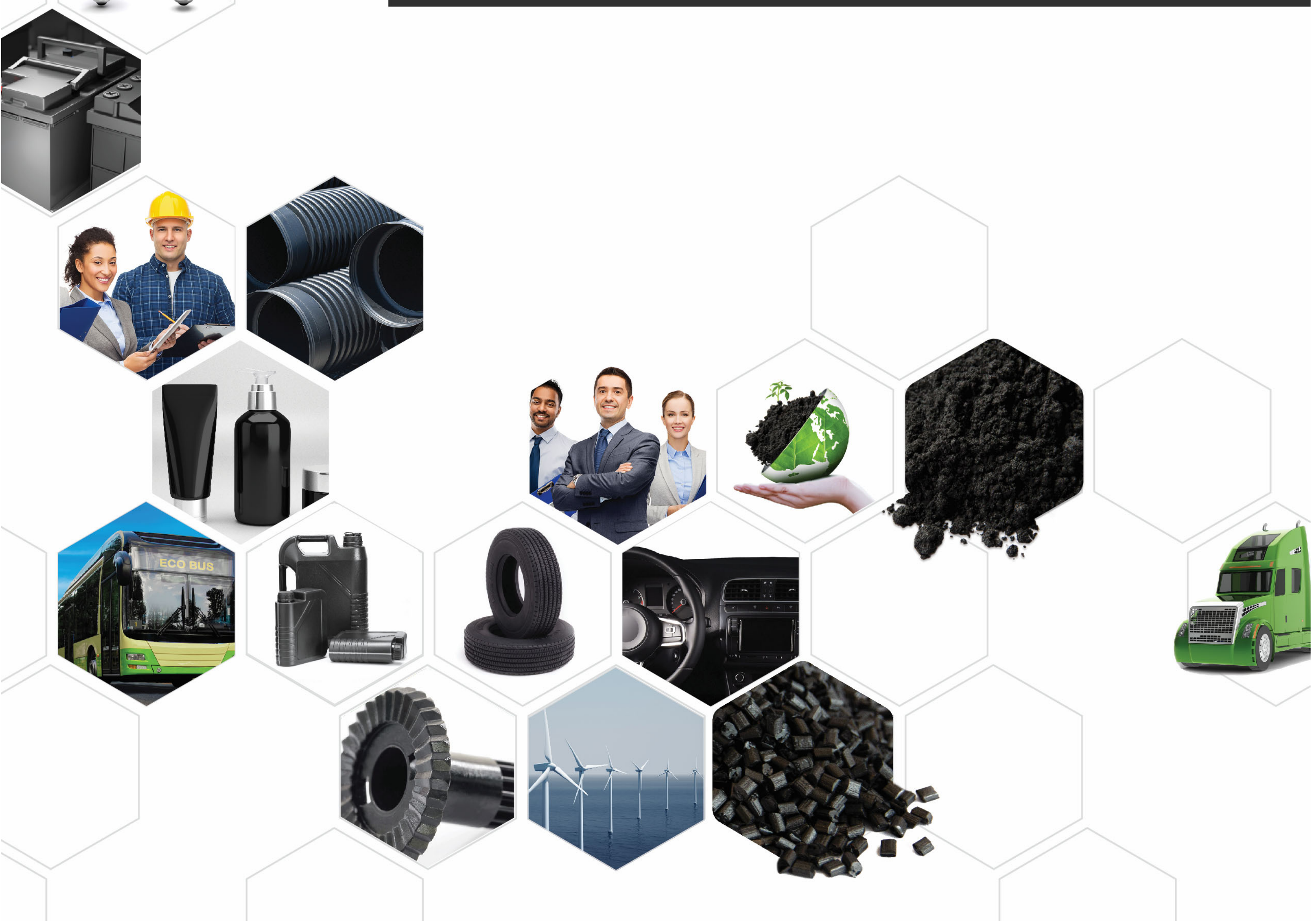
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine-month periods ended March 31, 2022 and 2021



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

This interim Management's discussion and analysis (”MD&A”) provides a review of NanoXplore Inc.'s operations, performance and financial position for the three and nine-month periods ended March 31, 2022 and 2021 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine-month periods ended March 31, 2022 and 2021 and with the audited consolidated financial statements for the years ended June 30, 2021 and 2020. The purpose of this document is to provide information on our activities. The information contained herein is dated as of May 16, 2022, date on which the MD&A was approved by the Company's board of directors. You will find more information about us on NanoXplore's website at www.nanoxplore.ca and on SEDAR at www.sedar.com, including all press releases.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements including IAS 34, Interim Financial Reporting. The Company 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 “Company” mean NanoXplore Inc. and its subsidiaries, unless otherwise indicated.

"Q3-2022” and “Q3-2021” refer to the three-month periods ended March 31, 2022 and 2021 respectively, and “YTD 2022” and “YTD 2021” refer to the nine-month periods ended March 31, 2022 and 2021 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 Company. 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 Company 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 Company's control, could prove incorrect as they are subject to risks and uncertainties inherent in the Company'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

COMPANY OVERVIEW

NanoXplore is a graphene company, a manufacturer and supplier of high-volume graphene powder for use in transportation and industrial markets. Also, the Company provides standard and custom graphene-enhanced plastic and composite products to various customers in transportation, packaging, electronics, and other industrial sectors. The Company was formed by amalgamation under the *Canada Business Corporations Act* by Certificate of Amalgamation dated September 21, 2017 and is headquartered at 4500 Thimens Blvd, Montreal, QC, Canada.

On July 15, 2021, NanoXplore Inc. graduated from the Toronto Stock Exchange ("TSX") Venture Exchange to the TSX. NanoXplore is still traded under "GRA" and is also listed on the OTCQX and traded under "NNXPF".

The Company has the following subsidiaries:

- NanoXplore Switzerland Holding SA ("NanoXplore Switzerland"), based in Switzerland, with an equity interest of 100% [2021 – 100%]. NanoXplore Switzerland holds 100% of CEBO Injections SA ("CEBO").
- NanoXplore Holdings USA, Inc. ("NanoXplore Holdings USA"), based in the United States, with an equity interest of 100% [2021 – none]. NanoXplore Holdings USA holds 100% of NanoXplore USA, Inc.
- Sigma Industries Inc. ("Sigma"), based in Canada, with an equity interest of 100% [2021 – 100%]. Sigma has two active wholly owned subsidiaries; Faroex Ltd., based in Manitoba, and Rene Composite Materials Ltd., based in Quebec. Rene Composite Materials Ltd. has one active wholly owned subsidiary; RMC Advanced Technologies Inc., based in the United States.
- Canuck Compounders Inc. ("Canuck"), based in Canada, with an equity interest of 100% [2021 – nil].

On April 1, 2021, VoltaXplore Inc. ("VoltaXplore") was incorporated. On April 14, 2021, NanoXplore and Martinrea Innovation Developments Inc., a wholly-owned subsidiary of Martinrea International Inc. ("Martinrea"), formed a joint venture (50%/50%) through VoltaXplore, a battery-based initiative to service the electric transportation and grid storage market.

On December 15, 2021, the Company acquired all of the issued and outstanding shares of Canuck.

BUSINESS HIGHLIGHTS

COVID-19 Pandemic and supply chain issues

The COVID-19 pandemic and its negative collateral effects on the supply of materials and the availability of labour continued to have an adverse effect on our business, results of operations, cash flows and financial position. However, the full impact cannot be determined at this time. The extent of the impact will depend on various factors, including the possibility of future shutdowns, impact on customers and suppliers, the rate at which economic conditions and operations return to pre-COVID levels, any continued or future governmental orders or lock-downs due to this wave of COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

The discovery of several effective vaccines and their deployment allows us to hope for an end to the crisis. Until the situation is stable, the Company will continue to respond in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

Financing

On February 24, 2022, the Company completed a financing by way of a prospectus supplement dated February 17, 2022 to the Company's short form base shelf prospectus dated January 24, 2022 of 6,522,000 common shares at a price of $4.60 per share for gross proceeds of $30,001,200. The Company intends to use the net proceeds of the financing for general corporate purposes, which may include pursuing potential acquisitions and to fund its growth strategies. The aggregate issuance costs related to this issuance, including the commission, were $2,004,968 and were paid in cash.

Acquisition of Canuck

On December 15, 2021, the Company acquired all of the issued and outstanding shares of Canuck for a total consideration of $9,158,408. This amount represents $9,300,000 plus cash on hand, less debt and a working capital adjustment, and a discount on the balance of purchase price due in 24 months. This transaction was financed using the Company's available cash. This acquisition was concluded to expand the Company's downstream, value-added product offering through enhanced masterbatch and compounds.

Canuck was a privately held plastic recycling compounder for the past 30 years and provides sustainable and engineered recycled plastic compounds for use in transportation, building and construction, agriculture and packaging markets. Canuck's manufacturing facility is based in Cambridge, Ontario.

Consent order for GrapheneBlackTM

On August 16, 2021, the Company entered into a consent order with the *U.S. Environmental Protection Agency* ("EPA") under the *Toxic Substances Control Act* (TSCA) (the "Consent Order"), which Consent Order allows for the commercial use of its GrapheneBlack™ as an additive for thermoplastics, thermosets and rubbers, with no annual volume limitation.

Long-term debt and Advance debt payment

The total long-term debt (excluding long-term debt directly associated with property held for sale) decreased from $11,652,440 as at June 30, 2021 to $9,700,593 as at March 31, 2022 for a variation of $1,951,847 which included advance payments of $2,229,049 to provide a fertile ecosystem for growth. An amount of $1,539,094 was received in January 2022 as the last payment in relation to an interest-free financing that had been concluded in 2018.

Investment in a Joint Venture - VoltaXplore

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

3. OVERALL RESULTS

HIGHLIGHTS

The following tables set out certain highlights of the Company's performance for the three and nine-month periods ended March 31, 2022 and 2021. Refer to the Company's unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2022 and 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

	Q3-2022	Q3-2021	Variation		YTD 2022	YTD 2021	Variation	
	$	$	$	%	$	$	$	%
Revenues	**28,406,750**	18,421,736	9,985,014	54%	**66,026,683**	51,462,234	14,564,449	28%
Operating loss	**(4,204,045)**	(3,604,736)	(599,309)	17%	**(14,238,888)**	(7,438,734)	(6,800,154)	91%
Loss	**(4,516,108)**	(3,873,781)	(642,327)	17%	**(12,831,919)**	(7,370,620)	(5,461,299)	74%
Loss per share (Basic and diluted)	**(0.03)**	(0.03)			**(0.08)**	(0.05)		
Non-IFRS Measures								
Adjusted EBITDA	**(2,195,119)**	(2,419,487)	224,368	(9%)	**(9,151,185)**	(5,922,436)	(3,228,749)	55%

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 Company results. In addition to IFRS measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

	Q3-2022 $	Q2-2022 $	Q1-2022 $
Revenues from customers	**27,997,816**	18,425,908	17,830,017
Adjusted EBITDA *	**(2,195,119)**	(3,113,136)	(3,842,930)

* NON-IFRS MEASURES

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

The following table provides a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" for the three-month periods ended March 31, 2022 (Q3-2022), December 31, 2021 (Q2-2022) and September 30, 2021 (Q1-2022).

	Q3-2022 $	Q2-2022 $	Q1-2022 $
Loss	**(4,516,108)**	(3,585,180)	(4,730,631)
Current and deferred income tax recovery	**(134,303)**	(378,445)	(43,402)
Net interest expenses	**274,559**	174,256	220,436
Share of loss of a joint venture	**171,807**	173,734	57,741
Gain on disposal of property, plant and equipment	**—**	(1,601,271)	(322,081)
Canada Emergency Wage Subsidy ("CEWS")	**—**	(41,608)	(798,641)
Share-based compensation expenses	**175,592**	179,937	171,941
Non-operational items [(1)]	**(17,414)**	312,426	—
Depreciation and amortization	**1,850,748**	1,653,015	1,601,707
Adjusted EBITDA	**(2,195,119)**	(3,113,136)	(3,842,930)

The following table provides a reconciliation of IFRS "Loss" to Non-IFRS "Adjusted EBITDA" for the three and nine-month periods ended March 31, 2022 and 2021.

	Q3-2022 $	Q3-2021 $	YTD 2022 $	YTD 2021 $
Loss	**(4,516,108)**	(3,873,781)	**(12,831,919)**	(7,370,620)
Current and deferred income tax recovery	**(134,303)**	(64,252)	**(556,150)**	(384,489)
Net interest expenses	**274,559**	333,297	**669,251**	1,441,825
Share of loss of a joint venture	**171,807**	—	**403,282**	—
Gain on disposal of property, plant and equipment	**—**	—	**(1,923,352)**	—
Gain on a bargain purchase	**—**	—	**—**	(1,125,450)
CEWS	**—**	(590,510)	**(840,249)**	(3,718,114)
Share-based compensation expenses	**175,592**	187,270	**527,470**	449,351
Non-operational items [(1)]	**(17,414)**	—	**295,012**	89,884
Depreciation and amortization	**1,850,748**	1,588,489	**5,105,470**	4,695,177
Adjusted EBITDA	**(2,195,119)**	(2,419,487)	**(9,151,185)**	(5,922,436)

[(1)] Non-operational items consist of professional fees related to business acquisitions and for the filing of the short form base shelf prospectus.

RESULTS OF OPERATIONS VARIANCE ANALYSIS – THREE-MONTH PERIODS

Revenues

	Q3-2022	Q3-2021	Variation		Q2-2022	Variation	
	$	$	$	%	$	$	%
Revenues from customers	**27,997,816**	17,619,603	10,378,213	59%	**18,425,908**	9,571,908	52%
Other income	**408,934**	802,133	(393,199)	(49%)	**375,579**	33,355	9%
Total revenues	**28,406,750**	18,421,736	9,985,014	54%	**18,801,487**	9,605,263	51%

Revenues from customers increased from $18,425,908 in the previous quarter (Q2-2022) to $27,997,816 in the current quarter (Q3-2022). The increase is mainly due to a positive product mix including graphene enhanced product, the acquisition of Canuck, and additional price increase. Despite the increase in revenues from customers, customers continued to be negatively impacted as some of our major customers had to slow down their production cadence due to supply issues (semiconductors among others) while other customers have still not regained their pre-pandemic levels (coach buses and industrial sectors).

Revenues from customers increased from $17,619,603 in the last year quarter (Q3-2021) to $27,997,816 in the current quarter (Q3-2022). This increase is mainly explained by the revenues coming from a positive product mix including graphene enhanced products, the acquisition of Canuck in December 2021, new sales programs, price increases and higher fluctuating tooling revenues.

Other income decreased from $802,133 in the last year quarter (Q3-2021) to $408,934 in the current quarter (Q3-2022). The decrease is explained by the CEWS program set up by the Canadian Federal government to help businesses deal with the COVID-19 pandemic. The Company received $ nil under this program during Q3-2022 compared to $590,510 in Q3-2021 as the program ended in October 2021.

Adjusted EBITDA

The adjusted EBITDA improved from -$3,113,136 in the previous quarter (Q2-2022) to -$2,195,119 in the current quarter (Q3-2022). The improvement is mainly coming from a positive product mix and sale price increases which impacted positively the gross margin on total revenues.

The adjusted EBITDA went from -$2,419,487 in the last year quarter (Q3-2021) to -$2,195,119 in the current quarter (Q3-2022). The variation is explained as follows:

- The gross margin on total revenues went up by $1,488,176 compared to last year given the increase in revenues. Product mix including graphene enhanced products and price increases to customers improved also the gross margin on total revenues; and
- These gains were offset by higher administrative expenses (SG&A and R&D) of $1,448,822 mainly due to the addition of strategic new positions, an increase in salaries and to the addition of Canuck.

Loss

The loss increased from $3,873,781 in the last year quarter (Q3-2021) to $4,516,108 in the current quarter (Q3-2022). This variation of $642,327 is mainly explained as follows:

- The increase of the adjusted EBITDA of $224,368 has been offset by:
  - A decrease of $590,510 in government assistance received from the Canadian federal government through its CEWS program;
  - Higher depreciation and amortization of $262,259 due to the acquisition of Canuck and reevaluation to fair value of CSP equipment; and
  - Share loss of a joint venture of $171,807 (nil in Q3-2021).

RESULTS OF OPERATIONS VARIANCE ANALYSIS – NINE-MONTH PERIODS

Revenues

	YTD 2022	YTD 2021	Variation	
	$	$	$	%
Revenues from customers	**64,253,741**	47,045,864	17,207,877	37%
Other income	**1,772,942**	4,416,370	(2,643,428)	(60%)
Total revenues	**66,026,683**	51,462,234	14,564,449	28%

Revenues from customers increased from $47,045,864 in the last year period (YTD 2021) to $64,253,741 in the current period (YTD 2022). This increase is mainly explained as follows:

- Positive product mix including graphene enhanced products;
- The impact of revenues from Canuck as the acquisition was completed on December 15, 2021;
- The full impact of revenues from the Continental Structural Plastics-Newton plant ("CSP Newton Plant") as the acquisition was completed on September 11, 2020;
- Fluctuating tooling revenues were higher in the current period compared to the last year period;
- The revenues from customers volume were negatively impacted as some of our major customers had to slow down their production cadence due to supply issues (semiconductors among others) while other customers have still not regained their pre-pandemic levels (coach buses and industrial sectors). This volume decrease has been offset by price increase and new sales program; and
- The FX (USD/CAD) negatively impacted the revenues during the current period.

Other income decreased from $4,416,370 in the last year period (YTD 2021) to $1,772,942 in the current period (YTD 2022). The decrease is explained by the CEWS program set up by the Canadian Federal government to help businesses deal with the COVID-19 pandemic. The Company received $840,249 under this program during the current period compared to $3,718,114 in the last year period as the program ended in October 2021.

Adjusted EBITDA

The adjusted EBITDA decreased from -$5,922,436 in the last year period (YTD 2021) to -$9,151,185 in the current year period (YTD 2022). This variation of $3,228,749 is mainly explained as follows:

- Despite a positive product mix including graphene enhanced products, the gross margin on total revenues is down by $676,277 compared to last year period;
  - There has been significant increase in the cost of raw materials which we have been able to partially pass on to our customers;
  - Like many manufacturing companies, we are facing a labour shortage. We had to use personnel agencies, work overtime hours and rely more heavily on outsourcing. This had a negative impact on labour costs and consequently, on productivity;
  - More maintenance on production equipment have been done;
  - The FX (USD/CAD) negatively impacted the gross margin on total revenues during the current period; and
- Higher administrative expenses (SG&A and R&D) of $2,921,856 mainly due to the addition of strategic new positions and the addition of the CSP Newton Plant's and Canuck's expenses.

Loss

The loss increased from $7,370,620 in the last period (YTD 2021) to $12,831,919 in the current period (YTD 2022). This variation of $5,461,299 is mainly explained as follows:

- The adjusted EBITDA decreased by $3,228,749 as explained above;
- A decrease of $2,877,865 in government assistance received from the Canadian federal government through its CEWS program;
- A gain on a bargain purchase of $1,125,450 has been recognized in the last period due to the acquisition of the CSP Newton Plant in September 2020; and
- These losses were offset by the gain on disposal of property, plant and equipment of $1,923,352, mainly due to the sale of the property held for sale located in Quebec.

FINANCIAL OUTLOOK

For the year ending June 30, 2022, the Company expects annual revenues of $90 million (previously $85 million). The Company still expects to achieve positive adjusted EBITDA in the fourth quarter of 2022.

SUMMARY OF QUARTERLY RESULTS

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

		Revenues $	Loss (1) $	Basic and diluted loss per share $	
Q3-2022	March 31, 2022	28,406,750	(4,516,108)	(0.03)	**Note 1**
Q2-2022	December 31, 2021	18,801,487	(3,585,180)	(0.02)	**Note 2**
Q1-2022	September 30, 2021	18,818,446	(4,730,631)	(0.03)	**Note 3**
Q4-2021	June 30, 2021	20,886,168	(4,437,041)	(0.02)	
Q3-2021	March 31, 2021	18,421,736	(3,873,781)	(0.03)	**Note 4**
Q2-2021	December 31, 2020	17,463,831	(3,403,581)	(0.02)	**Note 5**
Q1-2021	September 30, 2020	15,576,667	(93,258)	(0.00)	**Note 6**
Q4-2020	June 30, 2020	12,568,227	(682,833)	(0.01)	**Note 7**

Note 1 Higher revenues are mainly explained by positive product mix including graphene enhanced product, the acquisition of Canuck, price increase and new sales program.

Note 2 The loss was lower than usual given a gain on disposal of property, plan and equipment of $1,601,271.

Note 3 The loss was higher than usual given less CEWS received and lower gross margin on total revenues due to increases in raw material and labour costs.

Note 4 Higher revenues are mainly explained by fluctuating tooling revenues.

Note 5 The increase in revenues is explained by the business acquisition of the CSP Newton Plant, completed on September 11, 2020. The pandemic is still negatively impacting our revenues. We also received government assistance of $944,112 from the Canadian federal government through its CEWS program. The loss was higher than usual given less CEWS received, a negative FX (USD/CAD) impact and higher selling, general and administrative expenses is explained by the addition of strategic new positions, the addition of the CSP Newton Plant and higher salary expenses.

Note 6 Resumed activity has been observed among our customers, which explains an increase in revenues compared to the previous quarter, but the pandemic still negatively impacted our revenues. We also received government assistance of $2,183,492 from the Canadian federal government through its CEWS program. Although the COVID-19 pandemic negatively impacted the quarterly results, the loss was less significant than expected given the CEWS received and the gain on a bargain purchase of $1,125,450 due to the acquisition of the CSP Newton Plant.

Note 7 The decrease in revenues is explained by the negative impact of the COVID-19 pandemic partially offset by government assistance of $1,978,638 from the Canadian federal government through its CEWS program. Although the COVID-19 pandemic negatively impacted the quarterly results, the loss was less significant than expected given the CEWS and the cost reduction plan put in place during the period.

(1) Since the initial net assets acquired from CSP Newton Plant were estimated and the valuation was completed during Q4-2021, the fair value of the property, plant and equipment has been increased by $1,125,450 and this adjustment has been reflected retrospectively to the acquisition date as a gain on a bargain purchase in conformity with IFRS 3, *Business Combinations*.

4. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

	As at March 31, 2022 $	As at June 30, 2021 $	Variation $	Main reasons for significant variation
Assets				
Cash and cash equivalents	**56,055,408**	50,524,583	5,530,825	Refer to section Cash Flows
Accounts receivable and Contract asset	**19,425,835**	12,733,190	6,692,645	Mainly due to Canuck acquisition and timing
Inventory	**15,440,089**	11,036,407	4,403,682	Mainly due to Canuck acquisition
Defined benefit assets	**666,153**	—	666,153	Increase of the discount rate
Investment in a joint venture	**4,579,777**	3,983,059	596,718	
Right-of-use assets	**8,726,237**	4,885,169	3,841,068	New leaseback with Newton building and new leases with Canuck acquisition
Property, plant and equipment, and equipment deposits	**53,156,472**	55,225,547	(2,069,075)	Mainly due to the disposal of Newton building
Property held for sale	**—**	2,424,351	(2,424,351)	Buildings located in Tennessee and Quebec were sold
Intangible assets	**3,719,554**	3,354,446	365,108	
Goodwill	**6,189,704**	460,164	5,729,540	Due to Canuck acquisition
Other assets	**1,547,073**	675,008	872,065	Prepaid expenses increase due to timing of the insurance premium payment
Total assets	**169,506,302**	145,301,924	24,204,378	
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable, accrued liabilities and income taxes payable	**17,270,894**	15,229,027	2,041,867	Due to Canuck acquisition and balance of purchase price from Canuck acquisition, offset by payment of the balance of purchase price of CSP Newton Plant, lower variable compensation accrual and payment timing
Contract liability	**934,436**	1,740,789	(806,353)	
Operating loans	**3,458,675**	1,343,300	2,115,375	
Defined benefit liabilities	**—**	811,316	(811,316)	Increase of the discount rate
Balance of purchase price of business acquisition	**948,820**	—	948,820	
Long-term debt and lease liability	**25,420,604**	21,227,187	4,193,417	Mainly due to the new leaseback with Newton building and to new leases with Canuck offset by advance debt payment
Long-term debt directly associated with property held for sale	**—**	1,035,431	(1,035,431)	Building located in Quebec was sold
Deferred taxes liabilities	**504,606**	927,952	(423,346)	
Total liabilities	**48,538,035**	42,315,002	6,223,033	
Shareholders' Equity				
Share capital	**169,283,413**	140,067,376	29,216,037	Financing completed in February 2022
Reserve	**4,035,969**	3,880,555	155,414	
Foreign currency translation reserve	**13,337**	88,173	(74,836)	
Deficit	**(52,364,452)**	(41,049,182)	(11,315,270)	
Total shareholders' equity	**120,968,267**	102,986,922	17,981,345	
Total liabilities and shareholders' equity	**169,506,302**	145,301,924	24,204,378	

CASH FLOWS

	YTD 2022 $	YTD 2021 $	Variation $	%
Cash used in operating activities prior to changes in non-cash working capital items	**(8,894,542)**	(3,346,522)	(5,548,020)	166%
Changes in non-cash working capital items	**(7,525,312)**	(1,473,372)	(6,051,940)	411%
Operating activities	**(16,419,854)**	(4,819,894)	(11,599,960)	241%
Financing activities	**26,370,293**	39,960,567	(13,590,274)	(34%)
Investing activities	**(4,430,962)**	(8,671,632)	4,240,670	(49%)
Net effect of currency exchange rate on cash and cash equivalents	**11,348**	(82,475)	93,823	(114%)
Net change in cash and cash equivalents	**5,530,825**	26,386,566	(20,855,741)	(79%)

Operating activities

Cash flows used in operating activities prior to changes in non-cash working capital items was $8,894,542 in the current period compared to $3,346,522 in the last year period. This variation of $5,548,020 is mainly explained by the year-over-year decrease of $3,228,749 of the adjusted EBITDA, which is due to a lower gross margin on total revenues and higher administrative expenses as explained in previous section “Overall Results”. It is also due to a reduction of $2,877,865 in the amount received from the CEWS program.

Changes in non-cash working capital items were -$7,525,312 for the nine-month period ended March 31, 2022. The decrease is explained as follows:

- An increase of the accounts receivable and contract asset of $2,425,028 mainly due to timing;
- A reduction of accounts payable and accrued liabilities of $1,107,681 mainly due to lower variable compensation accrual and to timing;
- An increase of inventory of $2,047,172 due to an increase in production and purchase of raw materials to meet our client forecast for Q4-2022;
- A reduction of contract liability of $806,347 due to timing and projects that have ended; and
- An increase of prepaid expenses of $677,769 mainly related to the payment of the annual insurance premium.

Financing activities

Cash flows generated in financing activities were $26,370,293 in the current period compared to $39,960,567 in the last year period. During the current period, the Company completed an issuance of common shares following a public financing for net proceeds of $27,996,232, a long-term debt of $1,539,094 was issued, the operating loans increased by $1,771,175, stock options have been exercised for proceeds of $847,749 and lease incentive of $1,253,921 was received. These cash inflows were offset by repayment of $7,037,878 on long-term debt and lease liability, which included advance debt payments of $2,229,049. During last year period, the Company completed an issuance of common shares following a public financing for net proceeds of $43,382,567 and stock options were exercised for $772,151. These were offset by repayment of $4,262,041 on long-term debt and lease liability which included advance debt payments of $1,370,000. Repayment of long-term debt was also higher in the current period as compared to last year period because of the fact that our banks authorized a moratorium on payments due to the pandemic.

Investing activities

Cash flows used in investing activities were $4,430,962 in the current period compared to $8,671,632 in last year period. During the current period, the Company paid $6,369,094 for the acquisition of Canuck, net of cash acquired, $2,051,304 for the repayment of balance of purchase price of the assets of CSP Newton Plant, $1,000,000 to reinvest in VoltaXplore and $3,213,114 for capital expenditures which are mostly related to expenditures of composites equipment. These were offset by the sale of three buildings for an amount of $8,325,052. During last year period, $2,303,450 was paid for acquiring the assets of CSP Newton Plant, and $6,368,182 was paid for capital expenditures which were mostly related to expenditures of the extruding line of the graphene plant and composites equipment.

USE OF PROCEEDS

Use of Proceeds Reconciliation

i) February 2021

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

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

	Use of proceeds as described in the Short Form Prospectus dated February 5, 2021	Revised estimate of the use of proceeds as of the date hereof
Battery initiatives	4,000,000	5,000,000
Sales and marketing of graphene	20,000,000	20,000,000
Debt reduction	15,000,000	15,000,000
General corporate purposes	4,320,000	3,382,567
Total	**43,320,000**	**43,382,567**

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

With respect to the reduction of the Company's debt, the Company expects to continue to gradually reduce its debt obligations, to provide a fertile ecosystem for growth. The Company is aware of the potential early payment fees resulting from repayment of debt before maturity and will take a balanced approach to minimize such fees.

With respect to the potential negative economic impacts of the Covid-19 pandemic on our business, the Company will continue to respond in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

The Company had negative cash flows from operating activities for the year ended June 30, 2021 and the nine-month period ended March 31, 2022. The Company cannot guarantee if it will have positive or negative cash flow from operating activities in future periods. To the extent that the Company has negative cash flows in any future period, certain of the proceeds from the February 2021 Offering or future offerings may be used to fund such negative cash flows from operating activities.

ii) February 2022

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Throughout the COVID-19 pandemic, the Company has taken controlled and measured actions to preserve liquidity, including flexing and reducing its cost base, eliminating discretionary spending across its global footprint and delaying capital spending where and when appropriate. In addition, the Company enhanced its liquidity position with public financing for net proceeds of $27,996,232 during the financial year 2022. As at March 31, 2022, the Company had total liquidity of $62,855,008, including cash and cash equivalents and availability under the Company's operating loans.

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures for the ensuing 12 months as they fall due. The Company's ability to continue its development activities is dependent on the impact of COVID-19, supply chain issues and the speed of introduction of graphene products into different industries. Although graphene products have generated revenues, the graphene commercial activity is still in the commercial introduction stage and, as a result, the Company could be dependent on external financing to fund its continued development program, if the commercial introduction of the graphene is delayed. The Company'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, Sustainable Development Technology Canada ("SDTC") and from the CEWS program.

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 and nine-month periods ended March 31, 2022 and 2021.

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 Company and its activities, please refer to the consolidated financial statements for the years ended June 30, 2021 and 2020. These identified financial instruments and risks are consistent through the periods.

OUTSTANDING SHARES

As at May 13, 2022, the Company has:

- 165,195,525 common shares issued and outstanding;
- 3,315,000 options outstanding with expiry dates ranging between August 29, 2022 and February 9, 2027 with exercise prices between $0.45 and $6.44. If all the options were exercised, 3,315,000 shares would be issued for cash proceeds of $6,525,150.

5. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the note 8 "Related party transactions" in the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2022 and 2021.

6. RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, technology and manufacturing. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

For a detailed description of risks and uncertainties, refer to the annual management's discussion and analysis for the years ended June 30, 2021 and 2020.

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 Company 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 Company'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 Company and its activities, please refer to the section "Significant management estimates and judgments in applying accounting policies" in the note 2 in the audited consolidated financial statements for the years ended June 30, 2021 and 2020. The Company was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the audited consolidated financial statements for the years ended June 30, 2021 and 2020.

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, 2021 and 2020 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 Company 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 Company's internal controls over financial reporting during Q3-2022 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Limitation on Scope of Design

The scope of design of internal controls over financial reporting and DC&P excluded the controls, policies, and procedures of Canuck, which was acquired on December 15, 2021. Canuck's contributions to the Company's consolidated statements of loss and comprehensive loss for the nine-month period ended March 31, 2022 was approximately 11% of total revenues. Additionally, as at March 31, 2022, Canuck's assets and liabilities represented approximately 6% and 11%, respectively, of the Company's consolidated assets and liabilities. The amounts recognized for the net assets acquired as at the date of this acquisition are described in Note 3a of the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended March 31, 2022 and 2021.