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**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED AUGUST 31, 2018 AND 2017**  
**(Unaudited - Expressed in US Dollars)**

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**Notice of non-review of condensed interim consolidated financial statements**

The accompanying condensed interim consolidated financial statements for the three month period ended August 31, 2018 and 2017 are the responsibility of management and have been approved by the Board of Directors. The Company's independent auditor has not reviewed these condensed interim consolidated financial statements.

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**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2018 AND MAY 31, 2018**  
**(Unaudited - Expressed in US Dollars)**

|                                          | Notes | August 31,<br>2018 | May 31,<br>2018 |
|------------------------------------------|-------|--------------------|-----------------|
| <b>ASSETS</b>                            |       | <b>\$</b>          | <b>\$</b>       |
| <b>Current</b>                           |       |                    |                 |
| Cash and cash equivalents                |       | 251,868            | 426,878         |
| Amounts receivable                       | 5     | 40,704             | 23,631          |
| Inventory                                | 6     | 376,734            | 394,611         |
| Prepaid expenses and deposits            |       | 52,741             | 65,478          |
|                                          |       | 722,047            | 910,598         |
| Equipment                                | 7     | 217,929            | 221,532         |
| Intangible assets                        | 4     | 338,192            | 349,102         |
|                                          |       | 1,278,168          | 1,481,232       |
| <b>LIABILITIES</b>                       |       |                    |                 |
| <b>Current</b>                           |       |                    |                 |
| Accounts payable and accrued liabilities | 8     | 181,748            | 198,655         |
|                                          |       | 181,748            | 198,655         |
| Deferred income tax                      |       | 56,525             | 56,525          |
|                                          |       | 238,273            | 255,180         |
| <b>Shareholders' Equity</b>              |       |                    |                 |
| Share capital                            | 9     | 7,205,717          | 7,205,717       |
| Warrants                                 | 9     | 33,946             | 33,946          |
| Contributed surplus                      |       | 2,821,938          | 2,821,938       |
| Accumulated other comprehensive loss     |       | (94,137)           | (92,883)        |
| Deficit                                  |       | (8,927,569)        | (8,742,666)     |
|                                          |       | 1,039,895          | 1,226,052       |
|                                          |       | 1,278,168          | 1,481,232       |

**Nature of Operations** (Note 1)

**Going Concern** (Note 2(c))

**Commitments** (Note 12)

Approved on behalf of the Board of Directors on October 30, 2018:

"Daniel Stolyarov" Director  
Daniel Stolyarov

"John Gary Dyal" Director  
John Gary Dyal

**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED**  
**(Unaudited - Expressed in US Dollars)**

|                                                             | Notes | August 31,<br>2018 | August 31,<br>2017 |
|-------------------------------------------------------------|-------|--------------------|--------------------|
|                                                             |       | \$                 | \$                 |
| <b>REVENUE</b>                                              |       | 209,537            | 234,513            |
| <b>COST OF GOODS SOLD</b>                                   |       | (96,855)           | (33,698)           |
|                                                             |       | 112,682            | 200,815            |
| <b>EXPENSES</b>                                             |       |                    |                    |
| Amortization of intangible asset                            | 4     | 10,910             | 10,910             |
| Depreciation                                                | 7     | 20,140             | 27,614             |
| Foreign exchange loss                                       |       | (25)               | (100)              |
| Marketing and investor relations                            |       | 10,138             | 15,958             |
| Office and administrative                                   |       | 58,631             | 36,584             |
| Professional fees                                           |       | 59,311             | 143,608            |
| Regulatory fees                                             |       | 4,330              | 4,851              |
| Research and development                                    |       | 44,202             | 62,907             |
| Salaries and benefits                                       |       | 88,584             | 76,190             |
| Share-based compensation                                    |       | -                  | 23,307             |
| Travel                                                      |       | 1,364              | 9,307              |
|                                                             |       | (297,585)          | (411,136)          |
| <b>NET LOSS BEFORE INCOME TAXES</b>                         |       | (184,903)          | (210,321)          |
| <b>INCOME TAXES</b>                                         |       |                    |                    |
| Gain (Loss) on disposal of equipment                        |       | -                  | (16,733)           |
| <b>NET LOSS</b>                                             |       | (184,903)          | (227,054)          |
| <b>OTHER COMPREHENSIVE LOSS</b>                             |       |                    |                    |
| Items that may be reclassified subsequently to income:      |       |                    |                    |
| Foreign currency translation loss                           |       | (1,254)            | 463                |
| <b>COMPREHENSIVE LOSS</b>                                   |       | (186,157)          | (226,591)          |
| <b>LOSS PER SHARE - BASIC AND DILUTED</b>                   |       | \$ (0.003)         | \$ (0.004)         |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b> |       | 73,451,814         | 56,970,804         |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED**  
(Unaudited - Expressed in US Dollars)

|                                                | Notes | August 31,<br>2018 | August 31,<br>2017 |
|------------------------------------------------|-------|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                    |       |                    |                    |
| Net loss                                       |       | (184,903)          | (227,054)          |
| Non-cash items:                                |       |                    |                    |
| Amortization of intangible asset               | 4     | 10,910             | 10,910             |
| Depreciation                                   |       | 20,140             | 27,614             |
| Share-based compensation                       |       | -                  | 23,307             |
|                                                |       | (153,853)          | (165,223)          |
| Changes in non-cash working capital items:     |       |                    |                    |
| Amounts receivable                             | 5     | (17,073)           | (1,167)            |
| Inventory                                      | 6     | 17,877             | (80,004)           |
| Prepaid expenses and deposits                  |       | 12,737             | 10,928             |
| Accounts payable and accrued liabilities       |       | (12,354)           | 46,013             |
|                                                |       | (152,666)          | (189,453)          |
| <b>INVESTING ACTIVITY</b>                      |       |                    |                    |
| Proceed from sale of equipment                 |       | -                  | 21,623             |
| Purchase of equipment                          | 7     | (16,537)           | -                  |
| Loan payable                                   |       | (4,553)            | 103,676            |
|                                                |       | (21,090)           | 125,299            |
| <b>FINANCING ACTIVITIES</b>                    |       |                    |                    |
| Common stock subscribed                        | 9     | -                  | 269,885            |
| Principal payments on finance lease            |       | -                  | (100,396)          |
|                                                |       | -                  | 169,489            |
| <b>Change in cash and cash equivalents</b>     |       | (173,756)          | 105,335            |
| <b>Effect of exchange rate changes on cash</b> |       | (1,254)            | (463)              |
| <b>Cash and cash equivalents, beginning</b>    |       | 426,878            | 39,424             |
| <b>Cash and cash equivalents, ending</b>       |       | 251,868            | 144,296            |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED**  
(Unaudited - Expressed in US Dollars)

|                                   | Notes | Common Shares<br># | \$               | Common<br>Stock<br>Subscribed<br>\$ | #                 | Warrants<br>\$ | Contributed<br>Surplus<br>\$ | Accumulated<br>Other<br>Comprehensive<br>Loss<br>\$ | Deficit<br>\$      | Total<br>\$      |
|-----------------------------------|-------|--------------------|------------------|-------------------------------------|-------------------|----------------|------------------------------|-----------------------------------------------------|--------------------|------------------|
| <b>Balance, May 31, 2017</b>      |       | <b>56,970,804</b>  | <b>5,799,624</b> | <b>-</b>                            | <b>11,538,413</b> | <b>33,946</b>  | <b>2,595,424</b>             | <b>(75,329)</b>                                     | <b>(7,678,591)</b> | <b>675,074</b>   |
| Common stock subscribed           |       | -                  | -                | 269,885                             | -                 | -              | -                            | -                                                   | -                  | 269,885          |
| Share-based compensation          |       | -                  | -                | -                                   | -                 | -              | 23,307                       | -                                                   | -                  | 23,307           |
| Foreign currency translation loss |       | -                  | -                | -                                   | -                 | -              | -                            | (463)                                               | -                  | (463)            |
| Net loss for the period           |       | -                  | -                | -                                   | -                 | -              | -                            | -                                                   | (227,054)          | (227,054)        |
| <b>Balance, August 31, 2017</b>   |       | <b>56,970,804</b>  | <b>5,799,624</b> | <b>269,885</b>                      | <b>11,538,413</b> | <b>33,946</b>  | <b>2,618,731</b>             | <b>(75,792)</b>                                     | <b>(7,905,645)</b> | <b>740,749</b>   |
| <b>Balance, May 31, 2018</b>      |       | <b>73,451,814</b>  | <b>7,205,717</b> | <b>-</b>                            | <b>457,403</b>    | <b>33,946</b>  | <b>2,821,938</b>             | <b>(92,883)</b>                                     | <b>(8,742,666)</b> | <b>1,226,052</b> |
| Foreign currency translation loss |       | -                  | -                | -                                   | -                 | -              | -                            | (1,254)                                             | -                  | (1,254)          |
| Net loss for the period           |       | -                  | -                | -                                   | -                 | -              | -                            | -                                                   | (184,903)          | (184,903)        |
| <b>Balance, August 31, 2018</b>   |       | <b>73,451,814</b>  | <b>7,205,717</b> | <b>-</b>                            | <b>457,403</b>    | <b>33,946</b>  | <b>2,821,938</b>             | <b>(94,137)</b>                                     | <b>(8,927,569)</b> | <b>1,039,895</b> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

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**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

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**1. NATURE OF OPERATIONS**

Graphene 3D Lab Inc. (the “Company”), formerly MatNic Resources Inc. (“MatNic”), was incorporated pursuant to the British Columbia Business Corporations Act on January 17, 2011. On August 8, 2014, through a reverse acquisition transaction, the Company acquired Graphene 3D Lab (U.S.) Inc. which was deemed to be the continuing entity for financial reporting purposes. Graphene 3D Lab (U.S.) Inc. was incorporated on September 3, 2013 in the State of Delaware, U.S.A. Concurrent with the closing of the reverse acquisition transaction, MatNic changed its name to Graphene 3D Lab Inc. and effected a change in directors, management and business. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “GGG.”

On December 8, 2015, the Company closed a non-arm’s length share exchange agreement to acquire all of the issued and outstanding shares of Graphene Laboratories Inc. which was incorporated under the laws of the Commonwealth of Massachusetts, U.S.A.

The Company’s principal business is the development, manufacturing and marketing of proprietary composites and coatings based on graphene and other advanced materials. The Company’s wholly owned subsidiary Graphene Laboratories Inc. currently offers over 100 graphene and related products. The Company’s 3D printing division offers a portfolio of specialty fused filament fabrication filaments. The Company also holds new proprietary technology encompassing the preparation and separation of atomic layers of graphene.

The address of the Company’s head office and principal place of business is at 760 Koehler Avenue, Ronkonkoma, New York.

**2. BASIS OF PREPARATION AND CONTINUING OPERATIONS**

a) Basis of Presentation and Consolidation

The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended May 31, 2018. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended May 31, 2018. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended May 31, 2019.

b) Basis of Consolidation

These condensed interim consolidated financial statements incorporate the accounts of the Company and its wholly-owned subsidiaries Graphene 3D Lab (U.S.) Inc. and Graphene Laboratories Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

These condensed interim consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on October 30, 2018.

## **2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)**

### **c) Going Concern**

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at August 31, 2018, the Company has an accumulated deficit of \$8,927,569 and has generated negative cash flows from operations. These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. There is no guarantee that the Company will be able to raise this additional financing. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

### **d) Accounting Policies**

These condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended May 31, 2018. Refer to note 3, *Summary of Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year ended May 31, 2018 for information on the accounting policies as well as new accounting standards not yet effective.

### **e) New Accounting Standards Issued But Not Yet Effective**

*Standards effective for annual periods beginning on or after June 1, 2018:*

**IFRS 15 Revenue from Contracts with Customers** – In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard.

**IFRS 9 Financial Instruments** - This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

## **2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)**

e) New Accounting Standards Issued But Not Yet Effective (continued)

*Standards effective for annual periods beginning on or after June 1, 2018: (continued)*

- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

*Standards effective for annual periods beginning on or after June 1, 2019:*

**IFRS 16 Leases** – The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 will replace IAS 17 Leases and this standard substantially carries forward the lessor accounting requirement of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company has not yet completed the process of assessing any impact that the new and amended standards may have on its consolidated financial statements and has not early adopted any of these future requirements.

## **3. ACQUISITION OF GRAPHENE LABORATORIES INC.**

On December 8, 2015, (the “Closing Date”) the Company closed a non-arm’s length share exchange agreement (the “SEA”) to acquire all of the issued and outstanding shares of Graphene Laboratories Inc. (“GLI”). GLI is incorporated under the laws of the Commonwealth of Massachusetts, U.S.A, and is controlled and managed by Co-Chief Executive Officers of the Company.

GLI, is active in the business of the manufacture and worldwide distribution of nanocarbon and graphene products. GLI also holds a provisional patent relating to the manufacture and processing of graphene and offers analytical services, prototype development and consulting. The purpose of acquiring GLI was to complement and expand the Company’s existing business of research, development and production of polymer nanocomposite graphene-based filaments for fused filament fabrication in 3D printers through the addition of GLI’s business and graphene product lines.

The terms of the SEA were subject to confirmation of a fairness opinion prepared by an independent business valuator, an audit of GLI’s financial statements, the approval of the independent directors of the Company and the acceptance of the TSX Venture Exchange. Pursuant to the SEA, the Company has acquired all of the issued and outstanding common shares of GLI by the issuance of up to 3,800,000 common shares (the “Exchanged Shares”) of the Company to the shareholders of GLI. A total of 345,500 Exchanged Shares were issued at the Closing Date, to arms-length parties, with a four month plus a day hold restriction from the Closing Date, a further 600,000 Exchanged Shares were issued to the non-arm’s length parties at the Closing Date and made subject to automatic releases every 6 months over the next 36 months from the Closing Date. The balance of the 2,854,500 Exchanged Shares will be issued to non-arm’s length parties on the basis of one common share for every C\$0.60 in cumulative cash flow generated from the operations of GLI over the next five years from June 30, 2015.

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**3. ACQUISITION OF GRAPHENE LABORATORIES INC. (continued)**

Determination of the fair value of the common shares issued is based on the closing market price of the shares on the closing date of the acquisition. The fair value of the contingent consideration has been determined using an estimation of the future cashflows of GLI's operations, including its development of its intellectual property, over the next five years. The net present value of these cashflows has been discounted using a discount rate of 20%, resulting in a fair value of \$321,000 being recorded in contributed surplus for the contingent consideration to be based on cumulative GLI cash flow over the next five years.

The purchase of GLI has been accounted for as a business combination in accordance with IFRS 3 "Business Combinations". The purchase price paid is comprised of the following:

|                                                   |         |
|---------------------------------------------------|---------|
|                                                   | \$      |
| Fixed consideration - 945,500 common shares       | 233,000 |
| Contingent consideration – up to 2,854,000 shares | 321,000 |
|                                                   | 554,000 |

Fair values of assets acquired and liabilities assumed were as follow:

|                                          |         |
|------------------------------------------|---------|
| Assets acquired:                         | \$      |
| Cash                                     | 50,938  |
| Amounts receivable                       | 44,918  |
| Inventory                                | 120,929 |
| Prepaid and deposits                     | 7,226   |
| Capital assets                           | 50,194  |
| Intangible assets                        | 436,382 |
|                                          | 710,587 |
| Less liabilities assumed:                |         |
| Accounts payable and accrued liabilities | 37,587  |
| Deferred income tax                      | 119,000 |
|                                          | 554,000 |
| Net assets acquired                      | 554,000 |

As part of the GLI acquisition, the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. The Company intends to further develop this technology over the next few years.

**4. INTANGIBLE ASSETS**

As part of the GLI acquisition (Note 4), the Company acquired intangible assets comprised of certain intellectual property, including a provisional patent relating to technology enabling cost efficient industrial scale manufacture and processing of graphene. The Company intends to further develop this technology over the next few years. As at August 31, 2018, the Company's intangible assets are as follows:

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**4. INTANGIBLE ASSETS (continued)**

|                                     | \$      |
|-------------------------------------|---------|
| <b>Cost:</b>                        |         |
| Balance, May 31 and August 31, 2018 | 436,382 |
| <b>Accumulated Amortization:</b>    |         |
| Balance, May 31, 2017               | 43,640  |
| Amortization                        | 43,640  |
| Balance, May 31, 2018               | 87,280  |
| Amortization                        | 10,910  |
| Balance, August 31, 2018            | 98,190  |
| <b>Net Book Value:</b>              |         |
| May 31, 2018                        | 349,102 |
| August 31, 2018                     | 338,192 |

**5. AMOUNTS RECEIVABLE**

|                           | August 31,<br>2018 | May 31,<br>2018 |
|---------------------------|--------------------|-----------------|
|                           | \$                 | \$              |
| Trade accounts receivable | 39,453             | 22,003          |
| GST receivable            | 1,251              | 1,628           |
| Total                     | 40,704             | 23,631          |

**6. INVENTORY**

|                | August 31,<br>2018 | May 31,<br>2018 |
|----------------|--------------------|-----------------|
|                | \$                 | \$              |
| Raw materials  | 220                | 167,847         |
| Finished goods | 376,514            | 226,764         |
| Total          | 376,734            | 394,611         |

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**7. EQUIPMENT**

|                                   | <b>Equipment Under<br/>Finance Lease</b> | <b>Laboratory<br/>Equipment</b> | <b>Total</b> |
|-----------------------------------|------------------------------------------|---------------------------------|--------------|
| <b>Cost:</b>                      | \$                                       | \$                              | \$           |
| Balance, May 31, 2017             | 183,181                                  | 318,316                         | 501,497      |
| Additions                         | -                                        | 71,118                          | 71,118       |
| Transfer                          | (183,181)                                | 183,181                         | -            |
| Disposals                         | -                                        | (34,391)                        | (34,391)     |
| Balance, May 31, 2018             | -                                        | 538,224                         | 538,224      |
| Additions                         | -                                        | 16,537                          | 16,537       |
| Disposals                         | -                                        | -                               | -            |
| Balance, August 31, 2018          | -                                        | 554,761                         | 554,761      |
| <b>Accumulated Depreciation:</b>  |                                          |                                 |              |
| Balance, May 31, 2017             | 54,956                                   | 182,983                         | 237,939      |
| Transfer accumulated depreciation | (54,956)                                 | 54,956                          | -            |
| Disposals                         | -                                        | (9,245)                         | (9,245)      |
| Depreciation expense              | -                                        | 87,998                          | 87,998       |
| Balance, May 31, 2018             | -                                        | 316,692                         | 316,692      |
| Depreciation expense              | -                                        | 20,140                          | 20,140       |
| Balance, August 31, 2018          | -                                        | 336,832                         | 336,832      |
| <b>Net Book Value:</b>            |                                          |                                 |              |
| May 31, 2018                      | -                                        | 221,532                         | 221,532      |
| August 31, 2018                   | -                                        | 217,929                         | 217,929      |

**8. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. Key management includes directors and officers of the Company. The Company entered into the following transactions with related parties:

a) During the three months ended August 31, 2018, the Company incurred directors' and officers' salaries expense in the amount of \$51,923 (2017 - \$51,923).

b) During the three months ended August 31, 2018, the Company did not issue stock options (2017 - 300,000 stock options with FV of \$33,000) to directors and officers of the Company. For the three months ended August 31, 2018, there was no share-based compensation incurred (2017 - \$23,307).

The following amounts were due to related parties:

|                                           | <b>August 31, 2018</b> | <b>May 31, 2018</b> |
|-------------------------------------------|------------------------|---------------------|
|                                           | \$                     | \$                  |
| Salary to officers                        | 50,228                 | 30,005              |
| Professional fees to related parties      | -                      | -                   |
| Expense reimbursements to related parties | -                      | 10,579              |
|                                           | 50,228                 | 40,584              |

The amounts due to related parties are included in accounts payable and are unsecured, have no fixed repayments and are non-interest bearing.

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**9. SHARE CAPITAL**

**Authorized:**

Unlimited number of common shares without par value.

**Issued and outstanding common stock:**

- a) On September 12, 2017, the Company closed a non-brokered private placement financing issuing 5,400,000 common shares at a price of C\$0.08 per common share for gross proceeds of \$348,667 (C\$432,000). In connection with the private placement financing, the Company incurred share issuance costs of \$2,429.
- b) On November 13, 2017, the Company issued 500,000 bonus shares with a fair value \$47,121 (C\$60,000) to an officer of the Company.
- c) During the year ended May 31, 2018, the Company issued 10,581,010 common shares for the exercise of warrants for proceeds of \$1,012,734 (C\$1,269,721).

**Escrow shares:**

As at August 31, 2018, there are 240,000 common shares (May 31, 2018 – 330,000 common shares) subject to escrow agreements.

**Stock options:**

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than the closing share price of the day preceding the date of grant.

Continuity of stock options:

|                                                  | <b>Number of<br/>options</b> | <b>Exercise<br/>price</b> |
|--------------------------------------------------|------------------------------|---------------------------|
| Options outstanding – May 31, 2017               | 2,465,000                    | C\$0.24                   |
| Granted July 28, 2017 for a five year term       | 300,000                      | C\$0.12                   |
| Granted November 13, 2017 for a five year term   | 2,450,000                    | C\$0.12                   |
| Options outstanding – May 31 and August 31, 2018 | 5,215,000                    | C\$0.18                   |
| Vested options – May 31 and August 31, 2018      | 5,215,000                    | C\$0.18                   |

On July 28, 2017, the Company granted 300,000 stock options to a director of the Company with a fair value of \$0.08 at the date of grant. The options are exercisable at C\$0.105 per share for a period of five years from the date of grant and all options vested immediately on the date of grant.

On November 14, 2017, the Company granted 2,450,000 stock options to directors, officers and consultants of the Company with a fair value of \$0.08 at the date of grant. The options are exercisable at C\$0.12 for a period of 5 years from the date of grant and all options vested immediately on the date of grant.

The fair value of the stock options granted is estimated using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**9. SHARE CAPITAL (continued)**

**Stock options - (continued)**

The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

|                          | <b>2018</b> | <b>2017</b> |
|--------------------------|-------------|-------------|
| Share price              | C\$0.11     | C\$0.21     |
| Risk-free interest rate  | 0.75%       | 0.68%       |
| Expected volatility      | 156%        | 167%        |
| Expected dividend yield  | \$nil       | \$nil       |
| Expected forfeiture rate | 0%          | 0%          |
| Expected life            | 5 years     | 5 years     |

Details of stock options outstanding:

| <b>Expiry date</b> | <b>Exercise price</b> | <b>Remaining life (years)</b> | <b>Number of stock options outstanding</b> | <b>Number of stock options vested and exercisable</b> |
|--------------------|-----------------------|-------------------------------|--------------------------------------------|-------------------------------------------------------|
| February 28, 2019  | C\$0.25               | 0.50                          | 1,575,000                                  | 1,575,000                                             |
| August 4, 2021     | C\$0.21               | 2.93                          | 690,000                                    | 690,000                                               |
| September 13, 2021 | C\$0.21               | 3.04                          | 200,000                                    | 200,000                                               |
| July 28, 2022      | C\$0.11               | 3.91                          | 300,000                                    | 300,000                                               |
| November 14, 2022  | C\$0.12               | 4.21                          | 2,450,000                                  | 2,450,000                                             |

**Share purchase warrants:**

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant.

Continuity of share purchase warrants:

|                                        | <b>Number of warrants</b> | <b>Weighted average exercise price</b> |
|----------------------------------------|---------------------------|----------------------------------------|
| Warrants outstanding – May 31, 2017    | 11,538,413                | C\$0.269                               |
| Warrants exercised during the year     | (10,581,010)              | C\$0.120                               |
| Warrants expired during the year       | (500,000)                 | C\$0.300                               |
| Warrants outstanding – May 31, 2018    | 457,403                   | C\$0.250                               |
| Warrants expired during the period     | (279,340)                 | C\$0.250                               |
| Warrants outstanding – August 31, 2018 | 178,063                   | C\$0.250                               |

During the year ended May 31, 2018, the Company amended the terms of 11,081,010 warrants (the "Amended Warrants") by amending the exercise price to \$0.12 and including an acceleration provision whereby the exercise period of the Amended Warrants will be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the Amended Warrants, the closing price of the Company's shares exceeds the exercise price of the Amended Warrants by 25% or more. On December 20, 2017, the Company gave notice that market conditions triggered the accelerated expiry of the Amended Warrants and the expiry period was amended to January 18, 2018.

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**9. SHARE CAPITAL (continued)**

**Share purchase warrants - (continued)**

The weighted average assumptions used in the Black-Scholes pricing model for warrants issued as finders fees are as follows:

|                          | <b>2018</b> | <b>2017</b> |
|--------------------------|-------------|-------------|
| Share price              | -           | C\$0.19     |
| Risk-free interest rate  | -           | 0.56%       |
| Expected volatility      | -           | 114%        |
| Expected dividend yield  | -           | \$nil       |
| Expected forfeiture rate | -           | 0%          |
| Expected life            | -           | 5 years     |

Details of warrants outstanding:

| <b>Expiry date</b> | <b>Exercise price</b> | <b>Remaining life (years)</b> | <b>Number of warrants outstanding</b> |
|--------------------|-----------------------|-------------------------------|---------------------------------------|
| September 13, 2018 | C\$0.25               | 0.29                          | 135,625                               |
| September 29, 2018 | C\$0.25               | 0.33                          | 42,438                                |

Subsequent to August 31, 2018, 178,063 warrants expired.

**10. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the the development and production of 3D graphene printing technology. The Company does not have any externally imposed capital requirements to which it is subject.

The Company defines its capital as share capital. As at August 31, 2018, the Company had capital resources consisting mainly of cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivable, and accounts payable.

The following table summarizes the carrying values of the Company's financial instruments:

|                                   | <b>August 31, 2018</b> | <b>May 31, 2018</b> |
|-----------------------------------|------------------------|---------------------|
|                                   | <b>\$</b>              | <b>\$</b>           |
| FVTPL (i)                         | 251,868                | 426,878             |
| Loans and receivables (ii)        | 40,704                 | 22,003              |
| Other financial liabilities (iii) | 181,748                | 198,655             |
| (i) Cash and cash equivalents     |                        |                     |
| (ii) Accounts receivable          |                        |                     |
| (iii) Accounts payable            |                        |                     |

**GRAPHENE 3D LAB INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017**  
(Unaudited - Expressed in US Dollars)

**11. FINANCIAL INSTRUMENTS (continued)**

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

|                           | Level 1 | Level 2 | Level 3 | Total   |
|---------------------------|---------|---------|---------|---------|
|                           | \$      | \$      | \$      | \$      |
| Cash and cash equivalents | 251,868 | -       | -       | 251,868 |

i) Credit risk

Credit risk is the risk of financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash and cash equivalents with large United States and Canadian chartered banks. The Company manages credit risk for trade and other receivables through established credit monitoring activities. As at August 31, 2018 and 2017, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and accounts receivable.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at August 31, 2018 and 2017, the Company is not exposed to significant interest rate risk.

iii) Currency risk

The Company has transactions internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the US Dollar, which is the functional currency of the Company. As at August 31, 2018 the Company held \$146,240 (May 31, 2018 - \$203,153) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by \$14,600 (2017 - \$20,000).

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. As at August 31, 2018, the Company has cash and cash equivalents of \$251,868 (May 31, 2018 - \$426,878) and a working capital surplus of \$540,299 (May 31, 2018 - \$711,943). However, the Company has an accumulated deficit of \$8,927,569 (May 31, 2018 - \$8,742,666). The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured.

## **12. COMMITMENTS**

The Company entered into a three year lease for the Company's facilities ending December 31, 2020. The lease requires monthly payments of \$8,000.

## **13. SEGMENT DISCLOSURES**

The Company operates in one reportable segment – the development and manufacturing of graphene-enhanced materials for 3D printing. Substantially all of the Company's revenue was generated in the U.S. and all capital assets are located in the U.S.