

NanoXplore

NanoXplore Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month periods ended September,
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 three-month periods ended September 30, 2024 and 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three-month periods ended September 30, 2024 and 2023. The purpose of this document is to provide information on our activities. The information contained herein is dated as of November 6, 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.

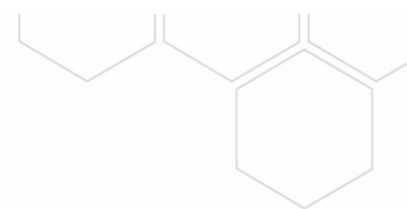
"Q1-2025" and "Q1-2024" refer to the three-month periods ended September 30, 2024 and 2023 respectively.

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:

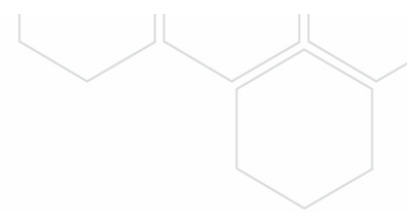
Subsidiaries	Reporting segment
NanoXplore Switzerland Holding SA ("NanoXplore Switzerland"), based in Switzerland, with an equity interest of 100% [2023 – 100%]. NanoXplore Switzerland holds 100% of CEBO Injections SA ("CEBO")	Advanced Materials, Plastics and Composite Products
NanoXplore Holdings USA, 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

- Total revenues of \$33,665,414 compared to \$28,936,031 last year, representing a 16% increase;
- Adjusted gross margin⁽¹⁾ on revenues from customers of 20.9% compared to 19.7% last year;
- Loss of \$2,719,012 compared to \$3,726,078 last year;
- Adjusted EBITDA⁽²⁾ of \$1,124,299 compared to an adjusted EBITDA loss of \$488,332 last year;
- Adjusted EBITDA⁽²⁾ of \$1,512,104 compared to \$170,654 last year for the Advanced Materials, Plastics and Composite Products segment;
- Adjusted EBITDA⁽²⁾ loss of \$387,805 compared to an adjusted EBITDA loss of \$618,986 last year for the Battery Cells segment (VoltaXplore initiative);
- Total liquidity of \$31,342,215 as at September 30, 2024, including cash and cash equivalents of \$21,342,215;
- Total long-term debt of \$5,853,678 as at September 30, 2024, down by \$492,825 compared to June 30, 2024.

BUSINESS HIGHLIGHTS

During the three-month period ended September 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

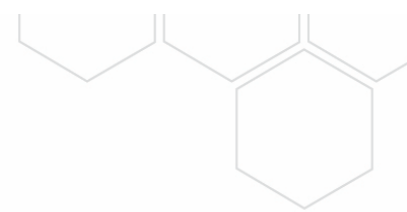
The Corporation continued executing on its 5-year strategic and investment plan that was announced in November 2022. The plan represents an increase in the production capacity of graphene, battery materials and graphene enhanced masterbatch, compound and composite products.

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

- 1) During fiscal year 2024, the Corporation was 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 at the end of Q4 of the current fiscal year.
- 2) During fiscal year 2024, the Corporation was 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 with start of incremental production by March 2025. Consequently, the previously announced SMC lightweighting initiative capex of \$30M to \$35M will now be in a range of \$25M to \$30M.
- 3) 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.
- 4) 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.

⁽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.



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 a 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 before December 31, 2024.

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 a 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 accelerate 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 the validation process of this novel dry- processed graphene and continued with the required engineering work. The product validation process includes production of plastic masterbatches and compounds with the dry graphene and testing their mechanical, electrical, and weatherability properties. Results indicate 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 shorten 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 orders for that 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 September 30, 2024, the Corporation had total liquidity of \$31,342,215 including cash and cash equivalents and availability under the Corporation's credit facilities.

Long-term debt

The total long-term debt decreased from \$6,346,503 as at June 30, 2024 to \$5,853,678 as at September 30, 2024 for a variation of \$492,825. Repayments amounted to \$538,797 during the three-month period ended September 30, 2024.

3. OVERALL RESULTS

HIGHLIGHTS

The following table sets out certain highlights of the Corporation's performance for the three-month periods ended September 30, 2024 and 2023. Refer to the Corporation's unaudited condensed interim consolidated financial statements for the three-month periods ended September 30, 2024 and 2023 for a detailed account of the Corporation's performance for the results presented in the tables below.

In summary:

	Q1-2025	Q1-2024	Variation	
	\$	\$	\$	%
Revenues	33,665,414	28,936,031	4,729,383	16%
Operating loss	(2,205,556)	(4,000,680)	1,795,124	45%
Loss	(2,719,012)	(3,726,078)	1,007,066	27%
Loss per share (Basic and diluted)	(0.02)	(0.02)		
Non-IFRS Measures *				
Adjusted EBITDA	1,124,299	(448,332)	1,572,631	351%

By reporting segment:

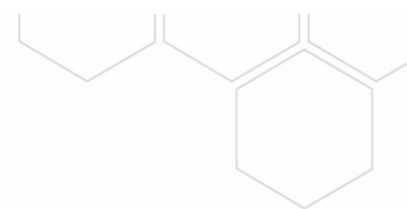
	Q1-2025	Q1-2024	Variation	
	\$	\$	\$	%
From Advanced Materials, Plastics and Composite Products				
Revenues	33,635,593	28,914,101	4,721,492	16%
Non-IFRS Measures:				
Adjusted EBITDA *	1,512,104	170,654	1,341,450	786%
From Battery Cells				
Revenues	29,821	21,930	7,891	36%
Non-IFRS Measures:				
Adjusted EBITDA *	(387,805)	(618,986)	231,181	37%

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

* NON-IFRS MEASURES

This MD&A was prepared using results and financial information determined under IFRS. However, the Corporation considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Corporation. These measures, which the Corporation believes are widely used by investors, securities analysts and other interested parties in evaluating the Corporation's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted EBITDA" 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 ended September 30, 2024 and 2023.



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

	Q1-2025 \$	Q1-2024 \$
Loss	(2,719,012)	(3,726,078)
Current and deferred income tax (recovery)	474,614	(226,429)
Net interest expenses (revenues)	38,842	(29,913)
Gain on disposal of property, plant and equipment	—	(18,260)
Foreign exchange	30,082	572,596
Share-based compensation expenses	517,536	302,062
Non-operational items ⁽¹⁾	40,000	40,000
Depreciation and amortization	2,742,237	2,637,690
Adjusted EBITDA	1,124,299	(448,332)
- From Advanced Materials, Plastics and Composite Products	1,512,104	170,654
- From Battery Cells	(387,805)	(618,986)

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

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

	Q1-2025 \$	Q1-2024 \$
Revenues from customers	33,327,069	28,706,752
Cost of sales	26,369,904	23,047,454
Adjusted gross margin	6,957,165	5,659,298
Depreciation (production)	1,620,181	1,517,147
Gross margin	5,336,984	4,142,151

RESULTS OF OPERATIONS VARIANCE ANALYSIS

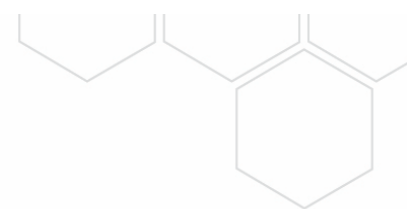
Revenues

	Q1-2025 \$	Q1-2024 \$	Variation	
			\$	%
Revenues from customers	33,327,069	28,706,752	4,620,317	16%
Other income	338,345	229,279	109,066	48%
Total revenues	33,665,414	28,936,031	4,729,383	16%

All revenues are coming from the segment of Advanced Materials, Plastics and Composite Products, except for \$29,821 of other revenues [Q1-2024 – \$21,930] from the segment Battery Cells.

Revenues from customers increased from \$28,706,752 in Q1-2024 to \$33,327,069 in Q1-2025. This increase is mainly due to a higher volume, a positive FX impact and higher tooling revenues.

Other income increased from \$229,279 in Q1-2024 to \$338,345 in Q1-2025. The variation is due to grants received for R&D programs.



Adjusted EBITDA

1) From Advanced Materials, Plastics and Composite Products

The adjusted EBITDA improved from \$170,654 in Q1-2024 to \$1,512,104 in Q1-2025. The variation is explained as follows:

- Adjusted Gross margin on revenues from customers increased by \$1,297,867 compared to Q1-2024 due to higher sales as described above, favourable product mix, improved productivity and cost control.

2) From Battery Cells

The adjusted EBITDA loss passed from \$618,986 in Q1-2024 to \$387,805 in Q1-2025. The variation is explained by the operational expenses decrease (Selling, General & Administration and Research & Development) of \$223,290.

Loss

The loss decreased from \$3,726,078 in Q1-2024 to \$2,719,012 in Q1-2025. The variation is mainly explained as follows:

- An increase in adjusted EBITDA of \$1,572,631 as explained above;
- Foreign exchange loss of \$30,082 in Q1-2025 compared to \$572,596 in Q1-2024;
- Partially offset by:
 - Current and deferred income tax expense of \$474,614 this year compared to a recovery of \$226,429 last year;
 - Higher depreciation and amortization of \$104,547;
 - Higher share-based compensation expenses of \$215,474.

Foreign exchange

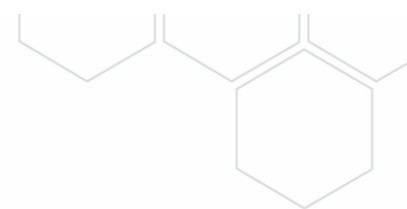
	Q1-2025	Q1-2024	Variation	
	\$	\$	\$	%
Foreign exchange from operations	586,508	(338,509)	925,017	(273%)
Foreign exchange on derivative contracts	(556,426)	911,105	(1,467,531)	161%
Total foreign exchange	30,082	572,596	(542,514)	95%

The Corporation had a negative impact on foreign exchange from operations of \$586,508 in Q1-2025 compared to a positive impact of \$338,509 in Q1-2024. 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 gain of \$556,426 in Q1-2025 compared to a non-realized loss of \$911,105 in Q1-2024. The variation is due to the fluctuation of the US rate between the quarters and the level of coverage.

FINANCIAL OUTLOOK

The Corporation expects total revenues of between \$140 million and \$155 million for the year ending June 30, 2025.



SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the eight most recently reported quarters. This unaudited quarterly information has been prepared in accordance with IFRS 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	
		\$	\$	\$	\$	
Q1-2025	September 30, 2024	33,665,414	1,124,299	(2,719,012)	(0.02)	Note 1
Q4-2024	June 30, 2024	38,125,566	2,488,304	(2,421,110)	(0.01)	Note 2
Q3-2024	March 31, 2024	33,867,747	571,968	(3,089,430)	(0.02)	Note 3
Q2-2024	December 31, 2023	29,063,024	(92,806)	(2,428,388)	(0.01)	Note 4
Q1-2024	September 30, 2023	28,936,031	(448,332)	(3,726,078)	(0.02)	Note 5
Q4-2023	June 30, 2023	33,318,964	526,140	(2,003,549)	(0.01)	Note 6
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 1 The revenues and Adjusted EBITDA were lower due to lower volume. Loss is higher mainly due to lower revenues.

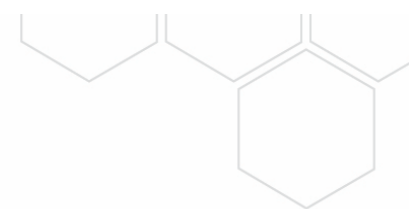
Note 2 The revenues and Adjusted EBITDA were higher due to higher volume. Loss is lower mainly due to higher gross margin on revenues from customers.

Note 3 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 4 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 5 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.

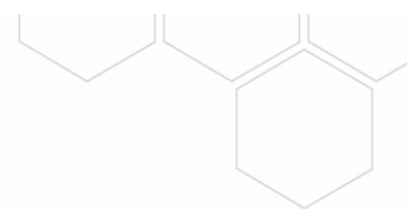
Note 6 The revenues were higher due to positive product mix, including graphene enhanced product, and higher volume.



4. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	As at September 30, 2024 \$	As at June 30, 2024 \$	Variation \$	Main reasons for significant variation
Assets				
Cash and cash equivalents	21,342,215	26,504,880	(5,162,665)	Refer to section Cash Flows
Accounts receivable and Contract asset	21,607,086	24,955,170	(3,348,084)	Mainly due to collection of VoltaXplore investment tax credit refund and timing of cash receipts
Inventory	17,187,952	17,034,659	153,293	
Right-of-use assets	7,556,768	7,652,182	(95,414)	
Property, plant and equipment, and equipment deposits	64,738,804	64,150,151	588,653	
Intangible assets	12,881,366	13,254,401	(373,035)	
Goodwill	1,919,673	1,919,673	—	
Other assets	4,689,425	4,221,882	467,543	
Total assets	151,923,289	159,692,998	(7,769,709)	
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payable	16,181,776	22,983,515	(6,801,739)	Mainly due to payment of variable compensation and timing in cash payment
Contract liability	2,743,187	2,978,374	(235,187)	Timing in tooling projects
Operating loans	1,286,040	1,522,700	(236,660)	
Defined benefit liabilities	645,409	539,598	105,811	
Lease liability	14,695,121	12,967,373	1,727,748	Mainly due to an addition of lease liability offset by lease payment
Long-term debt	5,853,678	6,346,503	(492,825)	Mainly due to debt payment
Deferred taxes liabilities	5,021,190	4,705,063	316,127	
Total liabilities	46,426,401	52,043,126	(5,616,725)	
Shareholders' Equity				
Share capital	182,683,203	182,683,203	—	
Reserve	6,372,923	5,855,387	517,536	
Foreign currency translation reserve	33,155	(162,900)	196,055	
Deficit	(83,592,393)	(80,725,818)	(2,866,575)	
Total shareholders' equity	105,496,888	107,649,872	(2,152,984)	
Total liabilities and shareholders' equity	151,923,289	159,692,998	(7,769,709)	



CASH FLOWS

	Q1-2025 \$	Q1-2024 \$	Variation \$	%
Cash flows generated by (used in) operating activities prior to changes in non-cash working capital items	395,465	(104,344)	499,809	479%
Changes in non-cash working capital items	(2,742,866)	(2,736,449)	(6,417)	(0%)
Operating activities	(2,347,401)	(2,840,793)	493,392	17%
Financing activities	(1,986,323)	(1,592,453)	(393,870)	(25%)
Investing activities	(871,399)	(2,845,644)	1,974,245	69%
Net effect of currency exchange rate on cash and cash equivalents	42,458	2,065	40,393	(1,956%)
Net change in cash and cash equivalents	(5,162,665)	(7,276,825)	2,114,160	29%

Operating activities

Cash flows generated in operating activities prior to changes in non-cash working capital items were \$395,465 this year compared to a cash used of \$104,344 last year. The variation is mainly explained by an improvement of the adjusted EBITDA of \$1,572,631 partially offset by income tax expenses.

Changes in non-cash working capital items amounted to -\$2,742,866 this year, which is explained as follows:

- A decrease of contract liability due to timing in tooling projects;
- A decrease of accounts payable and accrued liabilities of \$5,618,925 mainly due to payment of variable compensation and timing of payments;
- Partially offset by a decrease in accounts receivable of \$3,348,084 mainly due to collection of VoltaXplore investment tax credits and timing of cash receipts.

Financing activities

Cash flows used in financing activities were \$1,986,323 this year compared to \$1,592,453 last year. This year, repayments of \$1,664,813 were completed on long-term debt and lease liability and repayment of \$321,510 on operating loans.

Last year, the operating loans decreased by \$295,720 and repayment of \$1,296,733 was completed on long-term debt and lease liability.

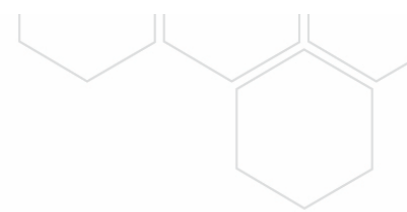
Investing activities

Cash flows used in investing activities were \$871,399 this year compared to \$2,845,644 last year. This year, the Corporation paid \$1,658,650 for capital expenditures and \$1,411,942 for equipment deposits, mainly related to additions of composite equipment offset by an equipment disposal of \$2,285,764.

Last year, the Corporation paid \$2,874,244 for capital expenditures, mainly related to additions of composite equipment

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.



OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements, except for the commitment disclosed in the unaudited condensed interim consolidated financial statements for the three-month periods ended September 30, 2024 and 2023.

Management believes that the Company 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 November 6, 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 6 "Related party transactions" in the unaudited condensed interim consolidated financial statements for the three-month periods ended September 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.

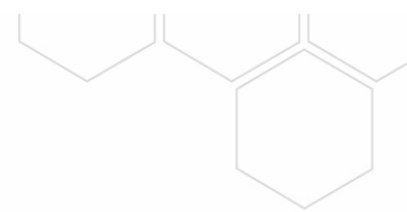
For a detailed description of risks and uncertainties, refer to the management's discussion and analysis for the years ended June 30, 2024 and 2023.

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.

No changes were made to the Corporation's internal controls over financial reporting during Q1-2025 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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