2
T: +1 418 522 7001, F: +1 418 522 5663, ca_quebec_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Valuation of the intangible assets acquired from the net assets acquisition of VoltaXplore Inc. (VoltaXplore)
 	
Refer to note 2 – Summary of significant accounting policies and note 4a) – Assets acquisition and business combinations, to the consolidated financial statements.
 	
In 2021, the Corporation and Martinrea Innovation Developments Inc. (Martinrea) formed a joint venture through VoltaXplore. On March 24, 2023, the Corporation purchased Martinrea's 50% equity stake in VoltaXplore for an aggregate equity consideration of $9,987,586. Management accounted for this transaction as an assets acquisition. The fair value of the intangible assets acquired amounted to $6,717,680.
 	
Management applied significant judgment in estimating the fair value of the intangible assets acquired in connection with the assets acquisition of VoltaXplore.
 	
To estimate the fair value of the intangible assets acquired, management mainly used the relief from royalty method. The significant assumptions used by management in estimating the fair value of the intangible assets acquired are the royalty rate, the revenue forecast and the discount rate.
	Our approach to addressing the matter included the following procedures, among others:
	
	Tested how management estimated the fair value of the intangible assets acquired, which included the following:
	
	• Read the purchase agreement.
	• Evaluated the reasonableness of the revenue forecast by considering industry data, the relevant contract and the plant capacity.
	• With the assistance of professionals with specialized skill and knowledge in the field of valuation:
	  – Evaluated the appropriateness of the relief from royalty method used in the valuation.
	  – Tested the mathematical accuracy of the valuation.
	  – Tested underlying data used in the valuation.
	  – Evaluated the reasonableness of the royalty rate and the discount rate by comparing them with industry data.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment by management in estimating the fair value of the intangible assets acquired including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort also involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is François Berthiaume.

/s/PricewaterhouseCoopers LLP

Québec, Quebec, Canada
September 11, 2023

[1] CPA auditor, public accountancy permit No. A125971

Consolidated Statements of Financial Position

As at June 30, (Expressed in Canadian dollars)	2023 $	2022 $
Assets		
Current assets		
Cash and cash equivalents	**36,210,495**	51,232,068
Accounts receivable and contract asset *[Note 5, 11]*	**20,605,741**	21,077,868
Inventory *[Note 6]*	**17,280,115**	17,507,812
Prepaid expenses and other assets	**1,333,035**	1,132,896
	75,429,386	90,950,644
Non-current assets		
Lease deposits	**246,285**	182,792
Equipment deposits	**799,989**	—
Investment in a joint venture *[Note 7]*	**—**	4,238,774
Right-of-use assets *[Note 8a]*	**8,997,822**	8,381,031
Property, plant and equipment *[Note 8b]*	**61,824,268**	54,329,195
Intangible assets *[Note 9a]*	**14,522,038**	7,256,340
Goodwill *[Note 9b]*	**1,919,673**	1,919,673
Deferred tax assets *[Note 16]*	**1,506,342**	833,478
Total assets	**165,245,803**	168,091,927
Liabilities and Shareholders' Equity		
Current liabilities		
Operating loans *[Note 12]*	**1,478,300**	4,648,900
Accounts payable and accrued liabilities *[Note 10]*	**19,868,734**	17,029,869
Contract liability *[Note 11]*	**1,016,019**	536,060
Current portion of lease liability *[Note 12]*	**2,805,990**	2,490,911
Current portion of long-term debt *[Note 12]*	**4,558,624**	3,168,932
	29,727,667	27,874,672
Non-current liabilities		
Balance of purchase price of business acquisition *[Note 4c]*	**—**	956,014
Defined benefit liabilities *[Note 13]*	**572,463**	296,817
Lease liability *[Note 12]*	**12,412,813**	12,742,004
Long-term debt *[Note 12]*	**3,317,264**	6,281,882
Deferred tax liabilities *[Note 16]*	**2,939,526**	2,409,143
Total liabilities	**48,969,733**	50,560,532
Shareholders' equity		
Share capital *[Note 14a]*	**180,308,703**	169,354,272
Reserve *[Note 14b]*	**4,999,662**	4,185,185
Foreign currency translation reserve	**34,552**	12,070
Deficit	**(69,066,847)**	(56,020,132)
Total shareholders' equity	**116,276,070**	117,531,395
Total liabilities and shareholders' equity	**165,245,803**	168,091,927

See accompanying notes to consolidated financial statements

Approved on behalf of the Board of Directors

Soroush Nazarpour

Soroush Nazarpour

Benoit Gascon

Benoit Gascon

NanoXplore
Performance Through Carbon Chemistry

Consolidated Statements of Loss and Comprehensive loss

For the years ended June 30, (Expressed in Canadian dollars)	2023 $	2022 $
Revenues		
Revenues from customers *[Note 15]*	**122,700,485**	92,333,826
Other income *[Note 15]*	**1,156,686**	1,973,333
	123,857,171	94,307,159
Cost of Sales and Expenses		
Cost of sales *[Note 15]*	**101,414,290**	82,955,562
Research and development expenses *[Note 15]*	**3,411,718**	3,578,722
Selling, general and administrative expenses *[Note 15]*	**20,005,050**	16,398,562
Share-based compensation expenses	**1,118,772**	698,885
Depreciation (production)	**5,873,873**	5,273,039
Depreciation (other)	**1,784,886**	1,341,725
Amortization	**1,231,673**	761,298
Foreign exchange	**725,221**	233,503
	135,565,483	111,241,296
Operating loss	**(11,708,312)**	(16,934,137)
Gain (Loss) on disposal of property, plant and equipment	**(131,974)**	1,923,352
Interest on operating loans and long-term debt	**(846,111)**	(608,960)
Interest accretion on lease liability	**(626,675)**	(610,885)
Interest revenue	**1,536,128**	458,244
Share of loss of a joint venture *[Note 7]*	**(1,059,880)**	(744,285)
Loss before income taxes	**(12,836,824)**	(16,516,671)
Current income tax expense	**(80,901)**	(40,540)
Deferred income tax recovery	**119,551**	1,016,617
	38,650	976,077
Loss	**(12,798,174)**	(15,540,594)
Other comprehensive loss		
Items that may be subsequently reclassified to profit and loss:		
Exchange differences on translation of foreign subsidiaries	**22,482**	(76,103)
Items that will not be reclassified to profit and loss:		
Retirement benefits – Net actuarial gains (losses) *[Note 13]*	**(248,541)**	569,644
Total comprehensive loss	**(13,024,233)**	(15,047,053)
Loss per share		
Basic and diluted	**(0.08)**	(0.10)
Weighted average number of common shares outstanding (basic and diluted)	**166,602,592**	160,559,612

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

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

(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	—	—	—	—	(15,540,594)	(15,540,594)
Other comprehensive income	—	—	—	(76,103)	569,644	493,541
Comprehensive loss	—	—	—	(76,103)	(14,970,950)	(15,047,053)
Issuance of common shares (net of issuing costs of $2,004,968) *[Note 14a]*	6,522,000	27,996,232	—	—	—	27,996,232
Exercise of stock options *[Note 14b]*	771,466	1,290,664	(394,255)	—	—	896,409
Share-based compensation	—	—	698,885	—	—	698,885
Balance as at June 30, 2022	165,223,525	169,354,272	4,185,185	12,070	(56,020,132)	117,531,395
Loss	**—**	**—**	**—**	**—**	**(12,798,174)**	**(12,798,174)**
Other comprehensive loss	**—**	**—**	**—**	**22,482**	**(248,541)**	**(226,059)**
Comprehensive loss	**—**	**—**	**—**	**22,482**	**(13,046,715)**	**(13,024,233)**
Issuance of common shares (net of issuing costs of $24,650) *[Note 14a]*	**3,420,406**	**9,962,936**	**—**	**—**	**—**	**9,962,936**
Exercise of stock options *[Note 14b]*	**734,500**	**991,495**	**(304,295)**	**—**	**—**	**687,200**
Share-based compensation	**—**	**—**	**1,118,772**	**—**	**—**	**1,118,772**
Balance as at June 30, 2023	**169,378,431**	**180,308,703**	**4,999,662**	**34,552**	**(69,066,847)**	**116,276,070**

See accompanying notes to consolidated financial statements

NanoXplore
Performance Through Carbon Chemistry

Consolidated Statements of Cash Flows

For the years ended June 30, (Expressed in Canadian dollars)	2023 $	2022 $
Cash flows from operating activities		
Loss	**(12,798,174)**	(15,540,594)
Items not affecting cash:		
Depreciation and amortization	**8,890,432**	7,376,062
Share-based compensation expenses	**1,118,772**	698,885
Share of loss of a joint venture	**1,059,880**	744,285
Interest accretion on lease liability	**626,675**	610,885
Interest accretion on long-term debt	**112,507**	225,341
Other financial expenses	**60,826**	26,173
Deferred income tax recovery	**(119,551)**	(1,016,617)
Loss (Gain) on disposal of property, plant and equipment	**131,974**	(1,923,352)
Difference between amounts paid for employee benefits and current period expenses	**(1,432)**	52,433
Net change in fair value of foreign exchange derivatives	**(336,757)**	605,498
Unrealized foreign exchange	**(343,346)**	(274,972)
Changes in non-cash operating working capital items:		
Accounts receivable and contract asset	**822,158**	(4,556,084)
Inventory	**420,876**	(4,085,353)
Prepaid expenses and other assets	**(100,419)**	(442,903)
Accounts payable and accrued liabilities	**2,442,185**	(948,180)
Income taxes payable	**—**	(461,315)
Contract liability	**459,798**	(1,204,773)
	2,446,404	(20,114,581)
Cash flows from financing activities		
Issuance of common shares	**—**	30,001,200
Issuing costs	**(24,650)**	(2,004,968)
Exercise of stock options	**687,200**	896,409
Variation of operating loans	**(3,300,000)**	2,955,000
Issuance of long-term debt	**—**	1,539,094
Lease incentive received	**—**	1,253,921
Repayment of lease liability	**(3,257,386)**	(2,878,424)
Repayment of long-term debt	**(1,769,877)**	(5,215,070)
	(7,664,713)	26,547,162
Cash flows from investing activities		
Variation of lease deposits	**4,415**	(124,748)
Business acquisition, net of cash acquired *[Note 4c]*	**—**	(6,830,534)
Cash acquired in an assets acquisition paid in common shares *[Note 4a]*	**329,823**	—
Repayment of balance of purchase price of business acquisition *[Note 4c]*	**(1,000,000)**	(2,051,304)
Investment in a joint venture	**—**	(1,000,000)
Advance to a joint venture	**(1,000,000)**	—
Additions to intangible assets	**(1,761,773)**	(761,072)
Additions to property, plant and equipment	**(5,844,139)**	(3,297,613)
Variation of equipment deposits	**(563,698)**	—
Disposal of property, plant and equipment	**—**	8,325,052
	(9,835,372)	(5,740,219)
Change in cash and cash equivalents	**(15,053,681)**	692,362
Net effect of currency exchange rate on cash	**32,108**	15,123
Cash and cash equivalents, beginning of year	**51,232,068**	50,524,583
Cash and cash equivalents, end of year	**36,210,495**	51,232,068
Interest on operating loans, long-term debt and lease liability paid	**1,473,916**	1,232,524
Additions to property, plant and equipment included in accounts payable and accrued liabilities	**256,200**	78,806
Additions to property, plant and equipment paid with equipment deposits	**—**	291,077
Amount included in cash and cash equivalents consisting of guaranteed investment certificates bearing interest at a rate of 5.16% and having terms of 60 days *[2022 - Nil]*	**25,000,000**	—

See accompanying notes to consolidated financial statements

[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 is also a silicon-graphene-enhanced Li-ion battery manufacturer for the Electric Vehicle and grid storage markets. 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 still traded under "GRA" and is also listed on the OTCQX and traded under "NNXPF".

The Corporation has two reportable segments based on products: Advanced materials, plastics and composite products and Battery cells *[Note 20]*.

The consolidated financial statements of NanoXplore for the years ended June 30, 2023 and 2022 were reviewed, approved and authorized for issue by the Corporation's Board of Directors on September 11, 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures, except as further discussed in note 3.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on a historical cost basis.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation, which include:

a) Subsidiaries

Subsidiaries are all entities over which the Corporation has control. Control exists when the Corporation is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. The subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date that control ceases.

[EXPRESSED IN CANADIAN DOLLARS]

The Corporation has the following subsidiaries:

Subsidiaries	Reporting segment
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")	Advanced materials, plastics and composite
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.	Advanced materials, plastics and composite
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	Advanced materials, plastics and composite
Canuck Compounders Inc. ("Canuck"), based in Canada, with an equity interest of 100% [2022 – 100%]	Advanced materials, plastics and composite
VoltaXplore Inc. ("VoltaXplore"), based in Canada, with an equity interest of 100% [2022 – 50%]	Battery cells

Intercompany transactions, balances, income and expenses on transactions between the Corporation's entities are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

b) Joint venture

A joint venture is a contractual agreement whereby the Corporation agrees with other parties to undertake an economic activity that is subject to joint control, i.e. strategic financial and operating decisions relating to the joint venture's activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method. The share of earnings (loss) from joint ventures is recognized in the consolidated statement of loss and comprehensive loss. Management periodically reviews its joint ventures, for any indication of an impairment. The Corporation had no joint venture as at June 30, 2023 [2022 – One].

FOREIGN CURRENCY

a) Functional and presentation currency

NanoXplore's functional and presentation currency is the Canadian dollar. Functional currency is determined for each of the Corporation's entities, and items included in the consolidated financial statements of each entity are measured using that functional currency. All subsidiaries have the Canadian dollar as functional currency except for NanoXplore Switzerland and CEBO, which have Swiss Franc ("CHF") and for RMC Advanced Technologies Inc., NanoXplore Holdings USA and NanoXplore USA Inc which have US dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date, and their statements of operations are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive loss.

b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of loss and comprehensive loss.

Foreign exchange gains and losses are presented in the consolidated statement of loss and comprehensive loss within "Foreign exchange".

BUSINESS COMBINATION

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The acquisition date is the date at which the Corporation obtains control over the acquiree, which is generally the date that consideration is transferred, and the Corporation acquires the assets and assumes the liabilities of the acquiree. Under the acquisition method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. Acquisition-related costs are expensed as incurred and included in selling, general and administrative expenses.

A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Corporation and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs but can be integrated with the inputs and processes of the Corporation to create outputs. When acquiring a set of activities or others, which may not have outputs, the Corporation considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets: (i) has begun planned principal activities; (ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs; (iii) is pursuing a plan to produce outputs; and (iv) will be able to obtain access to customers that will purchase the outputs. Not all of the above factors need to be present for a particular integrated set of activities to qualify as a business.

REVENUE RECOGNITION

Revenues comprise the sale of manufactured products, tooling contracts and other income and are measured at the amounts specified in the customer's arrangement. Sales of manufactured products are recognized when products are delivered to the customer, which is also the moment when control of the products is transferred, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Tooling contract revenues are measured based on the progress of the work. A receivable is recognized when the products are delivered or services are rendered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Corporation does not expect to have any contracts where the period between the transfer of the promised products or services to the customer and payment by the customer exceeds one year. As a consequence, the Corporation does not adjust any of the transaction prices for the time value of money. Cash payments received or advances due pursuant to contractual arrangements are recorded as contract liability until all of the foregoing conditions of revenue recognition have been met.

If the Corporation has recognized revenues, but not issued an invoice, then the entitlement to consideration is recognized as a contract asset presented as Accounts receivable on the Corporation's consolidated statement of financial position. The contract asset is transferred to trade receivables when the invoice is issued indicating that the entitlement to payment has become unconditional. If payments are received, or invoices are issued to a customer, prior to the rendering of services, the Corporation recognizes a contract liability under the caption Contract liability on the Corporation's consolidated statement of financial position. The contract liability is transferred to revenues once related services have been deemed rendered.

Other income comprises mainly of government assistance.

GOVERNMENT ASSISTANCE

The Corporation periodically receives government assistance under government incentive programs and refundable investment tax credits. Government assistance, other than non refundable tax credits, is recognized initially as a deferred contribution at fair value when there is reasonable assurance that it will be received, and the Corporation will comply with the conditions associated with the assistance. It is recognized as other income in the consolidated statement of loss and comprehensive loss when there is a reasonable assurance that it will be received.

Non refundable investment tax credits are recognized as a reduction of the income tax in the consolidated statement of loss and comprehensive loss when there is reasonable assurance that it will be received, and the Corporation will comply with the conditions associated with the assistance and to the extent that it is probable that future profit will be available against which the non refundable investment tax credits can be used.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalty.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation classifies its financial instruments into the following categories:

a) *Financial assets at amortized cost*

Financial assets at amortized cost comprise of cash and cash equivalents and trade and other receivables. The Corporation's financial assets at amortized cost are included in current assets due to their short-term nature. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment. For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Corporation assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost comprise operating loans, trade payables and accrued liabilities, and long-term debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

c) Financial liabilities at fair value through profit or loss

A specific accounting methodology is required for derivatives designated as hedging instruments in cash flow hedge relationships or in a net investment in a foreign operation. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All derivative instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the consolidated statements of financial position. To the extent that the hedge is effective, gains and losses of derivatives designated as hedging instruments in cash flow hedges or in a net investment in a foreign operation are recognized in other comprehensive loss and included in Foreign currency translation reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in the consolidated statements of loss.

At the time the hedged item affects profit or loss, any gain previously recognized in other comprehensive loss is reclassified from equity to the consolidated statements of loss and presented as a reclassification adjustment within other comprehensive loss. However, if a nonfinancial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive loss are included in the initial measurement of the hedged item. If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognized in other comprehensive loss is transferred immediately to the consolidated statements of loss. All other derivative financial instruments are accounted for at fair value through profit or loss.

The Corporation has not provided the required documentation regarding the identification, designation and effectiveness of forward exchange contracts pursuant to hedge accounting. Therefore, the Corporation's forward exchange contracts that are used to cover the anticipated sales denominated in foreign currencies are recorded at fair value through profit or loss. Foreign exchange gains or losses are recognized in the consolidated statements of loss.

INVENTORY

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method, or the first-in-first-out method, depending on the nature on the inventory. Cost includes all expenditures directly attributable to the manufacturing process as well as suitable portions of related production overheads based on a normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the impairment is reversed (i.e. the reversal is limited to the amount of the original impairment) so that the new carrying amount is the lower of the cost and the revised net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (“PPE”) are recorded at cost, less accumulated depreciation and accumulated impairment losses, if applicable. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, taking into account any residual values. Their useful lives are as follows:

Land	Not depreciated
Building	20 to 35 years
Production equipment	2 to 25 years
Leasehold improvements	Lease term
Laboratory, computer, office equipment and rolling stock	2 to 10 years

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of loss and comprehensive loss. Where an item of PPE consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if applicable. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of loss and comprehensive loss.

Identifiable intangible assets are recorded at cost and amortized using the methods mentioned below and over the period of their expected useful lives as follows:

Customer relationship	Straight-line	10 years
Technology	Straight-line	10 years
Patents, licenses and software	Straight-line	5 and 10 years

GOODWILL

Goodwill represents the excess of the consideration transferred for the acquired businesses over the estimated fair value at the acquisition date of net identifiable assets acquired. Goodwill is not subject to amortization and is carried at cost less accumulated impairment loss but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash generating unit ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable. If the higher of the recoverable amount of the CGU's fair value less costs to sell (FVLCS), or its value in use is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined had no impairment been previously recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to the consolidated statement of loss and comprehensive loss in the period they are incurred unless certain criteria are met.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditures attributable to the intangible asset during its development.

To date, the Corporation has not capitalized any development costs.

Research and development expenses presented on the consolidated statement of loss and comprehensive loss comprise the costs to manufacture graphene and to support our sales team and research on graphene's properties. It includes costs of external consultants supporting research on graphene, employee compensation and other operating expenses involved in research and development activities.

LEASES

Leases are initially measured at cost and subsequently depreciated. Initial measurement of costs is determined by the amount of the initial measurement of the lease liability, less any lease inducements receivable and any lease payments made at or before the commencement date, plus any initial direct costs, and any restoration costs. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The lease liability is subsequently measured using a constant periodic rate of interest on the remaining balance of the lease liability and is subsequently adjusted for interest and lease payments. The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case the income tax is also recognized directly in other comprehensive loss or equity, respectively.

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

In general, deferred income tax is recognized with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date and that are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be used. Deferred tax assets and liabilities are presented as non-current.

PROVISIONS

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

EMPLOYEE FUTURE BENEFITS

The Corporation offers a defined benefit pension plan to certain non-Canadian employees. The net periodic pension expense for this plan is actuarially determined on an annual basis by an independent actuary using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected mortality and expected rate of future compensation. Actual results will differ from estimated results based on assumptions. The vested portion of past service cost arising from plan amendments is recognized immediately in the statement of loss and comprehensive loss. The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits vest. The liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in other comprehensive loss and included in the consolidated statement of loss and comprehensive loss.

If the fund is in deficit as per the Swiss law, the collective foundation, responsible for the management of the fund, could potentially ask for an equal contribution from the employer, employee and pensioners, which creates an actuarial obligation under IAS 19 even if the outflow of economic resources is not probable.

Contributions to defined contribution pension plans are expensed as incurred, which is as the related employee service is rendered.

SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recorded as a deduction from the proceeds in equity in the period in which the shares are issued.

SHARE-BASED COMPENSATION

The fair value of stock options granted to employees is recognized as an expense, over the vesting period with a corresponding increase in the reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date on which the goods or services are received.

The fair value is measured at the grant date and recognized over the period during which the stock options vest. The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Determination of the grant date fair value requires management estimates such as risk-free interest rate, volatility and weighted average expected life.

At each consolidated statement of financial position date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise, are reclassified from reserve to share capital.

LOSS PER SHARE

Basic loss per share is based on the weighted average number of common shares outstanding of the Corporation during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive.

SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are significant management judgments used in applying the accounting policies of the Corporation that have the most significant effect on the consolidated financial statements. When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

a) Government assistance and SR&ED

Government assistance is accounted for as other income during the year in which the costs are incurred, provided that the Corporation is reasonably certain based on management's judgment that the government assistance will be received. Government assistance must be examined and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded by management. In cases where it would be reasonable to believe that certain amounts collected would have to be repaid, a provision is taken.

b) Assets acquisition and business combinations

The valuation of identifiable assets and liabilities in connection with the acquisition of a business involves items in the acquired Corporation's statement of financial position, as well as items that have not been recognized in the acquired Corporation's statement of financial position such as customer relationships that should be valued at fair value. In normal circumstances, as quoted market prices are not always available for the assets and liabilities that are to be valued, different valuation methods have to be used. These valuation methods are based on a number of assumptions. All statement of financial position items acquired in a business combination are thus subject to estimates and judgments.

Management applied significant judgment in estimating the fair value of the intangible assets acquired in connection with the VoltaXplore assets acquisition detailed in Note 4a. To estimate the fair value of the intangible assets acquired, management mainly used the relief from royalty method. The significant assumptions used by management in estimating the fair value of the intangible assets are the royalty rate, the revenue forecast and the discount rate.

Management applied significant judgment in estimating the fair value of the property, plant and equipment and intangible assets acquired in connection with the Canuck business combination detailed in Note 4c. To estimate the fair value of the property, plant and equipment acquired, management mainly used the depreciated cost method. The significant assumptions used by management in estimating the fair value of property, plant and equipment acquired included the replacement cost new, or reproduction cost new, as applicable, as well as the allowances for obsolescence. To estimate the fair value of the intangible assets acquired, management used the multi-period excess earnings method. The significant assumptions used by management in estimating the fair value of intangible assets acquired included the revenue growth rate and the EBITDA margin.

c) Impairment of property, plant and equipment, goodwill and intangible assets

An impairment loss is recognized for the amount by which the asset or CGU exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Corporation's assets during the next financial years. In most cases, the determination of the discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

d) Revenue recognition on separately priced tooling contracts

Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Revenue is recognized as the work progresses, which is calculated using the costs incurred to date and the total estimated contract costs. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is recorded in the period in which the loss is determined. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes.

e) Macroeconomics and supply chain issues

The impact of 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 on our consolidated financial statements for the year ended June 30, 2023 has been limited. A material deterioration in any of the foregoing could have a material adverse effect on the Corporation's business and results of operations. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these consolidated financial statements, the Corporation is not aware of any specific event or circumstance that would require the Corporation to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known.

f) Deferred tax assets

Management exercises judgment in the assessment of the probability of future taxable income, to estimate the extent to which deferred income tax assets can be realized. Estimates are based on the Corporation's most recently approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules and tax planning strategies in the numerous jurisdictions in which the Corporation operates are carefully taken into consideration. Management uses judgment to assess specific facts and circumstances to assess legal or economic limits or other uncertainties and to determine the number of years to include in the forecast period.

3. NEW ACCOUNTING STANDARDS

THE FOLLOWING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS HAVE BEEN ADOPTED DURING THE LAST YEAR

Amendment to IAS *16* – Property, Plant and Equipment

The amendment to proceeds before intended use prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and it adds requirements of certain related disclosures. There has been no impact of the adoption of this amendment as at July 1st, 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 January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to clarify the requirements for classifying liabilities as current or non-current. More specifically, the amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the consolidated statement of financial position date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and the amendments clarify the situations that are considered settlement of a liability.

On February 12, 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to add a requirement to disclose the material accounting policy information, instead of significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

These new guidances will be effective for annual periods starting on or after January 1, 2023. There has been no impact of the adoption of this amendment as at July 1st, 2023.

***Amendments to IAS 8* – Accounting policies, Changes in Accounting Estimates and Errors**

The amendments to IAS 8 introduce a definition of accounting estimates and provide clarifications to distinguish accounting policies from accounting estimates. The new guidance will be effective for annual periods starting on or after January 1, 2023. There has been no impact of the adoption of these amendments as at July 1st, 2023.

***Amendments to IAS 7* – Statement of Cash Flows and to *IFRS 7* – Financial Instruments: Disclosures**

On May 25, 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The new guidance will be effective for annual periods starting on or after January 1, 2024. Management has not yet determined the impact, if any, on the Corporation.

[EXPRESSED IN CANADIAN DOLLARS]

4. ASSETS ACQUISITION AND BUSINESS COMBINATIONS

a) VOLTAXPLORE

On April 14, 2021, NanoXplore and Martinrea Innovation Developments Inc., a wholly-owned subsidiary of Martinrea International Inc. ("Martinrea"), formed a joint venture through VoltaXplore, a battery-based initiative to service the electric transportation and grid storage market.

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.

The VoltaXplore acquisition has been recorded as an acquisition of assets as VoltaXplore does not meet the definition of a business under IFRS 3, *Business Combinations*. The assets acquired and liabilities assumed were initially recognized applying a cost accumulation approach.

The consideration paid and the allocation to the net assets acquired are summarized as follow:

	$
Net identifiable assets acquired:	
Cash	**329,823**
Accounts receivable and contract asset	**37,127**
Prepaid expenses and other assets	**57,185**
Lease deposits	**60,066**
Equipment deposits	**236,291**
Right-of-use assets	**1,183,379**
Property, plant and equipment	**7,264,853**
Intangible assets	**6,717,680**
	15,886,404
Accounts payable and accrued liabilities	**(328,054)**
Lease liability	**(1,391,870)**
Advance from NanoXplore Inc.	**(1,000,000)**
	(2,719,924)
Net assets acquired	**13,166,480**

	$
Consideration paid	
Common shares issuance	**9,987,586**
50% equity stake previously owned	**3,178,894**
Total consideration paid	**13,166,480**

b) XG SCIENCES INC.

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.

[EXPRESSED IN CANADIAN DOLLARS]

c) CANUCK

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 *($1,000,000 discounted at a rate of 3%)*	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.

	$
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**
	16,255,265
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)**
	(8,556,366)
Total identifiable net assets	**7,698,899**
Goodwill	**1,459,509**
Total consideration paid or to be paid in cash	**9,158,408**

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.

[EXPRESSED IN CANADIAN DOLLARS]

5. ACCOUNTS RECEIVABLE AND CONTRACT ASSET

	2023 $	2022 $
Trade receivables	**19,194,635**	18,518,088
Minus: Allowance for doubtful accounts	**(259,107)**	(136,429)
	18,935,528	18,381,659
Contract asset *[Note 11]*	**157,696**	1,106,065
Government receivables	**1,336,988**	1,202,529
Other receivables	**175,529**	387,615
	20,605,741	21,077,868

The Corporation reviews all amounts periodically for indication of impairment, and the expected credit loss has been provided for as allowance for doubtful accounts. Trade accounts receivables are not past due, except for $1,040,829 and $1,064,971 [2022 – $924,248 and $604,353] that are outstanding, respectively, for the periods from 91 to 120 days and over 120 days.

The majority of the trade receivables are pledged as security for the credit facilities *(Note 12)*.

6. INVENTORY

	2023 $	2022 $
Raw materials and consumables	**11,244,854**	11,906,400
Work in progress	**2,242,091**	2,126,342
Finished goods	**3,793,170**	3,475,070
	17,280,115	17,507,812

The Corporation expects full recovery of this amount in the next fiscal year. The majority of inventories is pledged as security for the credit facilities *(Note 12)*. The cost of inventory write-down recorded as an expense and included in cost of sales for the year ended June 30, 2023 is nil [2022 – nil], as a result of net realizable value being lower than cost.

7. INVESTMENT IN A JOINT VENTURE

On April 14, 2021, NanoXplore and Martinrea Innovation Developments Inc., a wholly-owned subsidiary of Martinrea International Inc. (“Martinrea”), formed a joint venture through VoltaXplore, a battery-based initiative to service the electric transportation and grid storage market. VoltaXplore’s main activities are research and development of Lithium-Ion battery cells enhanced with graphene for electric vehicle (EV) batteries. The Corporation and Martinrea have each invested $4,036,000 initially into VoltaXplore as startup capital to support the construction of a demonstration facility. The Corporation paid $4,000,000 in cash and $36,000 consisted of a transfer of intangible assets. This investment has been accounted for using the equity method.

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

On March 24, 2023, NanoXplore Inc. purchased Martinrea Innovation Developments Inc.’s 50% equity stake in VoltaXplore. VoltaXplore is now a wholly-owned subsidiary of the Corporation and its assets and liabilities are included in the consolidated statements of financial position and operating results are reflected in the consolidated statements of loss and comprehensive loss of the Corporation.

[EXPRESSED IN CANADIAN DOLLARS]

The change in the investment in VoltaXplore is detailed as follows:

	2023 $	2022 $
Balance at the beginning	**4,238,774**	3,983,059
Investment in a joint venture	**–**	1,000,000
Control acquisition	**(3,178,894)**	–
Share of loss and comprehensive loss of the year	**(1,059,880)**	(744,285)
Balance as at the end	**–**	4,238,774

The condensed financial information regarding VoltaXplore while it was a joint venture is detailed as follows.

	2023 $	2022 $
Statement of financial position		
Current assets	**–**	1,232,220
Non-current assets	**–**	9,109,359
Current liabilities	**–**	(480,209)
Non-current liabilities	**–**	(1,344,037)
Net assets	**–**	8,517,333
Carrying amount of investment	**–**	4,238,774
Statement of loss		
Loss	**(2,119,760)**	(1,488,570)
Share of loss	**(1,059,880)**	(744,285)
Additional information		
Cash	**–**	729,753
Depreciation and amortization	**–**	412,368
Interest expense	**–**	73,344
Interest revenue	**–**	13,647

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

a) RIGHT-OF-USE ASSETS

	2023 $	2022 $
Balance at the beginning	**8,381,031**	4,885,169
Additions *[Note 4a]*	**2,116,908**	3,252,623
Acquired in a business combination *[Note 4c]*	**–**	1,550,072
Depreciation	**(1,639,144)**	(1,382,130)
Effect of foreign exchange differences	**139,027**	75,297
Balance at the end	**8,997,822**	8,381,031
As at June 30		
Cost	**14,857,025**	12,601,090
Accumulated amortization	**(5,859,203)**	(4,220,059)
Net book value	**8,997,822**	8,381,031

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

[EXPRESSED IN CANADIAN DOLLARS]

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 *[Note 4c]*	–	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 *[Note 4a, 4b]*	**531,848**	**1,426,323**	**437,987**	**10,890,228**	**13,286,386**
Disposals	**–**	**(129,578)**	**–**	**(2,396)**	**(131,974)**
Depreciation	**(466,635)**	**(4,322,877)**	**(358,044)**	**(872,059)**	**(6,019,615)**
Effect of foreign exchange differences	**–**	**301,582**	**38,685**	**20,009**	**360,276**
Balance as at June 30, 2023	**9,516,322**	**38,774,489**	**2,981,740**	**10,551,717**	**61,824,268**
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 June 30, 2023					
Cost	**11,092,695**	**52,596,473**	**4,000,950**	**12,831,919**	**80,522,037**
Accumulated depreciation	**(1,576,373)**	**(13,821,984)**	**(1,019,210)**	**(2,280,202)**	**(18,697,769)**
Net book value	**9,516,322**	**38,774,489**	**2,981,740**	**10,551,717**	**61,824,268**

The majority of property, plant and equipment is pledged as security for the credit facilities *(Note 12)*.

The net book value of production equipment and of rolling stock held under leases as of June 30, 2023 were respectively $4,284,482 and nil [2022 – $4,759,253 and $1,063]. Additions of production equipment under lease during the year ended June 30, 2023 amounted to nil [2022 – $254,605]. The depreciation of production equipment and of rolling stock held under leases as of June 30, 2023 were respectively $474,772 and $1,063 [2022 – $461,109 and $25,678].

As at June 30, 2023, there are nil, $127,757 and $177,015 of building, production equipment and computer, respectively, that are not yet available for use and for which depreciation has not started [2022 – $606,907, $749,182 and nil].

[EXPRESSED IN CANADIAN DOLLARS]

9. INTANGIBLE ASSETS AND GOODWILL

a) INTANGIBLE ASSETS

	Customer relationship $	Technology $	Patents, licenses and software $	Total $
Balance as at July 1, 2021	3,166,170	–	188,276	3,354,446
Additions	–	–	761,072	761,072
Acquired in a business combination *[Note 4c]*	3,900,000	–	–	3,900,000
Amortization	(659,449)	–	(101,849)	(761,298)
Effect of foreign exchange differences	1,387	–	733	2,120
Balance as at June 30, 2022	6,408,108	–	848,232	7,256,340
Additions *[Note 4a, 4b]*	**–**	**6,688,953**	**1,790,423**	**8,479,376**
Amortization	**(832,559)**	**(167,224)**	**(231,890)**	**(1,231,673)**
Effect of foreign exchange differences	**860**	**–**	**17,135**	**17,995**
Balance as at June 30, 2023	**5,576,409**	**6,521,729**	**2,423,900**	**14,522,038**
As at June 30, 2022				
Cost	8,572,895	–	1,131,317	9,704,212
Accumulated depreciation	(2,164,787)	–	(283,085)	(2,447,872)
Net book value	6,408,108	–	848,232	7,256,340
As at June 30, 2023				
Cost	**8,573,755**	**6,688,953**	**2,938,875**	**18,201,583**
Accumulated depreciation	**(2,997,346)**	**(167,224)**	**(514,975)**	**(3,679,545)**
Net book value	**5,576,409**	**6,521,729**	**2,423,900**	**14,522,038**

As at June 30, 2023, there are $368,484 of software that are not yet available for use and for which amortization has not started [2022 – nil].

b) GOODWILL

	2023 $	2022 $
Balance at the beginning	**1,919,673**	460,164
Acquired in a business combination *[Note 4c]*	**–**	1,459,509
Balance at the end	**1,919,673**	1,919,673

For impairment testing, the carrying amount of goodwill was allocated to the Sigma cash generating unit ("CGU") for an amount of $460,164 and to the Canuck CGU for an amount of $1,459,509. The recoverable amount of each CGU was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the Board-approved budgets for the next fiscal year. The forecasts reflected past experience. Management believes that any reasonably possible change in the key assumptions on which the CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. No impairment loss was recorded during the years ended June 30, 2023 and 2022.

[EXPRESSED IN CANADIAN DOLLARS]

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023 $	2022 $
Trade payables	**11,226,119**	10,203,190
Accrued liabilities	**3,258,383**	2,278,685
Current portion of balance of purchase price *[Note 4c]*	**985,090**	1,000,000
Foreign exchange forward contracts *[Note 18]*	**238**	336,995
Payroll and its withholding taxes payable	**4,398,904**	3,210,999
	19,868,734	17,029,869

11. CONTRACT ASSET AND CONTRACT LIABILITY

Contract asset and contract liability are related to tooling contracts with customers.

	2023 $	2022 $
Balance at the beginning	**570,005**	(1,019,914)
Amount recognized as revenues during the year	**3,305,419**	6,895,863
Advance cash consideration received during the year	**(4,733,747)**	(5,305,944)
Balance at the end	**(858,323)**	570,005
Contract asset *[Note 5]*	**157,696**	1,106,065
Contract liability	**(1,016,019)**	(536,060)

12. CREDIT FACILITIES

	Maturity	Effective interest rate %	2023 $	2022 $
Operating loans, fixed and variable rates – Authorized amount of $11,802,300	**2023**	**5.4% to 9.1%**	**1,478,300**	4,648,900
Lease liability	**2023 to 2032**	**2.2% to 10.0%**	**15,218,803**	15,232,915
Long-term debt, fixed and variable rates	**2024 to 2030**	**5.0% to 8.0%**	**7,875,888**	9,450,814
			24,572,991	29,332,629
Less: current portion of operating loans			**1,478,300**	4,648,900
Less: current portion of lease liability			**2,805,990**	2,490,911
Less: current portion of long-term debt			**4,558,624**	3,168,932
			15,730,077	19,023,886

[EXPRESSED IN CANADIAN DOLLARS]

a) OPERATING LOANS

The Corporation has the following credit lines with these three banks:

i. **National Bank of Canada:**
An authorized maximum bank line of credit of $7,250,000, subject to a borrowing base, which is primarily based on eligible accounts receivable and inventory balances. The facility bears interest at Canadian prime rate plus 0.3%. The Corporation has also an authorized maximum bank line of credit of US$1,000 000 [$1,324,000]. The facility bears interest at American prime rate plus 0.3%. A movable hypothec on accounts receivable, inventories and all present and future, tangible and intangible assets has been given as security. These credit facilities are renewable annually and mature in November 2023. Under these agreements, the Corporation has agreed to respect certain conditions and financial ratios. As at June 30, 2023, the facilities weren't used, and all conditions and financial ratios were met [2022 – $3,300,000].

ii. **Banque Cantonale Vaudoise:**
A credit facility agreement which authorized the Corporation a maximum operating loan of CHF 1,000,000 [$1,478,300]. The operating loan bears interest at 5.38%. The credit facility was renewed on August 28, 2023 for one month at a rate of 5.64%. A general assignment of debtors has been given as security. Under this agreement, the Corporation has agreed to respect certain conditions and financial ratios. As of June 30, 2023, the Corporation had drawn CHF 1,000,000 [$1,478,300] under this credit facility and all applicable covenants were met [2022 – CHF 1,000,000 [$1,348,900]].

iii. **Royal Bank of Canada:**
An authorized maximum bank line of credit of $1,750,000. The facility bears interest at Canadian prime rate plus 0.5%. A security interest on property and on inventory has been given as security. The facility is renewable annually and mature in November 2023. As at June 30, 2023 and 2022, the facility wasn't used.

b) LONG-TERM DEBT

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 term loans and credit facilities. Under these agreements, the Corporation has agreed to meet certain conditions and financial ratios. As at June 30, 2023, all conditions and financial ratios were met.

13. EMPLOYEE BENEFITS OBLIGATION

DEFINED BENEFIT PENSION PLAN

The Corporation offers a defined benefit pension plan to all Swiss employees.

Employees are eligible for this plan if they meet certain conditions. Depending on the age, salary and the applicable pension fund, ordinary contributions are directly deducted as a percentage from the salary. The Corporation contributes between 50% and 60% of the ordinary contributions for the employees. **If the fund is in deficit as per the Swiss law, the collective foundation, responsible for the management of the fund, could potentially ask for an equal contribution from the employer, employee and pensioners, which creates an actuarial obligation under IAS 19 even if the outflow of economic resources is not probable.**

The funded status of the benefits and the amounts recorded in the consolidated statements of financial position were as follows:

	2023 $	**2022 $**
Plan assets at fair value	**4,891,484**	3,866,370
Defined benefit liabilities	**(5,463,947)**	(4,163,187)
Retirement benefit deficit	**(572,463)**	(296,817)

[EXPRESSED IN CANADIAN DOLLARS]

The amount for asset ceiling effect and for minimum funding requirement amounted to nil [2022 – nil].

The changes of the defined benefit liabilities were as follows:

	2023 $	2022 $
Balance at the beginning	**4,163,187**	5,187,842
Participant contribution	**239,705**	198,839
Benefits paid	**(96,044)**	(536,056)
Items in net loss		
Current service cost	**241,650**	255,609
Interest cost	**104,595**	20,672
Administration cost	**2,280**	2,605
	348,525	278,886
Items in comprehensive loss		
Actuarial loss (gain)	**409,198**	(987,951)
Foreign currency translation	**399,376**	21,627
	808,574	(966,324)
Defined benefit liabilities	**5,463,947**	4,163,187

The present value of the defined benefit liabilities may be reflected as follows:

	2023 %	2022 %
Active plan participants	**71%**	74%
Pensioners	**29%**	26%

The changes in fair value of the plan assets were as follows:

	2023 $	2022 $
Balance at the beginning	**3,866,370**	4,376,526
Employer contribution	**252,338**	209,803
Participant contribution	**239,705**	198,839
Benefits paid	**(96,044)**	(536,056)
Item in net loss		
Interest income on plan assets	**97,556**	17,321
Items in comprehensive loss		
Return on plan assets	**160,657**	(418,307)
Foreign currency translation	**370,902**	18,244
	531,559	(400,063)
Plan assets at fair value	**4,891,484**	3,866,370

The Corporation estimates to contribute $257,700 to the defined benefit plan during the next fiscal year.

[EXPRESSED IN CANADIAN DOLLARS]

The actuarial assumptions used to determine the Corporation's pension plan benefit obligation and expense were as follows:

	2023	2022
Discount rate	**1.9%**	2.2%
Salary increase	**1.0%**	1.0%
Rate of increase in eligible earnings	**0%**	0%
Inflation	**1.0%**	1.0%
Long-term interest on retirement accounts	**1.9%**	2.2%
Mortality decrement and turnover rate	**BVG / LPP 2020 GT Table**	BVG / LPP 2020 GT Table
Disability decrement	**85% BVG / LPP 2020 GT Table**	85% BVG / LPP 2020 GT Table
Retirement	**100% at regular retirement age**	100% at regular retirement age

To determine the most suitable discount rate, management considers the interest rates for high-quality bonds issued by entities operating in Switzerland with cash flows that match the timing and amount of expected benefit payments. The mortality and disability rate are based on the available rate in Switzerland for private pension funds. The Corporation chose the salary increase and turnover rates to reflect our specific situation.

A 0.25% change in the significant actuarial assumptions below would have the following effects on the defined benefit obligation, all other actuarial assumptions remaining the same:

	0.25% increase $	0.25% decrease $
Discount rate	**(179,581)**	**189,246**
Salary increase	**17,862**	**(23,812)**

14. EQUITY

a) SHARE CAPITAL

Authorized

Unlimited number of common shares, without nominal or par value, entitled to vote, to receive dividends subject to the priority of payment of dividends attaching to the series of first preferred and second preferred shares, and in the event of liquidation or winding up, to receive the remaining assets of the Corporation.

Unlimited number of first preferred shares, without nominal or par value, not entitled to vote, issuable in series, entitled to receive dividends in priority to the holders of common shares and second preferred shares, and in the event of liquidation or winding up, to receive amounts the articles of the Corporation provide must be paid in priority to the holders of common shares and second preferred shares.

Unlimited number of second preferred shares, without nominal or par value, not entitled to vote, issuable in series, entitled to receive dividends in priority to the holders of common shares, and in the event of liquidation or winding up, to receive amounts the articles of the Corporation provide must be paid in priority to the holders of common shares.

Issued

There are no first preferred shares and second preferred shares issued and outstanding.

[EXPRESSED IN CANADIAN DOLLARS]

Issued and outstanding common shares are detailed as follows:

	Number of shares	$
Balance as at July 1, 2021	157,930,059	140,067,376
Issuance of common shares in February 2022	6,522,000	27,996,232
Exercise of stock options	771,466	1,290,664
Balance as at June 30, 2022	165,223,525	169,354,272
Issuance of common shares in March 2023 *[Note 4a]*	**3,420,406**	**9,962,936**
Exercise of stock options	**734,500**	**991,495**
Balance as at June 30, 2023	**169,378,431**	**180,308,703**

On March 24, 2023, NanoXplore Inc. issued 3,420,406 common shares to purchase from Martinrea Innovation Developments Inc. 50% equity stake in VoltaXplore for an aggregate equity consideration of $9,987,586. The aggregate issuance costs related to the issuance, in the total amount of $24,650 paid in cash were recorded as a reduction of share capital.

On February 24, 2022, the Corporation completed a financing by way of a prospectus supplement dated February 17, 2022 to the Corporation's short form base shelf prospectus dated January 24, 2022 of 6,522,000 common shares at a price of $4.60 per share for gross proceeds of $30,001,200. The aggregate issuance costs related to this issuance, including the commission, were $2,004,968 and were paid in cash.

b) STOCK OPTIONS

The incentive stock option plan allows the Corporation to grant to employees, directors, officers and consultants options to purchase shares of the Corporation. The plan is a fixed plan of a maximum of 8,000,000 stock options. The terms and conditions of each option granted under the plan, including the vesting schedule and the expiry date, will be determined by the Board of Directors. The exercise price for any stock option shall be determined by the Board of Directors and shall not be lower than the market price of the underlying common shares at the time of grant.

The following table summarizes the changes in the number of stock options outstanding for the years ended June 30:

	2023		2022	
	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
Balance at the beginning	**3,287,000**	**1.98**	3,833,466	1.62
Options granted to officers, directors and employees	**800,000**	**3.40**	300,000	4.77
Options exercised	**(734,500)**	**0.94**	(771,466)	1.16
Options expired	**(66,666)**	**3.85**	(12,500)	3.55
Options forfeited	**(110,834)**	**2.98**	(62,500)	3.07
Balance at the end	**3,175,000**	**2.51**	3,287,000	1.98
Options exercisable as at June 30	**2,254,166**	**2.02**	2,665,332	1.51

During the year ended June 30, 2023, 800,000 options were granted. These options have an exercise price between $2.79 and $3.68 with a vesting period between two and three years and a half and expiration date of 5 years from the grant date. The exercise price is based on the share price the day prior to the grant.

During the year ended June 30, 2023, 734,500 options were exercised resulting in cash proceeds of $687,200 and a transfer from "Reserve" to "Share capital" of $304,295. The weighted average share price on the date of exercise of the options was $3.29.

[EXPRESSED IN CANADIAN DOLLARS]

During the year ended June 30, 2022, 300,000 options were granted. These options have an exercise price between $2.61 and $6.44 with a vesting period of three years and a half and expiration date of 5 years from the grant date. The exercise price is based on the share price the day prior to the grant.

During the year ended June 30, 2022, 771,466 options were exercised resulting in cash proceeds of $896,409 and a transfer from "Reserve" to "Share capital" of $394,255. The weighted average share price on the date of exercise of the options was $5.61.

At as June 30, 2023, stock options issued and outstanding by range of exercise price are as follows:

	Options outstanding			Options exercisable	
Range of exercise price ($)	**Remaining contractual life (in years)**	**Number outstanding**	**Weighted average exercise price ($)**	**Number exercisable**	**Weighted average exercise price ($)**
1.22 - 1.41	0.59	1,650,000	1.37	1,650,000	1.37
2.34 - 2.79	3.46	200,000	2.57	75,000	2.34
3.12 - 3.85	3.57	1,125,000	3.56	454,166	3.63
5.27	3.62	100,000	5.27	25,000	5.27
6.44	3.23	100,000	6.44	50,000	6.44
	1.97	**3,175,000**	**2.51**	**2,254,166**	**2.02**

The fair value of the options granted was estimated using the Black-Scholes model. The weighted average inputs into the model and the resulting grant date fair values were as follows:

	2023	**2022**
Volatility	**69.61%**	60.83%
Risk-free interest rate	**3.00%**	1.83%
Expected life	**60 months**	60 months
Weighted average fair value of the option	**$2.02**	$2.49

The expected volatility was based on the Corporation's historical share price for the year ended 30, 2023 [2022 – was estimated by benchmarking comparable situations for companies that are similar to the Corporation]. There is no expected dividend yield.

15. REVENUES AND EXPENSES

The following table summarizes the details of the revenues for the years ended June 30:

	2023 $	**2022 $**
Sales of manufactured products	**119,395,066**	85,437,963
Tooling revenues	**3,305,419**	6,895,863
Total revenues from customers	**122,700,485**	92,333,826
Government assistance	**1,136,351**	1,901,733
Other revenues	**20,335**	71,600
Total other income	**1,156,686**	1,973,333
	123,857,171	94,307,159

Government assistance consists of grants received from different government programs [2022 – mainly from the Canada Emergency Wage Subsidy and from Sustainable Development Technology Canada].

[EXPRESSED IN CANADIAN DOLLARS]

The following table summarizes the details of the cost of sales, research and development expenses and selling, general and administrative expenses by nature for the years ended June 30:

	2023 $	2022 $
Salaries and fringe benefits	**39,939,224**	34,018,019
Materials and subcontracting	**65,326,110**	52,373,193
Repairs and maintenance	**3,544,625**	3,372,994
Professional fees	**2,413,954**	2,860,298
Other operating expenses	**13,607,145**	10,308,342
	124,831,058	102,932,846

16. INCOME TAXES

Reconciliation of the effective tax rates is as follows:

	2023 $	2022 $
Statutory tax rate	**26.50%**	26.50%
Loss before income taxes for the year	**12,836,824**	16,516,671
Tax recovery at statutory rate	**3,401,758**	4,376,918
Increase (decrease) resulting from:		
Non deductibles expenses	**(312,885)**	25,544
Effect of difference of foreign tax rates	**(114,369)**	(141,378)
Tax effect of unrecognized temporary difference and tax losses	**(2,840,959)**	(3,474,149)
Recognition of non-refundable tax credits	**275,602**	–
Other	**(370,497)**	189,142
Net tax recovery	**38,650**	976,077

Reconciliation of the deferred income tax assets and liabilities as at June 30, 2023 and 2022 is as follows:

	2022 $	Deferred income tax recovery (expenses) $	Foreign currency translation adjustment $	2023 $
Deferred income tax assets				
Research and development	**68,950**	(12,017)	–	**56,933**
Non-capital losses	**4,722,050**	(1,423,269)	553	**3,299,334**
Other	**171,198**	515,152	7,096	**693,446**
Deferred income tax liabilities				
Financing fees	**(16,787)**	736	–	**(16,051)**
Intangible assets	**(5,064,933)**	884,996	15,281	**(4,164,656)**
Property, plant and equipment	**(1,456,143)**	153,953	–	**(1,302,190)**
Deferred income tax assets (liabilities)	**(1,575,665)**	**119,551**	**22,930**	**(1,433,184)**

[EXPRESSED IN CANADIAN DOLLARS]

	2021 $	Deferred income tax recovery (expenses) $	Foreign currency translation adjustment $	Business acquisitions and others $	2022 $
Deferred income tax assets					
Research and development	**–**	68,950	–	–	**68,950**
Non-capital losses	**3,529,659**	1,144,465	47,926	–	**4,722,050**
Other	**87,757**	81,146	2,295	–	**171,198**
Deferred income tax liabilities					
Financing fees	**(14,671)**	(2,116)	–	–	**(16,787)**
Intangible assets	**(4,439,572)**	(450,345)	(46,016)	(129,000)	**(5,064,933)**
Property, plant and equipment	**–**	83,392	–	(1,539,535)	**(1,456,143)**
Other	**(91,125)**	91,125	–	–	**–**
Deferred income tax assets (liabilities)	**(927,952)**	**1,016,617**	**4,205**	**(1,668,535)**	**(1,575,665)**

The deferred income tax assets are recognized, as the Corporation believes it is probable that taxable profits will be available in the future against which the tax loss carry forward can be utilized. However, some deferred tax assets have not been recognized because at this stage of the Corporation's development, it is not determinable that taxable profit will be available against which the Corporation can utilize deferred income tax assets. As at June 30, 2023 and 2022, significant components of the Corporation's net unrecognized deductible temporary differences for which no deferred taxes have been recognized are:

	2023 $	2022 $
Property, plant and equipment	**1,515,439**	1,089,245
Share issue costs	**636,506**	968,047
Non-capital losses carried forward	**13,046,783**	11,291,109
Research and development	**948,751**	675,103
Other assets	**286,152**	379,410
Total deferred income tax assets	**16,433,631**	14,402,914

As at June 30, 2023, the year of expiry of operating losses for which no deferred income tax assets were recognized in the Consolidated Statements of Financial Position are as follows, presented by tax jurisdiction for Canada:

	Federal $	Provincial $
More than 10 years	49,127,897	49,678,061
2033	280,508	280,448
2032	126,289	134,806
2031	56,354	56,354
2030	198,140	198,140
2029	129,776	129,743
2028	62,077	62,042
2027	4,756	2,408
Total	**49,985,797**	**50,542,002**

As at June 30 2023, the Corporation also has $2,659,052 of accumulated losses in Switzerland, which will begin expiring in 2025.

As at June 30, 2023, the Corporation has accumulated non-refundable Federal SR&ED tax credits of $620,238 which can be used to reduce income tax payable in the future, and will begin expiring as of 2033.

[EXPRESSED IN CANADIAN DOLLARS]

17. RELATED PARTY TRANSACTIONS

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 year ended June 30, 2023 for an amount of $1,139,977 [2022 – $1,111,065]. As at June 30, 2023, an amount of $574,373 due by Martinrea is included in Accounts receivable and contract assets [2022 – $628,008].

During the year ended June 30, 2023, the Corporation has rendered services to VoltaXplore, prior to acquiring the second 50% equity stake on March 24, 2023 *(Note 4a),* for an amount of $20,335 [2022 – $16,069]. As at June 30, 2022, an amount of $37,435 was included in Accounts receivable and contract assets. Since March 24, 2023, VoltaXplore is a wholly-owned subsidiary of the Corporation and its assets and liabilities are included in the consolidated statements of financial position and operating results are reflected in the consolidated statements of loss and comprehensive loss of the Corporation.

The remuneration of directors and key management personnel during the year was as follows:

	2023 $	2022 $
Consulting fees, wages and salaries	**2,483,872**	1,679,200
Director fees	**571,909**	275,313
Share-based compensation – Management	**362,432**	–
Share-based compensation – Directors	**185,973**	130,817
	3,604,186	2,085,330

Key management employees are subject to employment agreements which provide for market standard payments on termination of employment without cause providing for payments between twelve and eighteen months of base salary. Minimum commitments under these agreements are approximately $1,764,000. These agreements require that additional minimum payments of approximately $2,682,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

18. COMMITMENTS

As at June 30, 2023, the Corporation held forward exchange contracts to sell for a minimum of US$27.9 million and a maximum of US$41.9 million depending on the exchange rate of such derivative contracts. Rates vary from 1.2800 to up to 1.3720. The contracts are valid until April 2025. As at June 30, 2023 and 2022, the carrying value of the derivative foreign currency forward exchange contracts is included in Accounts payable and accrued liabilities.

19. FINANCIAL INSTRUMENTS

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below.

FAIR VALUE RISK

IFRS requires that the Corporation disclose information about the fair value of its financial assets and financial liabilities. Fair value estimates are made based on relevant market information and information about the financial instrument. The Corporation is exposed to various financial risks resulting from its operations. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Corporation classifies its financial assets and financial liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

[EXPRESSED IN CANADIAN DOLLARS]

The following assumptions and valuation methodologies have been used to measure the fair value of financial instruments:

(i) The fair value of its short-term financial assets and financial liabilities, including cash and cash equivalents, trade and other receivables, operating loans, and trade payables, accrued liabilities and current portion of balance of purchase price, approximates their carrying value due to the short-term maturities of these instruments; and
(ii) The fair value of long-term debt is estimated based on discounted cash flows using current interest rates for instruments with similar terms and remaining maturities. The Corporation categorized the fair value measurement in Level 3.
(iii) The fair value of derivative foreign currency forward contracts is estimated based on mark-to-market value. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The carrying values and fair values of financial instruments, by class, are as follows as at June 30, 2023 and 2022:

	2023		2022	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Financial liabilities at amortized cost				
Long-term debt	**7,875,888**	**7,875,888**	9,450,814	9,450,814
Fair value through profit or loss				
Derivative foreign currency forward contract	**238**	**238**	336,995	336,995
Total	**7,876,126**	**7,876,126**	9,787,809	9,787,809

CREDIT RISK

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Corporation. The Corporation has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis. As at June 30, 2023, three customers represented 27%, 13% and 11% of trade accounts receivable [2022 – one customer represented 12%]. In 2023, two customers represented 27% and 26% of sales [2022 – two customers represented 25% and 21%].

The Corporation establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable and contract asset generally represents the maximum credit exposure. The provision for doubtful accounts, if any, is included in the consolidated statements of loss and comprehensive loss. The majority of the Corporation's cash is held in accounts with Canadian banks. Management believes that the credit risk concentration with respect to these financial instruments is remote.

LIQUIDITY RISK

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. Long-term debt has maturities between 1 to 7 years. The Corporation regularly evaluates its cash position to ensure preservation and security of capital and maintain liquidity.

As at June 30, 2023, management estimates that funds available are sufficient to meet the Corporation's obligations and planned net expenditures through at least June 30, 2024.

The Corporation has also provided unlimited suretyship and subordination on the long-term debt and operating loans of its subsidiaries.

The following table reflects the contractual maturity of the Corporation's financial liabilities as at June 30, 2023 (capital and interest payments):

		Contractual maturity				
	Carrying amount	1 year	2-3 years	4-5 years	Later than 5 years	Total
	$	$	$	$	$	$
Operating loans	**1,478,300**	1,478,300	–	–	–	**1,478,300**
Trade payables, accrued liabilities and current portion of balance of purchase price	**15,469,592**	15,469,592	–	–	–	**15,469,592**
Lease liability	**15,218,803**	3,398,515	6,981,704	3,657,064	3,160,165	**17,197,448**
Long-term debt	**7,875,888**	4,958,000	2,228,563	1,218,169	186,280	**8,591,012**
Total	**40,042,583**	**25,304,407**	**9,210,267**	**4,875,233**	**3,346,445**	**42,736,352**

INTEREST RATE RISK

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its long-term debt is at fixed rate. The Corporation is exposed to interest rate fluctuations on its operating loans and long-term debt, which bear a variable interest rate. Based on the balances outstanding as at June 30, 2023, a 1% increase (decrease) in interest rates would increase (decrease) the Corporation's consolidated net loss by $52,860 on a 12-month horizon.

The majority of the Corporation's cash and cash equivalent balances bear interest at variable rates. There is limited exposure to changes in interest revenues as a result of interest rate risk.

The Corporation's trade payables and accrued liabilities are non-interest bearing.

FOREIGN CURRENCY RISK

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation has a credit facility allowing it to enter into forward foreign exchange contract transactions. This amount partially covers the Corporation's potential requirements over the next 24 months. The Corporation will proactively monitor the need to use this facility based on market conditions.

Foreign currency transactions originate from certains operations in the Corporation and its subsidiaries denominated in foreign currencies other than their functional currency. The following table provides a summary of the Corporation's exposure of foreign currency expressed in canadian dollars as at June 30, 2023:

	Euro	US dollars	Total
	$	$	$
Cash and cash equivalents	280,567	6,203,618	**6,484,185**
Accounts receivable	1,024,321	10,977,778	**12,002,099**
Trade payables and accrued liabilities	(516,521)	(5,943,492)	**(6,460,013)**
Lease liability	–	(29,788)	**(29,788)**
Total	**788,367**	**11,208,116**	**11,996,483**

[EXPRESSED IN CANADIAN DOLLARS]

As at June 30, 2022:

	Euro $	US dollars $	Total $
Cash and cash equivalents	11,318	1,771,702	**1,783,020**
Accounts receivable	1,094,565	9,622,514	**10,717,079**
Trade payables and accrued liabilities	(646,371)	(6,132,911)	**(6,779,282)**
Lease liability	–	(51,128)	**(51,128)**
Total	**459,512**	**5,210,177**	**5,669,689**

For the year ended June 30, 2023, a variation of 3% in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a $270,333 [2022 – $131,506] net increase or decrease of the Corporation’s consolidated net loss and comprehensive loss. The Corporation has hedged its exposure to US dollar currency fluctuations but does not apply hedge accounting as defined in IFRS 9.

CAPITAL MANAGEMENT

The Corporation’s objectives in managing capital are to ensure sufficient liquidity to enable the internal financing of capital projects and to pursue its strategy of organic growth combined with complementary acquisitions, to maintain a strong capital base so as to maintain investor, creditor and market confidence and to provide long-term investment returns to its shareholders.

The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

In addition to debt and equity, the Corporation may use leases as additional sources of financing. The Corporation monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Corporation is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

20. SEGMENTED DISCLOSURE

The Corporation’s Chief Operating Decision Maker analyzes the information for the Corporation on two reporting segments, based on products:

- **Advanced materials, plastics and composite products:**
  Provides standard and custom graphene-enhanced plastic and composite products to various customers in transportation, packaging, electronics, and other industrial sectors

- **Battery cells:**
  Provides silicon-graphene-enhanced Li-ion battery for the Electric Vehicle and grid storage markets

The accounting policies of the segments are the same as the accounting policies of the Corporation.

[EXPRESSED IN CANADIAN DOLLARS]

a) REVENUES AND EXPENSES BY OPERATING SEGMENTS

Year ended June 30, 2023:

	Advanced materials, plastics and composite products	Battery cells	Total
	$	$	$
Revenues			
Revenues from customers	122,700,485	—	122,700,485
Other income	1,156,686	—	1,156,686
	123,857,171	—	123,857,171
Cost of Sales and Expenses			
Cost of sales	101,414,290	—	101,414,290
Research and development expenses	3,081,753	329,965	3,411,718
Selling, general and administrative expenses	19,711,923	293,127	20,005,050
Share-based compensation expenses	1,118,772	—	1,118,772
Depreciation (production)	5,873,873	—	5,873,873
Depreciation (other)	1,331,970	452,916	1,784,886
Amortization	1,230,773	900	1,231,673
Foreign exchange	724,330	891	725,221
	134,487,684	1,077,799	135,565,483
Operating loss	(10,630,513)	(1,077,799)	(11,708,312)
Loss on disposal of property, plant and equipment	(131,974)	—	(131,974)
Interest on operating loans and long-term debt	(846,111)	—	(846,111)
Interest accretion on lease liability	(644,193)	17,518	(626,675)
Interest revenue	1,536,142	(14)	1,536,128
Share of loss of a joint venture	(1,059,880)	—	(1,059,880)
Loss before income taxes	**(11,776,529)**	**(1,060,295)**	**(12,836,824)**

[EXPRESSED IN CANADIAN DOLLARS]

Year ended June 30, 2022:

	Advanced materials, plastics and composite products $	Battery cells $	Total $
Revenues			
Revenues from customers	92,333,826	—	92,333,826
Other income	1,973,333	—	1,973,333
	94,307,159	—	94,307,159
Cost of Sales and Expenses			
Cost of sales	82,955,562	—	82,955,562
Research and development expenses	3,578,722	—	3,578,722
Selling, general and administrative expenses	16,398,562	—	16,398,562
Share-based compensation expenses	698,885	—	698,885
Depreciation (production)	5,273,039	—	5,273,039
Depreciation (other)	1,341,725	—	1,341,725
Amortization	761,298	—	761,298
Foreign exchange	233,503	—	233,503
	111,241,296	—	111,241,296
Operating loss	(16,934,137)	—	(16,934,137)
Gain on disposal of property, plant and equipment	1,923,352	—	1,923,352
Interest on operating loans and long-term debt	(608,960)	—	(608,960)
Interest accretion on lease liability	(610,885)	—	(610,885)
Interest revenue	458,244	—	458,244
Share of loss of a joint venture	(744,285)	—	(744,285)
Loss before income taxes	(16,516,671)	—	(16,516,671)

b) REVENUES BY LOCATION

	2023 $	2022 $
Revenues *		
United States	**77,991,641**	57,850,917
Canada	**35,826,433**	27,412,217
France	**3,470,789**	2,954,390
Switzerland	**1,916,924**	2,524,534
Other	**4,651,384**	3,565,101
Total	**123,857,171**	94,307,159

* Revenues are attributed to countries based on the location of customers.

c) LONG-LIVED ASSETS BY GEOGRAPHIC AREA

	2023 $	2022 $
Long-lived Assets		
Canada	**77,724,624**	65,578,421
United States	**7,602,660**	7,340,391
Switzerland	**2,736,506**	3,206,201
Total	**88,063,790**	76,125,013