

NanoXplore

NanoXplore Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2024 and 2023



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

This Management's discussion and analysis ("MD&A") provides a review of NanoXplore Inc.'s operations, performance and financial position for the years ended June 30, 2024 and 2023 and should be read in conjunction with the consolidated financial statements for the years ended June 30, 2024 and 2023. The purpose of this document is to provide information on our activities. The information contained herein is dated as of September 18, 2024, date on which the MD&A was approved by the Corporation's board of directors. You will find more information about us on NanoXplore's website at www.nanoxplore.ca and on SEDAR+ at <https://www.sedarplus.ca>, including all press releases.

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

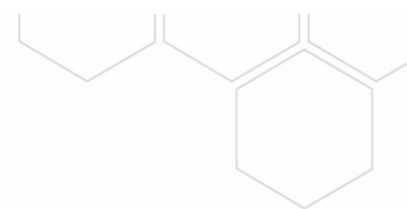
"Q4-2024" and "Q4-2023" refer to the three-month periods ended June 30, 2024 and 2023 respectively, and "FY 2024" and "FY 2023" refer to the years ended June 30, 2024 and 2023 respectively.

1. FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements within the meaning of applicable Canadian securities laws with respect to the Corporation. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable, but it advises the reader that these assumptions with regard to future events, many of which are beyond the Corporation's control, could prove incorrect as they are subject to risks and uncertainties inherent in the Corporation's activities. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information of future events, except when required by the regulatory authorities.

This MD&A contains forward-looking statements. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "project", "expect" and similar expressions are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect NanoXplore's then current views with respect to future events based on certain facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in the risk factors described under the section "*Risks and Uncertainties*" of this MD&A. The forward-looking statements are based on certain key expectations and assumptions made by NanoXplore, including expectations and assumptions concerning availability of capital resources, business performance, market conditions and customer demand. Although NanoXplore believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that they will prove to be correct.

Many factors could cause NanoXplore's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section "*Risks and Uncertainties*" of this MD&A as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. NanoXplore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements. Forward-looking statements contained in this MD&A about prospective results of operations, financial position or cash flows are based on assumptions about future events, including economic conditions and proposed courses of action, based on NanoXplore's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.



2. BUSINESS OVERVIEW

CORPORATION OVERVIEW

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

NanoXplore is listed on the Toronto Stock Exchange ("TSX") and traded under "GRA" and is also listed on the OTCQX and traded under "NNXPF".

The Corporation has the following subsidiaries:

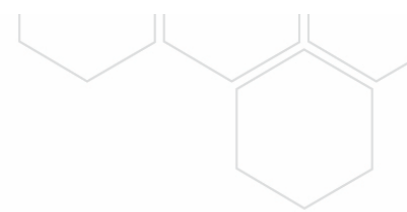
Subsidiaries	Reporting segment
NanoXplore Switzerland Holding SA ("NanoXplore Switzerland"), based in Switzerland, with an equity interest of 100% [2023 – 100%]. NanoXplore Switzerland holds 100% of CEBO Injections SA ("CEBO")	Advanced Materials, Plastics and Composite Products
NanoXplore Holdings USA, Inc. ("NanoXplore Holdings USA"), based in the United States, with an equity interest of 100% [2023 – 100%]. NanoXplore Holdings USA holds 100% of NanoXplore USA, Inc. [2023 – 100%] and 100% of RMC Advanced Technologies Inc. [2023 – nil].	Advanced Materials, Plastics and Composite Products
Sigma Industries Inc. ("Sigma"), based in Canada, with an equity interest of 100% [2023 – 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. owns no subsidiary [2023 – one active wholly owned subsidiary; RMC Advanced Technologies Inc., based in the United States, that is now owned by NanoXplore Holdings USA, Inc.]	Advanced Materials, Plastics and Composite Products
Canuck Compounders Inc. ("Canuck"), based in Canada, with an equity interest of 100% [2023 – 100%]	Advanced Materials, Plastics and Composite Products
VoltaXplore Inc. ("VoltaXplore"), based in Canada, with an equity interest of 100% [2023 – 100%]	Battery Cells

REPORTING SEGMENTS

The Corporation has two reportable segments based on products:

- 1) 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.
- 2) Battery Cells:**
Provides silicon-graphene-enhanced Li-ion battery cells for the Electric Vehicle and power tools markets as well as for military applications. There are no revenues from customers yet generated from this segment.

Corresponding operations and activities are managed accordingly by the Corporation's Chief Operating Decision Maker. Segmented operating, financial information and labelled key performance indicators are available and used to manage these business segments, review performance and allocate resources.



KEY FINANCIAL HIGHLIGHTS Q4-2024

- Record total revenues of \$38,125,566 compared to \$33,318,964 last year, representing a 14% increase;
- Adjusted gross margin⁽¹⁾ on revenues from customers of 23.6% compared to 20.8% last year;
- Loss of \$2,421,110 compared to \$2,003,549 last year;
- Adjusted EBITDA⁽²⁾ of \$2,488,304 compared to \$526,140 last year;
- Adjusted EBITDA⁽²⁾ of \$3,329,793 compared to \$1,130,962 last year for the Advanced Materials, Plastics and Composite Products segment;
- Adjusted EBITDA⁽²⁾ loss of \$841,489 compared to \$604,822 last year for the Battery Cells segment (VoltaXplore initiative);
- Total liquidity of \$36,504,880 as at June 30, 2024, including cash and cash equivalents of \$26,504,880;
- Total long-term debt of \$6,346,503 as at June 30, 2024, down by \$1,529,385 compared to June 30, 2023.

KEY FINANCIAL HIGHLIGHTS FY 2024

- Record total revenues of \$129,992,368 in 2024 compared to \$123,857,171 in 2023, representing a 5% increase;
- Adjusted gross margin⁽¹⁾ on revenues from customers of 21.1% in 2024 compared to 17.4% in last year;
- Loss of \$11,665,006 compared to \$12,798,174 last year;
- Adjusted EBITDA⁽²⁾ of \$2,519,134 compared to a loss of \$857,887 last year;
- Adjusted EBITDA⁽²⁾ of \$5,176,437 in 2024 compared to a loss of \$234,795 last year for the Advanced Materials, Plastics and Composite Products segment;
- Adjusted EBITDA⁽²⁾ loss of \$2,657,303 in 2024 compared to \$623,092 last year for the Battery Cells segment (VoltaXplore initiative).

BUSINESS HIGHLIGHTS

During the year ended June 30, 2024, the Corporation continued to focus on developing markets for its graphene products and developing down stream pre-mixed additives and products that facilitate such introduction. The Corporation has been successful in the integration of GrapheneBlack in multiple streams of products, both internally and externally. The Corporation continues its engagement with many potential customers who are currently validating GrapheneBlack and GrapheneBlack improved masterbatches, concentrates, and products.

5-year strategic and investment plan update

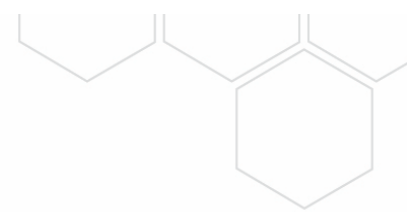
The Corporation continued executing on its 5-year strategic and investment plan that was announced in November 2022. The plan represents an increase in the production capacity of graphene, battery materials and graphene enhanced masterbatch, compound and composite products.

As part as its 5-year strategic and investment plan:

- 1) The Corporation, via VoltaXplore, has agreed on commercial terms for the supply of Li-ion battery cells with a well-known commercial vehicle OEM. Battery cells will be produced in VoltaXplore's gigafactory. The agreement is for 1 GWh per year for a duration of 10 years following a pricing formula that passes through raw material cost to the customer.
- 2) The Corporation has been awarded three programs from two existing customers, one large commercial vehicle OEM and one industrial equipment manufacturer, to supply exterior parts of vehicles. These components are used in both internal combustion engines and electric vehicles. Production for the first program will begin in late 2024 while the start of production for the other two programs is planned for 2026. These programs generally last for a period of 10 years. The Corporation estimates that these programs will generate \$24M in annual sales at mature volumes along with a one-time tooling revenue of \$10M. The Corporation has already secured the related manufacturing equipment to fulfill these orders, the expansion of manufacturing capacity in North Carolina is ongoing and expects to start production in Q4 of the current fiscal year.

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

⁽²⁾ Adjusted EBITDA is a non-IFRS measure and a reconciliation can be found in the "Overall Results" section.



- 3) The Corporation has been asked by one of our customers to expand its Saint-Clotilde-de-Beauce facility to allow for an expansion of a graphene-enhanced part we currently supply. This expansion, which is part of the lightweighting initiative, will be mostly paid by our customer. The expansion will cost approximately \$8M of which \$5M will be paid by the customer and is expected to be completed by January 2025. Consequently, the previously announced SMC lightweighting initiative capex of \$30M to \$35M will now be in a range of \$25M to \$30M.
- 4) Following further engineering and updated quoting of the equipment related to the Corporation's 5-year strategic and investment plan, required capital for execution of the plan reduced from originally announced \$170M to around \$140M. The Corporation is planning to finance the required capital mostly through a long-term credit facility and government support.
- 5) In April 2024, the Corporation replaced its then existing credit facility with the National Bank of Canada with a new and expanded credit facility with the Royal Bank of Canada. The new credit facility is comprised of a \$10M revolving credit line and up to \$50M in lease financing for equipment and infrastructure expenditures and will provide financial support to the strategic plan.

Successful commissioning of graphene-enhanced silicon and anode active material pilot lines

During the year ended June 30, 2024, the Corporation successfully completed the commissioning of two anode material pilot lines, achieving remarkable energy density and product validation.

- 1) The SiG™ pilot line has a capacity of 100 tons per year. SiG™ is a graphene enhanced silicon additive for anode materials in Li-ion batteries. Its addition results in enhanced energy density and charging speed.
- 2) The SG-X™ pilot line, featuring three coated spherical purified graphite (CSPG) anode materials, has a capacity of 200 tons per year. SG-X™ is a graphite-based anode material with different carbon and graphene coatings used as anode active material for Li-ion batteries.

R&D Improvement: Large-Scale dry process for manufacturing of graphene

The Corporation achieved graphite exfoliation with the successful development of a novel dry graphene manufacturing process. The novel dry graphene manufacturing process has several benefits compared to the traditional liquid exfoliation methods. In terms of capital expenditures, the dry manufacturing process delivers nearly 50% reduction versus the liquid exfoliation process. According to the Corporation's current estimation, a net 8 000 metric tons capacity requires only \$20M in capital expenditures, with a quarter of the current square footage required as opposed to the liquid exfoliation process. NanoXplore has secured key suppliers, ensuring a robust supply chain for the main equipment. Equipment procurement is streamlined with off-the-shelf solutions, with an estimated lead time of 8-12 months. The Corporation is planning to start purchasing the equipment during the 2024 calendar year.

The novel dry graphene manufacturing process could bring NanoXplore within cost parity with traditional carbon additives such as carbon black. The cost reduction results primarily from using low grade waste graphite (which is derived from graphite anode production process) as feedstock. Furthermore, it is highly scalable and operates on a continuous basis, streamlining production efficiency. Superior processability and long-term performance of dry-processed graphene offers a more attractive proposition and will expand the Corporation's total addressable market and accelerates commercial adoption of graphene.

With granted patents already secured, this proprietary technology boosts some key physical properties in polymers by 20% compared to existing products for applications with over 20-yr longevity requirements. The technology finds potential applications in batteries and lightweight composites, enhancing its appeal in cutting-edge industries. This new manufacturing process also opens doors to a myriad of applications, including plastic pipes, geosynthetics, recycled plastics, concrete, drilling fluids, and insulation foams, among others.

The new dry manufacturing process marks a paradigm shift, substantially reducing the environmental footprint associated with traditional graphite exfoliation methods and addresses environmental concerns associated with water usage, as well as eliminating washing and drying steps that contribute to increased costs and environmental impact.

During the reporting year, the Corporation continued with validation process of this novel dry- processed graphene and continued with the required engineering work. Product validation process includes production of plastic masterbatches and compounds with the dry graphene and testing their mechanical, electrical, and weatherability properties. Results indicates that dry processed graphene brings elevated properties versus current produced grades at a much lower cost to the end users. These attributes may accelerate the adoption of graphene and shortens the sales cycle. Furthermore, the Corporation has done trials with the equipment suppliers for the production of dry graphene and has already selected those suppliers and is ready to place order for those equipment.

In August 2024, NanoXplore was awarded a grant of up to \$2,900,000 over the next 3 years from the National Research Council's Industrial Research Assistance Program for the research and development of novel, low carbon footprint anode materials for use in Li-Ion batteries.

Total liquidity

As at June 30, 2024, the Corporation had total liquidity of \$36,504,880 including cash and cash equivalents and availability under the Corporation's credit facilities.

Long-term debt

The total long-term debt decreased from \$7,875,888 as at June 30, 2023 to \$6,346,503 as at June 30, 2024 for a variation of \$1,529,385. Repayments amounted to \$6,189,647 and new issuance amounted to \$4,472,322 during the year ended June 30, 2024.

3. OVERALL RESULTS

HIGHLIGHTS

The following table sets out certain highlights of the Corporation's performance for the years ended June 30, 2024 and 2023. Refer to the Corporation's consolidated financial statements for the years ended June 30, 2024 and 2023 for a detailed account of the Corporation's performance for the results presented in the tables below.

In summary:

	Q4-2024	Q4-2023	Variation		FY 2024	FY 2023	Variation	
	\$	\$	\$	%	\$	\$	\$	%
Revenues	38,125,566	33,318,964	4,806,602	14%	129,992,368	123,857,171	6,135,197	5%
Operating loss	(1,167,221)	(2,088,375)	921,154	44%	(10,795,676)	(11,708,312)	912,636	8%
Loss	(2,421,110)	(2,003,549)	(417,561)	(21%)	(11,665,006)	(12,798,174)	1,133,168	9%
Loss per share (Basic and diluted)	(0.01)	(0.01)			(0.07)	(0.08)		
Non-IFRS Measure *								
Adjusted EBITDA	2,488,304	526,140	1,962,164	373%	2,519,134	(857,887)	3,377,021	394%

By reporting segment:

	Q4-2024	Q4-2023	Variation		FY 2024	FY 2023	Variation	
	\$	\$	\$	%	\$	\$	\$	%
From Advanced Materials, Plastics and Composite Products								
Revenues	38,125,566	33,318,964	4,806,602	14%	129,964,625	123,857,171	6,107,454	5%
Loss	(1,111,765)	(961,524)	(150,241)	(16%)	(7,174,690)	(11,737,879)	4,563,189	39%
Non-IFRS Measure *								
Adjusted EBITDA	3,329,793	1,130,962	2,198,831	194%	5,176,437	(234,795)	5,411,232	2,305%
From Battery Cells								
Revenues	—	—	—	N/A	27,743	—	27,743	N/A
Loss	(1,309,345)	(1,042,025)	(267,320)	(26%)	(4,490,316)	(1,060,295)	(3,430,021)	N/A
Non-IFRS Measure*								
Adjusted EBITDA	(841,489)	(604,822)	(236,667)	(39%)	(2,657,303)	(623,092)	(2,034,211)	N/A

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

SELECTED ANNUAL INFORMATION

The table below presents selected audited annual information for the years ended June 30, 2024, 2023 and 2022.

	FY 2024 \$	FY 2023 \$	FY 2022 \$
Revenues	129,992,368	123,857,171	94,307,159
Loss	(11,665,006)	(12,798,174)	(15,540,594)
Loss per share (Basic and diluted)	(0.07)	(0.08)	(0.10)
Total assets	159,692,998	165,245,803	168,091,927
Total non-current liabilities	18,372,465	19,242,066	22,685,860

* NON-IFRS MEASURES

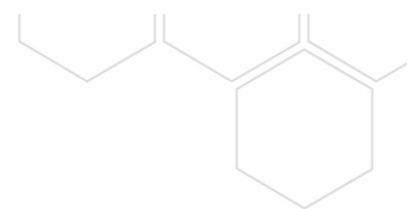
This MD&A was prepared using results and financial information determined under IFRS. However, the Corporation considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Corporation. These measures, which the Corporation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

The following tables provide a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" and of IFRS "Gross margin" to Non-IFRS "Adjusted Gross margin" for the three-month periods and for the years ended June 30, 2024 and 2023.

1) IFRS "Loss" to Non-IFRS "Adjusted EBITDA"

	Q4-2024 \$	Q4-2023 \$	FY 2024 \$	FY 2023 \$
Loss	(2,421,110)	(2,003,549)	(11,665,006)	(12,798,174)
Current and deferred income tax expenses (recovery)	1,220,221	(239,724)	966,577	(38,650)
Net interest revenues	33,861	22,924	(78,794)	(63,342)
Share of loss of a joint venture	—	—	—	1,059,880
Loss (gain) on disposal of property, plant and equipment	(193)	131,974	(18,453)	131,974
Foreign exchange	111,928	(329,788)	287,302	725,221
Share-based compensation expenses	498,655	273,910	1,557,425	1,118,772
Non-operational items ⁽¹⁾	189,783	—	459,783	116,000
Depreciation and amortization	2,855,159	2,670,393	11,010,300	8,890,432
Adjusted EBITDA	2,488,304	526,140	2,519,134	(857,887)
- From Advanced Materials, Plastics and Composite Products	3,329,793	1,130,962	5,176,437	(234,795)
- From Battery Cells	(841,489)	(604,822)	(2,657,303)	(623,092)

⁽¹⁾ Non-operational items consist of professional fees mainly due debt renegotiation and to prospectuses related fees.



2) IFRS "Gross margin" to Non-IFRS "Adjusted Gross margin"

	Q4-2024 \$	Q4-2023 \$	FY 2024 \$	FY 2023 \$
Revenues from customers	37,717,688	33,010,658	128,600,936	122,700,485
Cost of sales	28,811,991	26,154,539	101,486,565	101,414,290
Adjusted gross margin	8,905,697	6,856,119	27,114,371	21,286,195
Depreciation (production)	1,657,615	1,535,165	6,362,339	5,873,873
Gross margin	7,248,082	5,320,954	20,752,032	15,412,322

The following tables provide a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" and of IFRS "Gross margin" to Non-IFRS "Adjusted Gross margin" for the three-month periods ended June 30, 2024 (Q4-2024), March 31, 2024 (Q3-2024), December 31, 2023 (Q2-2024) and September 30, 2023 (Q1-2024).

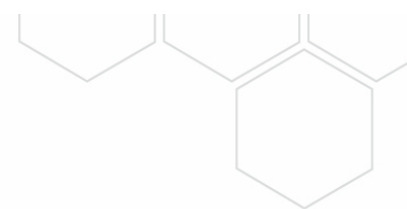
1) IFRS "Loss" to Non-IFRS "Adjusted EBITDA"

	Q4-2024 \$	Q3-2024 \$	Q2-2024 \$	Q1-2024 \$
Loss	(2,421,110)	(3,089,430)	(2,428,388)	(3,726,078)
Current and deferred income tax recovery	1,220,221	89,655	(116,870)	(226,429)
Net interest revenues	33,861	(64,710)	(18,032)	(29,913)
Gain on disposal of property, plant and equipment	(193)	—	—	(18,260)
Foreign exchange	111,928	121,556	(518,778)	572,596
Share-based compensation expenses	498,655	531,292	225,416	302,062
Non-operational items ⁽¹⁾	189,783	190,000	40,000	40,000
Depreciation and amortization	2,855,159	2,793,605	2,723,846	2,637,690
Adjusted EBITDA	2,488,304	571,968	(92,806)	(448,332)
- From Advanced Materials, Plastics and Composite Products	3,329,793	1,259,990	416,000	170,654
- From Battery Cells	(841,489)	(688,022)	(508,806)	(618,986)

⁽¹⁾ Non-operational items consist of professional fees mainly due debt renegotiation and to prospectuses related fees.

2) IFRS "Gross margin" to Non-IFRS "Adjusted Gross margin"

	Q4-2024 \$	Q3-2024 \$	Q2-2024 \$	Q1-2024 \$
Revenues from customers	37,717,688	33,617,106	28,559,390	28,706,752
Cost of sales	28,811,991	26,595,763	23,031,357	23,047,454
Adjusted gross margin	8,905,697	7,021,343	5,528,033	5,659,298
Depreciation (production)	1,657,615	1,623,878	1,563,699	1,517,147
Gross margin	7,248,082	5,397,465	3,964,334	4,142,151



RESULTS OF OPERATIONS VARIANCE ANALYSIS – THREE-MONTH PERIODS

Revenues

	Q4-2024	Q4-2023	Variation		Q3-2024	Variation	
	\$	\$	\$	%	\$	\$	%
Revenues from customers	37,717,688	33,010,658	4,707,030	14%	33,617,106	4,100,582	12%
Other income	407,878	308,306	99,572	32%	250,641	157,237	63%
Total revenues	38,125,566	33,318,964	4,806,602	14%	33,867,747	4,257,819	13%

All revenues are coming from the segment of Advanced Materials, Plastics and Composite Products.

Revenues from customers increased from \$33,617,106 in Q3-2024 to \$37,717,688 in Q4-2024. This increase is mainly due to a positive product mix and higher volume.

Revenues from customers increased from \$33,010,658 in Q4-2023 to \$37,717,688 in Q4-2024. This increase is mainly due to higher volume and higher tooling revenues.

Other income increased from \$308,306 in Q4-2023 to \$407,878 in Q4-2024. Other income amounted to \$250,641 in Q3-2024. The variation is mainly in grants received for R&D programs.

Adjusted EBITDA

1) From Advanced Materials, Plastics and Composite Products

The adjusted EBITDA improved from \$1,130,962 in Q4-2023 to \$3,329,793 in Q4-2024. The variation is explained as follows:

- Gross margin on revenues from customers increased by \$2,049,578 compared to last year due to higher volume, favourable product mix, improved productivity and cost control;
- Higher other income of \$99,572 as explained above.

2) From Battery Cells

The adjusted EBITDA loss increased from \$604,822 in Q4-2023 to \$841,489 in Q4-2024. The variation is explained by the operational expenses increase (Selling, General & Administration "SG&A" and Research & Development "R&D") of \$236,667 due to higher than usual 3rd party pre-engineering expenses undertaken during the quarter.

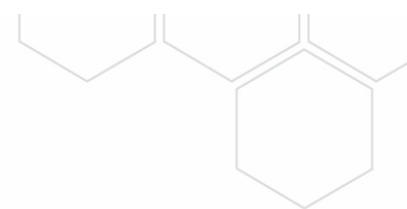
Loss

The loss increased from \$2,003,549 in Q4-2023 to \$2,421,110 in Q4-2024. The variation is mainly explained as follows:

- Higher depreciation and amortization of \$184,766 mainly due to added property, plant and equipment;
- Higher share-based compensation expenses of \$224,745;
- Foreign exchange loss of \$111,928 this year compared to a gain of \$329,788 last year;
- Interest revenue lower by \$79,479;
- Current and deferred income tax expense of \$1,220,221 this year compared to a recovery of \$239,724 last year;
- Partially offset by an increase in adjusted EBITDA of \$1,962,164 as explained above.

Foreign exchange

	Q4-2024	Q4-2023	Variation		Q3-2024	Variation	
	\$	\$	\$	%	\$	\$	%
Foreign exchange from operations	(30,554)	780,923	(811,477)	104%	(500,999)	470,445	(94%)
Foreign exchange on derivative contracts	142,482	(1,110,711)	1,253,193	(113%)	622,555	(480,073)	(77%)
Total foreign exchange	111,928	(329,788)	441,716	(134%)	121,556	(9,628)	(8%)



The Corporation had a positive impact on foreign exchange from operations of \$30,554 in Q4-2024 compared to a negative impact of \$780,923 in Q4-2023 and a positive impact of \$500,999 in Q3-2024. This is due to fluctuation of the US rate at the end of each quarter.

The foreign exchange on derivative contracts is a non-realized loss of \$142,482 in Q4-2024 compared to a non-realized gain \$1,110,711 in Q4-2023 and a non-realized loss of \$622,555 in Q3-2024. The variation is due to the fluctuation of the US rate between the quarters and the level of coverage.

RESULTS OF OPERATIONS VARIANCE ANALYSIS – FOR THE YEARS

Revenues

	FY 2024	FY 2023	Variation	
	\$	\$	\$	%
Revenues from customers	128,600,936	122,700,485	5,900,451	5%
Other income	1,391,432	1,156,686	234,746	20%
Total revenues	129,992,368	123,857,171	6,135,197	5%

All revenues are coming from the Advanced Materials, Plastics and Composite Products segment, except for \$27,743 of other income [2023 – Nil] from the Battery Cells segment.

Revenues from customers increased from \$122,700,485 last year to \$128,600,936 this year. This increase is mainly due to higher volume and higher tooling revenues.

Other income increased from \$1,156,686 last year to \$1,391,432 this year. The variation is mainly in grants received for R&D programs.

Adjusted EBITDA

1) From Advanced Materials, Plastics and Composite Products

The adjusted EBITDA improved from a loss of \$234,795 last year to a profit of \$5,176,437 this year. The variation is explained as follows:

- Gross margin on revenues from customers increased by \$5,828,176 compared to last year due to higher volume, favourable product mix, improved productivity and cost control;
- Higher other income of \$234,746 as described above; and
- Partially offset by higher operating expenses (SG&A and R&D) of \$967,730 mainly due to higher wages, including higher variable compensation.

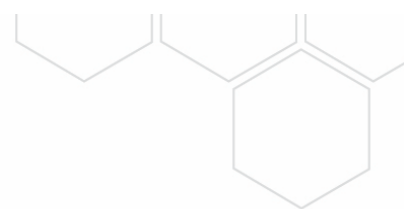
2) From Battery Cells

The adjusted EBITDA loss increased from \$623,092 last year to \$2,657,303 this year. The variation is explained by the operating expenses (G&A and R&D) of \$2,685,046 due in part to the acquisition during 2023 of the Martinrea share in VoltaXplore.

Loss

The loss decreased from \$12,798,174 last year to \$11,665,006 this year. The variation is mainly explained as follows:

- An increase in adjusted EBITDA of \$3,377,021 as explained above;
- Foreign exchange loss of \$287,302 this year compared to \$725,221 last year;
- Share loss of a joint venture of \$1,059,880 last year compared to nil this year as VoltaXplore is now consolidated in the Corporation's result;
- Partially offset by:
 - Higher depreciation and amortization of \$2,119,868 due mainly to the acquisition of VoltaXplore and added property, plant and equipment;
 - Current and deferred income tax expense of \$966,577 this year compared to a recovery of \$38,650 last year;
 - Interest revenue lower by \$330,385.



Foreign exchange

	FY 2024	FY 2023	Variation	
	\$	\$	\$	%
Foreign exchange from operations	(130,442)	643,943	(774,385)	120%
Foreign exchange on derivative contracts	417,744	81,278	336,466	(414%)
Total foreign exchange	287,302	725,221	(437,919)	60%

The Corporation had a positive impact on foreign exchange from operations of \$130,442 this year compared to a negative impact of \$643,943 last year. This is due to fluctuation of the US rate at the end of each quarter.

The foreign exchange on derivative contracts is a non-realized loss of \$417,744 this year compared to \$81,278 last year. The variation is due to the fluctuation of the US rate between the quarters and the level of coverage.

SUMMARY OF QUARTERLY RESULT

The table below presents selected financial data for the eight most recently reported quarters. This unaudited quarterly information has been prepared in accordance with IFRS except for "Adjusted EBITDA"* which is a non-IFRS measure and a reconciliation can be found in the "Overall Results" section.

		Revenues	Adjusted EBITDA	Loss	Basic and diluted loss per share	
		\$	\$	\$	\$	
Q4-2024	June 30, 2024	38,125,566	2,488,304	(2,421,110)	(0.01)	Note 1
Q3-2024	March 31, 2024	33,867,747	571,968	(3,089,430)	(0.02)	Note 2
Q2-2024	December 31, 2023	29,063,024	(92,806)	(2,428,388)	(0.01)	Note 3
Q1-2024	September 30, 2023	28,936,031	(448,332)	(3,726,078)	(0.02)	Note 4
Q4-2023	June 30, 2023	33,318,964	526,140	(2,003,549)	(0.01)	Note 5
Q3-2023	March 31, 2023	31,580,560	451,705	(2,447,604)	(0.01)	
Q2-2023	December 31, 2022	31,725,122	141,300	(2,422,949)	(0.01)	Note 6
Q1-2023	September 30, 2022	27,232,525	(1,977,032)	(5,924,072)	(0.04)	

Note 1 The revenues and Adjusted EBITDA were higher due to higher volume. Loss is lower mainly due to higher gross margin on revenues from customers.

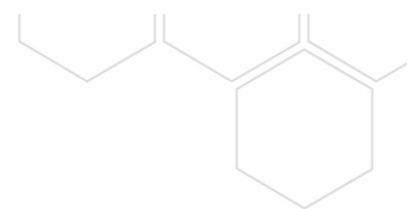
Note 2 The revenues and Adjusted EBITDA were higher due to higher tooling revenues. Loss is higher mainly due to higher share-based compensation and negative impact of foreign exchange on derivative contracts.

Note 3 Adjusted EBITDA loss is lower mainly due to improved productivity and cost control. Loss is lower mainly due to a positive impact of foreign exchange on derivative contracts.

Note 4 The revenues and Adjusted EBITDA were lower due to lower volume. Loss is higher mainly due to lower revenues and a negative impact of foreign exchange on derivative contracts.

Note 5 The revenues were higher due to positive product mix, including graphene enhanced product, and higher volume.

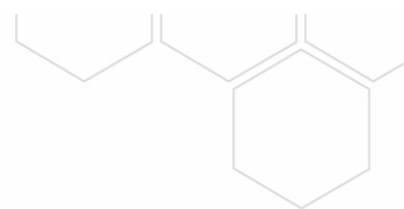
Note 6 The revenues and Adjusted EBITDA were higher due to higher volume and price increases. Loss was lower due to higher margins and positive foreign exchange on derivative contracts.



4. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	2024 \$	2023 \$	Variation \$	Main reasons for significant variation
Assets				
Cash and cash equivalents	26,504,880	36,210,495	(9,705,615)	Refer to section Cash Flows
Accounts receivable and Contract asset	24,955,170	20,605,741	4,349,429	Mainly due to higher revenues and VoltaXplore investment tax credit refund
Inventory	17,034,659	17,280,115	(245,456)	
Right-of-use assets	7,652,182	8,997,822	(1,345,640)	
Property, plant and equipment, and equipment deposits	64,150,151	62,624,257	1,525,894	
Intangible assets	13,254,401	14,522,038	(1,267,637)	
Goodwill	1,919,673	1,919,673	—	
Other assets	4,221,882	3,085,662	1,136,220	
Total assets	159,692,998	165,245,803	(5,552,805)	
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payable	22,983,515	19,868,734	3,114,781	Mainly due to timing in cash payment
Contract liability	2,978,374	1,016,019	1,962,355	Timing in tooling projects
Operating loans	1,522,700	1,478,300	44,400	
Defined benefit liabilities	539,598	572,463	(32,865)	
Lease liability	12,967,373	15,218,803	(2,251,430)	Mainly due to lease payment
Long-term debt	6,346,503	7,875,888	(1,529,385)	Mainly due to debt payment
Deferred taxes liabilities	4,705,063	2,939,526	1,765,537	
Total liabilities	52,043,126	48,969,733	3,073,393	
Shareholders' Equity				
Share capital	182,683,203	180,308,703	2,374,500	
Reserve	5,855,387	4,999,662	855,725	
Foreign currency translation reserve	(162,900)	34,552	(197,452)	
Deficit	(80,725,818)	(69,066,847)	(11,658,971)	
Total shareholders' equity	107,649,872	116,276,070	(8,626,198)	
Total liabilities and shareholders' equity	159,692,998	165,245,803	(5,552,805)	



CASH FLOWS

	2024 \$	2023 \$	Variation \$	%
Cash flows generated by (used in) operating activities prior to changes in non-cash working capital items	2,488,730	(1,598,194)	4,086,924	256%
Changes in non-cash working capital items	1,933,038	4,044,598	(2,111,560)	(52%)
Operating activities	4,421,768	2,446,404	1,975,364	81%
Financing activities	(3,498,341)	(7,664,713)	4,166,372	54%
Investing activities	(10,648,231)	(9,835,372)	(812,859)	(8%)
Net effect of currency exchange rate on cash and cash equivalents	19,189	32,108	(12,919)	(40%)
Net change in cash and cash equivalents	(9,705,615)	(15,021,573)	5,315,958	35%

Operating activities

Cash flows generated in operating activities prior to changes in non-cash working capital items were \$2,488,730 this year compared to a cash used of \$1,598,194 last year. The variation is mainly explained by an improvement of the adjusted EBITDA of \$3,377,021.

Changes in non-cash working capital items amounted to \$1,933,038 this year, which is explained as follows:

- An increase of contract liability due to timing in tooling projects;
- An increase accounts payable and accrued liabilities of \$3,082,471 mainly due to timing of payments;
- Partially offset by an increase in accounts receivable of \$3,149,429 mainly due to higher revenues and VoltaXplore investment tax credits.

Financing activities

Cash flows used in financing activities were \$3,498,341 this year compared to \$7,664,713 last year. This year, repayments of \$9,643,463 were completed on long-term debt and lease liability. This was offset by stock options exercised for proceeds of \$1,672,800 and an issuance of long-term debt of \$4,472,322 under the new credit facility.

Last year, the operating loans decreased by \$3,300,000 and repayment of \$5,027,263 was completed on long-term debt and lease liability. These were offset by stock options exercised for proceeds of \$687,200.

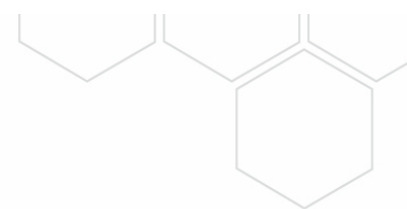
Investing activities

Cash flows used in investing activities were \$10,648,231 this year compared to \$9,835,372 last year. This year, the Corporation paid \$9,775,449 for capital expenditures, mainly related to additions of composite equipment and paid \$1,000,000 for the last payment of the balance of purchase price related to the acquisition of Canuck.

Last year, the Corporation paid \$8,169,610 for capital expenditures, mainly related to the acquisition of the assets of XG Sciences and paid \$1,000,000 related to the balance of purchase price of the acquisition of Canuck.

LIQUIDITY AND CAPITAL RESOURCES

The Advanced Materials, Plastics and Composites Products segment has generated revenues, the graphene commercial activity is still in the commercial introduction stage and, as a result, the Corporation could be dependent on external financing to fund its continued development program, if the commercial introduction of the graphene is delayed. However, regarding the Battery Cells segment, the Corporation is dependent on external financing before it can build the production facility and commercialize its products. The Corporation's main sources of funding have been the issuance of equity securities for cash, debt, cash flow from operations and funds from the government of Quebec with respect to R&D tax credits and other programs.



CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table identifies the timing of undiscounted contractual obligations due as of June 30, 2024:

	Contractual obligations				Total
	1 year	2-3 years	4-5 years	Later than 5 years	
	\$	\$	\$	\$	\$
Operating loans	1,522,700	–	–	–	1,522,700
Trade payables and accrued liabilities	17,798,617	–	–	–	17,798,617
Lease liability	4,580,112	4,655,597	3,169,856	2,046,296	14,451,861
Long-term debt	2,497,760	4,317,479	307,459	–	7,122,698
Equipment purchase commitment	6,538,907	–	–	–	6,538,907
Total	32,938,096	8,973,076	3,477,315	2,046,296	47,434,783

As at June 30, 2024, the Corporation held forward exchange contracts to sell for a minimum of US\$24.3 million and a maximum of US\$36.5 million depending on the exchange rate of such derivative contracts. Rates vary from 1.300 to up to 1.386. The contracts are valid until April 2026.

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Corporation and its activities, please refer to the consolidated financial statements for the years ended June 30, 2024 and 2023. These identified financial instruments and risks are consistent through the periods.

OUTSTANDING SHARES

As at September 18, 2024, the Corporation has:

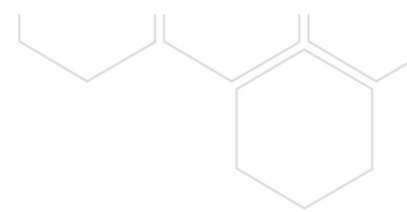
- 170,608,431 common shares issued and outstanding;
- 2,742,616 options outstanding with expiry dates ranging between October 14, 2025 and January 29, 2034 with exercise prices between \$1.93 and \$5.27. If all the options were exercised, 2,742,616 shares would be issued for cash proceeds of \$7,643,749.
-

5. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the note 17 "Related party transactions" in the consolidated financial statements for the years ended June 30, 2024 and 2023.

6. RISKS AND UNCERTAINTIES

The following risk factors, as well as other information contained in this MD&A, should be considered carefully. The operations of the Corporation are speculative due to the high-risk nature of its business, which relates to acquisitions, financing, technology and manufacturing. These risk factors could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Corporation. The risks apply to each segment.



GLOBAL ECONOMIC ISSUES

Current global economic conditions, which have been subject to increased volatility, may impact the Corporation's access to public financing and its ability to obtain equity or debt financing on favourable terms. The Corporation operates in a volatile economic environment. As a result, if unemployment, interest or inflation rates fluctuate substantially or increase to significant levels, they could have an impact on the Corporation's operating activities, financial position and profitability. In addition, the Corporation is exposed to market risk related to the current global inflationary situation, as the various environmental, social, political, economic and health factors had significant consequences on the world economy. In order to reduce inflation, several central banks are now tightening their monetary policies, which has an impact on interest rates, foreign currency exchange rates and economic development. The risks of recession in one or several of the countries where the Corporation operates are growing and could have an adverse impact on the Corporation's net earnings, financial position or cash flows.

LONG AND COMPLEX GRAPHENE SALES CYCLE

It has been the experience of the Corporation that the average sales cycle for its graphene powder and graphene enhanced products can range from one to multiple years from the time a customer begins testing the Corporation's product until the time that they could be used in a commercial product. The product introduction timing will vary based on the target market. The sales and development cycles for the Corporation's products are subject to customer budgetary constraints, internal acceptance procedures, competitive product assessments, scientific and development resource allocations, and other factors beyond the Corporation's control. If the Corporation is not able to successfully accommodate these factors to enable customer development success, the Corporation may be unable to achieve sufficient sales to reach profitability. Failure to achieve profitability may have a material adverse effect on the Corporation's operating results.

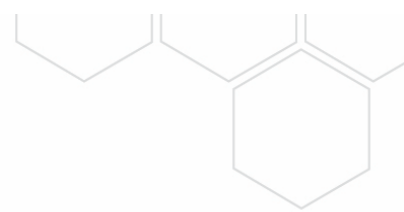
Graphene Sales cycle is long and complex. Several milestones have to be reached in order to see a widespread adoption of graphene in several markets.

- **Availability of Supply:** The first step is to demonstrate that the technology has reached a level of maturity that a consistent and reliable supply of graphene is available in an industrial setting and at a cost that is acceptable.
- **Graphene certification as a substance:** Any new material requires to be certified in order to be produced and shipped cross borders. Each jurisdiction has its own requirement, U.S. Environmental Protection Agency ("EPA"), Environmental Canada, and Europe REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) are examples of these entities which aim to provide a high level of protection of human health and the environment from the use of chemicals/substance.
- **Product validation:** This includes technical performance, financial validation, sustainability and life-time analysis, processability and logistic, and more. Different players in the supply chain are involved in validating the performance of graphene. OEMs, molders, and formulators are all involved in these steps, making it a long and unpredictable process.
- **Product level certification:** Majority of products and applications are certified through ASTM or ISO certifications. For instance, for a new additive to be used in plastic pipes, corresponding ASTM and ISO certifications have to be modified.

PRODUCT DEVELOPMENT AND TECHNOLOGICAL CHANGE

As there is limited sustained history of successful use of the Corporation's graphene powder and graphene enhanced products in commercial applications, there is no assurance that broad successful commercial applications may be technically feasible. Most, if not all, of the scientific and engineering data related to the Corporation's products has been generated by the Corporation's own laboratories or laboratory environments at our customers or third-parties, like universities and national laboratories. It is well known that laboratory data is not always representative in commercial applications.

Additionally, the industries in which the Corporation operates are characterized by rapid technological change and frequent new product introductions. Part of the Corporation's business strategy is to monitor such change and take steps to remain technologically current, but there is no assurance that such strategy will be successful. If the Corporation is not able to adapt to new advances in materials sciences, or if unforeseen technologies or materials emerge that are not compatible with the Corporation's products and services or that could replace its products and services, the Corporation's revenues and business would likely be adversely affected.



MARKET DEVELOPMENT AND SUSTAINED GROWTH

Failure to further develop the Corporation's key markets and existing geographic markets or to successfully expand its business into new markets could have an adverse impact on sales growth and operating results. The Corporation's ability to further penetrate its key markets and the existing geographic markets in which it competes, and successfully expand its business into other countries, is subject to numerous factors, many of which are beyond its control. There can be no assurance that efforts to increase market penetration in the Corporation's key markets and existing geographic markets will be successful. Failure to achieve these goals may have a material adverse effect on the Corporation's operating results.

LIQUIDITY CONCERNS AND FUTURE FINANCING

The Corporation is ultimately dependent on the commercial sales of graphene powder, and graphene enhanced products, including batteries. Any delay in the sales of such products could require additional financing. There can be no assurance that the Corporation will be successful in obtaining the required financing as and when needed. Volatile markets may make it difficult or impossible for the Corporation to obtain debt financing or equity financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone or slow down its development plans or reduce or terminate some or all of its activities.

LAWS AND REGULATIONS, LICENSES AND PERMITS

Legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non compliance are also increasingly stringent. A significant change in the legal and regulatory environment in which the Corporation currently carries on business could adversely affect the Corporation's operations. In particular, large volume production of graphene requires permits and approvals from various government authorities, and is subject to extensive federal, provincial, state, and local laws and regulations governing development, production, exports, taxes, labour standards, occupational health and safety, environment and other matters. As graphene is a new chemical substance, production and sale of graphene may be subject to specific occupational health and safety and environment regulatory approvals in different jurisdictions including, without limitations, under the *Canadian Environmental Protection Act* (Canada), the *Food and Drug Act* (Canada), the *Toxic Substances Control Act* (USA), the *Food Drug and Cosmetic Act* (USA) and the *Registration, Evaluation, Authorization and Restriction of Chemicals* (Europe). Such laws and regulations are subject to change, can become more stringent, and compliance can be costly. There can be no guarantee that the Corporation will be able to maintain or obtain all necessary licences, permits and approvals that may be required to produce or sell graphene, and such failures could have a material adverse effect on the Corporation.

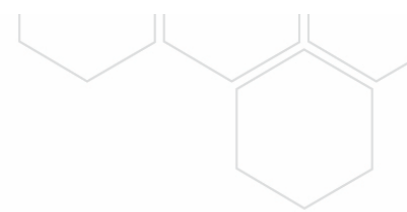
In addition, the Corporation's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to the United States-Mexico-Canada Agreement on Trade ("**USMCA**"), the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States, or positive or negative changes in tax or other legislation. The Corporation could be exposed to increased customs audits due to governmental policy which could lead to additional administrative burden and costs. Changes in legislation or regulation could lead to additional administrative burden and costs in general, and also carry the potential of a material fine or significant reputational risk.

INTELLECTUAL PROPERTY

The Corporation relies on the patent, trade secret and other intellectual property laws of Canada, the United States and the other countries where it does business to protect its intellectual property rights. The Corporation may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Corporation's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Corporation's intellectual property, litigation to protect and enforce the Corporation's rights could be costly, and the Corporation may not prevail.

Many of the Corporation's technologies are not covered by any patent or patent application, and the Corporation's issued and pending Canadian, United States and other countries' patents may not provide the Corporation with any competitive advantage and could be challenged by third parties. The Corporation's inability to secure issuance of pending patent applications may limit its ability to protect the intellectual property rights these pending patent applications were intended to cover. The Corporation's competitors may attempt to design around its patents to avoid liability for infringement and, if successful, could adversely affect the Corporation's market share. Furthermore, the expiration of the Corporation's patents may lead to increased competition.

In addition, effective patents, trade secret and other intellectual property protection may be unavailable or limited in some foreign countries. In some countries, the Corporation does not apply for patent or other intellectual property protection. The Corporation also relies on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Corporation generally enters into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements are limited in duration, could be breached and may not provide meaningful



protection of its trade secrets. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Corporation's trade secrets and manufacturing expertise. In addition, others may obtain knowledge about the Corporation's trade secrets through independent development or by legal means. The failure to protect the Corporation's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property.

Where a product formulation or process is kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material adverse effect on the Corporation's ability to make and sell products or use such processes and could potentially result in costly litigation in which the Corporation might not prevail.

The Corporation could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operations.

DEPENDENCE ON MANAGEMENT AND KEY PERSONNEL

The Corporation is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Corporation's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Corporation's business.

QUALIFIED EMPLOYEES

Recruiting and retaining qualified personnel is critical to the Corporation's success. Especially if it relates to its graphene operations, finding skilled scientists and a sales team familiar with the subject matter is difficult. As the Corporation grows further, the need for skilled labour will increase. The number of persons skilled in the high-tech manufacturing business is limited and competition for this workforce is intense. This may adversely affect the business of the Corporation if it is unable to recruit and retain qualified personnel as and when required.

COMPETITION

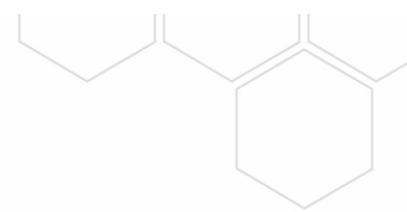
The Corporation competes with other graphene and manufacturing companies, in highly competitive markets. Some of the Corporation's competitors have substantially greater financial, marketing and other resources and higher market share than the Corporation has in certain products or geographic areas. As the markets for the Corporation's products and other services expand, additional competition may emerge and competitors may commit more resources to products which directly compete with the Corporation's products. There can be no assurance that the Corporation will be able to compete successfully with existing competitors or that its business will not be adversely affected by increased competition or by new competitors.

CYBERSECURITY THREATS

The reliability and security of the Corporation's information technology ("IT") systems is important to the Corporation's business and operations. Although the Corporation has established and continues to enhance security controls intended to protect the Corporation's IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyberattacks. A significant breach of the Corporation's IT systems could, among other things, cause disruptions in the Corporation's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information or intellectual property, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Corporation's, its customers' or suppliers' intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Corporation may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Corporation.

SHARE PRICE FLUCTUATIONS

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies.



There can be no assurance that fluctuations in the Corporation's share price will not occur. In particular, the fluctuations may be exaggerated if the trading volume of the Common Shares of the Corporation is low.

COST ABSORPTION AND PURCHASE ORDERS

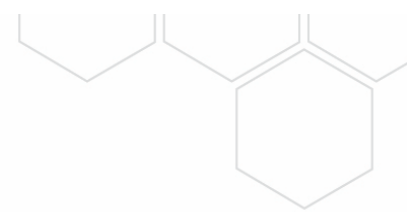
Especially as it relates to its activities in the transportation industry, and given the current trends in that industry, the Corporation is under continuing pressure to absorb costs related to product design and development, engineering, program management, prototypes and validation. In particular, OEMs are requesting that suppliers pay for the above costs and recover these costs through the piece price of the applicable component. Contract volumes for customer programs not yet in production are based on the Corporation's customers' estimates of their own future production levels. However, actual production volumes may vary significantly from these estimates due to a reduction in consumer demand or new product launch delays, often without any compensation to the supplier by its OEM customer. Typical purchase orders issued by customers do not require that they purchase a minimum number of the Corporation's products. For programs currently under production, the Corporation is generally unable to request price changes when volumes differ significantly from production estimates used during the quotation stage. If estimated production volumes are not achieved, the product development, design, engineering, prototype and validation costs incurred by the Corporation may not be fully recovered. Similarly, future pricing pressure or volume reductions by the Corporation's customers may also reduce the amount of amortized costs otherwise recoverable in the piece price of the Corporation's products. Either of these factors could have an adverse effect on the Corporation's profitability. While it is generally the case that once the Corporation receives a purchase order for products of a particular vehicle program it would continue to supply those products until the end of such program, customers could cease to source their production requirements from the Corporation for a variety of reasons, including the Corporation's refusal to accept demands for price reductions or other concessions.

ACQUISITIONS

The Corporation has acquired and could continue to acquire complementary businesses, assets, technologies, services or products, at competitive prices. The Corporation could continue to pursue acquisitions in those product areas which were identified as key to the Corporation's long-term business strategy. However, as a result of intense competition in these strategic areas, the Corporation may not be able to acquire the targets needed to achieve its strategic objectives. The completion of such transactions poses additional risks to the Corporation's business. Acquisitions are subject to a range of inherent risks, including the assumption of incremental regulatory/compliance, pricing, supply chain, commodities, labor relations, litigation, environmental, pensions, warranty, recall, IT, tax or other risks. Although the Corporation seeks to conduct appropriate levels of due diligence on acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of: limited access to information; time constraints for conducting due diligence; inability to access target Corporation facilities and/or personnel; or other limitations in the due diligence process. Additionally, the Corporation may identify risks and liabilities that cannot be sufficiently mitigated through appropriate contractual or other protections. The realization of any such risks could have a material adverse effect on the Corporation's operations or profitability. The benefit to the Corporation of previous and future acquisitions is highly dependent on the Corporation's ability to integrate the acquired businesses and their technologies, employees and products into the Corporation, and the Corporation may incur costs associated with integrating and rationalizing the facilities (some of which may need to be closed in the future). The Corporation cannot be certain that it will successfully integrate acquired businesses or that acquisitions will ultimately benefit the Corporation. Any failure to successfully integrate businesses or failure of the businesses to benefit the Corporation could have a material adverse effect on its business and results of operations. Such transactions may also result in additional dilution to the Corporation's shareholders or increased debt. Such transactions may involve partners, and the formula for determining contractual sale provisions may be subject to a variety of factors that may not be easily quantified or estimated until the time of sale (such as market conditions and determining fair market value).

LAUNCH AND OPERATIONAL COSTS

The launch of new business, in an existing or new facility, is a complex process, the success of which depends on a wide range of factors, including the production readiness of the Corporation and its suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. A failure to successfully launch material new or takeover business could have an adverse effect on profitability. Significant launch costs were incurred by the Corporation in recent years. The Corporation's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products in a timely manner, or which may not be performing at expected levels of profitability. The Corporation's facilities contain complex and sophisticated equipments that are used in its manufacturing processes. The Corporation has in the past experienced equipment failures and could experience equipment failure in the future due to wear and tear, design error or operator error, among other things, which could have an adverse effect on profitability. From time to time, the Corporation may have some operating divisions which are not performing at expected levels of profitability. Significant underperformance of one or more operating divisions could have a material adverse effect on the Corporation's profitability and operations.



CYCLICAL RISKS

A portion of the business of the Corporation is cyclical, especially as it relates to its activities in the transportation industry. It is dependent on, among other factors, general economic conditions in North America and elsewhere. Future sales and production volumes are anticipated to be relatively flat or stable in North America over the next several years, but volume levels are uncertain, and volume levels can decrease at any time. There can be no assurance that North American truck production overall or specific platforms will not decline in the future or that the Corporation will be able to utilize any existing unused capacity or any additional capacity it adds in the future. A continued or a substantial additional decline in the production of trucks overall or by customer or by customer platform may have a material adverse effect on the Corporation's financial condition and results of operations and ability to meet existing financial covenants.

North America is a key truck producing region for the Corporation and operating results are dependent on truck production in this region by our customers. Due to the nature of the Corporation's business, it is dependent upon several large customers such that cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, reduced sales of truck platforms of such customers, or shift in market share on trucks on which we have significant content, or any significant or sustained decline in truck production volumes in North America, could significantly reduce the Corporation's ongoing revenue and/or profitability, and could materially and adversely affect the Corporation's financial condition. Although the Corporation continues to diversify its business, there is no assurance that it will be successful.

PRODUCT WARRANTY, RECALL AND LIABILITY RISK

Especially as it relates to the Corporation's composites parts manufacturing operations, customers are increasingly requesting that each of their suppliers bear costs of the repair and replacement of defective products which are either covered under a manufacturer's warranty or are the subject of a recall by the manufacturer and which were improperly designed, manufactured or assembled by their suppliers. The obligation to repair or replace such parts, or a requirement to participate in a product recall, could have a material adverse effect on the Corporation's operations and financial condition.

MATERIAL AND COMMODITY PRICES

Prices for key raw materials and commodities used in composite parts and graphene production, particularly graphite, polyester resin, glass fiber and other raw materials, as well as energy prices, have proven to be volatile at certain times. To the extent that the Corporation is unable to fully mitigate its exposure to price change of key raw materials and commodities, particularly through engineering products with reduced content, by passing price increases to customers, or otherwise, such additional costs could have a material adverse effect on profitability. Increased energy prices could also have an impact on production or transportation costs which in turn could affect competitiveness.

QUOTE/PRICING ASSUMPTIONS

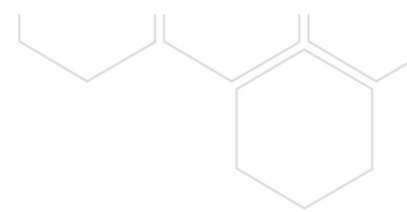
Especially as it relates to the Corporation's composites parts manufacturing operations, the time between award of new production business and start of production typically ranges between one to three years. Since product pricing is typically determined at the time of award, the Corporation is subject to significant pricing risk due to changes in input costs and quote assumptions between the time of award and start of production. The inability to quote effectively, or the occurrence of a material change in input cost or other quote assumptions between program award and production, could have an adverse effect on the Corporation's profitability.

UNINSURED RISKS

The Corporation maintains insurance to cover normal business risks. In the course of its manufacturing businesses, certain risks and, in particular, unexpected or unusual catastrophic events including explosions and fire may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares of the Corporation.

FOREIGN EXCHANGE

The Corporation operates internationally and is exposed to foreign exchange risk mainly related to expenses and sales in currencies other than the respective functional currencies of the Corporation, primarily with respect to the US dollar. Management has set up a policy that requires the Corporation to manage its currency risk and imposes strict limits on the maximum exposures that can be entered into. Sales denominated in US dollars accounted for around 57% of the Corporation's total sales for the year ended June 30, 2024. Consequently, the Canadian dollar trends in relation to the US dollar add an element of risk and uncertainty for the Corporation. These risks are partially offset by the raw material purchases denominated in US dollars. The Corporation's policy is not to use derivative financial instruments for trading or speculative purposes but only for hedging some risk related to



the US dollar. The Corporation sets up credit facilities allowing it to enter into forward foreign or option 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.

LITIGATION

The Corporation has entered into legally binding agreements with various third parties, including supply, distribution, non-disclosure, consulting and partnership agreements. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and the Corporation may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause the Corporation to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on the Corporation's business.

LITHIUM-ION BATTERY CELLS, WHICH HAVE BEEN OBSERVED TO CATCH FIRE OR VENT SMOKE AND FLAME

VoltaXplore Inc. will manufacture lithium-ion battery cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. Also, negative public perceptions regarding the suitability of lithium-ion cells for powersports applications, the social and environmental impacts of cobalt mining or any future incident involving lithium-ion cells, such as a vehicle or other fire could materially adversely affect VoltaXplore business, results of operations or financial condition. In addition, VoltaXplore stores a significant number of lithium-ion cells at its facility. Any mishandling of battery cells, or safety issue or fire related to the cells, may cause damage and disruption to the operation of VoltaXplore's current or future facilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") CONSIDERATIONS

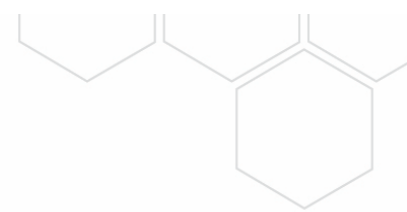
The Corporation could be subject to growing stakeholder expectations as it relates to ESG factors, including from investors, who are increasingly placing a greater emphasis on ESG factors when assessing investment options. Future investments made in the Corporation, or future partnerships or business relations made with the Corporation may depend on various ESG standards.

SUPPLY CHAIN DEPENDENCE AND DISRUPTION

The Corporation is dependent on third-party suppliers, and it expects to continue to rely on third parties to supply in the future. While the Corporation obtains raw material, parts and components from multiple sources whenever possible, some of the raw material, parts and components are purchased from a single source. The Corporation seeks to obtain its raw material, parts and components from multiple sources whenever possible, and to further mitigate supply chain risk the Corporation enters into long-term supply agreements with key manufacturers and suppliers where appropriate. While the Corporation believes that it may be able to establish alternate supply relationships and can obtain or potentially replacement components for some of its single source components, it may be unable to do so in the short-term or at all, or at prices, volumes or quality levels that are acceptable to it. The inability of any of the Corporation's suppliers to deliver necessary raw material parts and components, according to the Corporation's schedule and at prices, volumes or quality levels acceptable to the Corporation, the Corporation's inability to efficiently manage these parts and components, or the termination or interruption of any material supply arrangement could materially adversely affect the Corporation's business, results of operations or financial condition. Any disruption in the supply of raw material, parts and components, whether or not from a single source supplier, could temporarily disrupt manufacturing of the Corporation's products until an alternative supplier is able to supply the required material. Also, if any of the Corporation's suppliers become economically distressed or go bankrupt, the Corporation may be required to provide substantial financial support or take other measures to ensure supplies of components or materials, which could increase its costs, affect its liquidity or cause production disruptions, all of which could materially adversely affect the Corporation's business, results of operations or financial condition. Moreover, The Corporation's profitability is affected by significant fluctuations in the prices of the raw materials, parts and components it uses. The Corporation may not be able to pass along price increases in raw materials, parts or components to its clients. As a result, an increase in the cost of raw materials, parts and components used in the manufacturing of the Corporation's products could reduce its profitability and have a material adverse effect on its business, results of operations or financial condition.

OTHER RISK FACTORS

Additional risks not currently known to the Corporation or that the Corporation currently deems immaterial may also impair the Corporation's operations.



7. ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

For a detailed description of the critical accounting judgments and estimates associated with the Corporation and its activities, please refer to the section "Significant management estimates and judgments in applying accounting policies" in the note 2 in the consolidated financial statements for the years ended June 30, 2024 and 2023.

FUTURE CHANGES IN ACCOUNTING POLICIES

Certain standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods. Refer to the note 3 in the consolidated financial statements for the years ended June 30, 2024 and 2023 for the details of these standards and amendments.

8. CONTROLS AND PROCEDURES

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

An evaluation of the design and operating effectiveness of DC&P and ICFR was carried out under the supervision of the Chief Executive Officer and the Chief Financial Officer. This evaluation consisted of a review of documentation, audits and other procedures that management considered appropriate in the circumstances. Based on this evaluation and using the criteria set by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (COSO-Framework 2013) and in connection with the preparation of its year-end financial statements, the two certifying officers concluded that the design of DC&P and ICFR were effective as at June 30, 2024.

No changes were made to the Corporation's internal controls over financial reporting during Q4-2024 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

NanoXPLORE

Performance Through Carbon Chemistry

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