

---

**GRAPHENE 3D LAB INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018**  
**(Unaudited - Expressed in US Dollars)**

---

---

**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, 2019 and 2018 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.

---

**GRAPHENE 3D LAB INC.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT AUGUST 31 AND MAY 31, 2019

(Unaudited - Expressed in US Dollars)

	Notes	August 31, 2019	May 31, 2019
<b>ASSETS</b>		<b>\$</b>	<b>\$</b>
<b>Current</b>			
Cash and cash equivalents		64,190	100,169
Amounts receivable	4	63,299	92,161
Inventory	5	351,464	381,106
Prepaid expenses and deposits		56,474	41,303
		<u>535,427</u>	<u>614,739</u>
Equipment	7	123,424	146,650
Leased asset	6	103,894	-
Intangible assets	3	294,552	305,462
		<u>1,057,297</u>	<u>1,066,851</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	8	200,392	197,980
Loans payable	9	65,532	-
Current portion of lease obligation	6	68,370	-
		<u>334,294</u>	<u>197,980</u>
Long-term portion of lease obligation	6	34,867	-
Deferred income tax		24,000	24,000
		<u>393,161</u>	<u>221,980</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	7,426,101	7,426,101
Warrants	10	33,946	33,946
Contributed surplus		2,821,938	2,821,938
Accumulated other comprehensive loss		(95,361)	(95,075)
Deficit		(9,522,488)	(9,342,039)
		<u>664,136</u>	<u>844,871</u>
		<u>1,057,297</u>	<u>1,066,851</u>

**Nature of Operations** (Note 1)**Going Concern** (Note 2(c))**Commitments** (Note 13)

Approved on behalf of the Board of Directors on October 30, 2019:

"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, 2019	August 31, 2018
		\$	\$
<b>REVENUE</b>		195,928	209,537
<b>COST OF GOODS SOLD</b>		(122,459)	(96,855)
		73,469	112,682
<b>EXPENSES</b>			
Accretion expense	6	2,564	-
Amortization of intangible asset	3	10,910	10,910
Amortization of leased asset	6	20,779	-
Depreciation	7	23,226	20,140
Foreign exchange loss		1,735	(25)
Marketing and investor relations		9,648	10,138
Office and administrative		28,703	58,631
Professional fees		71,684	59,311
Regulatory fees		4,541	4,330
Research and development		12,523	44,202
Salaries and benefits		58,526	88,584
Travel		9,079	1,364
		(253,918)	(297,585)
<b>NET LOSS BEFORE INCOME TAXES</b>		(180,449)	(184,903)
<b>OTHER COMPREHENSIVE LOSS</b>			
Items that may be reclassified subsequently to income:			
Foreign currency translation income (loss)		(286)	(1,254)
<b>COMPREHENSIVE LOSS</b>		(180,735)	(186,157)
<b>LOSS PER SHARE - BASIC AND DILUTED</b>		\$ (0.002)	\$ (0.003)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		74,340,872	73,451,814

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, 2019	August 31, 2018
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(180,449)	(184,903)
Non-cash items:			
Accretion expense	6	2,564	-
Amortization of leased asset	6	20,779	-
Amortization of intangible asset	3	10,910	10,910
Depreciation	7	23,226	20,140
Foreign exchange loss		1,735	-
		(121,235)	(153,853)
Changes in non-cash working capital items:			
Amounts receivable		28,862	(17,073)
Inventory		29,642	17,877
Prepaid expenses and deposits		(15,171)	12,737
Accounts payable and accrued liabilities		2,412	(12,354)
		(75,490)	(152,666)
<b>INVESTING ACTIVITIES</b>			
Loan payable	9	65,532	(4,553)
Purchase of equipment	7	-	(16,537)
		65,532	(21,090)
<b>FINANCING ACTIVITIES</b>			
Principal payments on lease	6	(24,000)	-
		(24,000)	-
<b>Change in cash and cash equivalents</b>		(33,958)	(173,756)
<b>Effect of exchange rate changes on cash</b>		(2,021)	(1,254)
<b>Cash and cash equivalents, beginning</b>		100,169	426,878
<b>Cash and cash equivalents, ending</b>		64,190	251,868

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 MOHTNS ENDED AUGUST 31, 2019 AND 2018

(Unaudited - Expressed in US Dollars)

	Notes	Common Shares		Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
		#	\$	#	\$	\$	\$	\$	\$
<b>Balance, May 31, 2018</b>		<b>73,451,814</b>	<b>7,205,717</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>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>
<b>Balance, May 31, 2019</b>		<b>78,368,574</b>	<b>7,426,101</b>	<b>4,916,760</b>	<b>33,946</b>	<b>2,821,938</b>	<b>(95,075)</b>	<b>(9,342,039)</b>	<b>844,871</b>
Foreign currency translation loss		-	-	-	-	-	(286)	-	(286)
Net loss for the period		-	-	-	-	-	-	(180,449)	(180,449)
<b>Balance, August 31, 2019</b>		<b>78,368,574</b>	<b>7,426,101</b>	<b>4,916,760</b>	<b>33,946</b>	<b>2,821,938</b>	<b>(95,361)</b>	<b>(9,522,488)</b>	<b>664,136</b>

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

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**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**

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, 2019. 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, 2019. 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, 2020.

**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, 2019.

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**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, 2019, the Company has an accumulated deficit of \$9,522,488 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, 2019. Refer to note 3, Summary of Significant Accounting Policies, of the Company's annual consolidated financial statements for the year ended May 31, 2019 for information on the accounting policies as well as new accounting standards not yet effective.

## e) New Accounting Pronouncements Adopted

*The following accounting standards were adopted by the Company effective 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 adoption of this standard had no material effect on the Company's consolidated statements.

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

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

## e) New Accounting Pronouncements Adopted (continued)

*The following accounting standards were adopted by the Company effective June 1, 2018:*

**IFRS 9 Financial Instruments** – In July 2014, the IASB revised 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.
- **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.

The adoption of this standard had no material impact on the Company's consolidated financial statements.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. The Company intends to adopt these standards when they become effective.

*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. The Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit at that date, subject to permitted practical expedients. Therefore, the Company will not restate comparative information.

The adoption of IFRS 16 will result in the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the consolidated statements of financial position for a majority of its leases that are considered operating leases under IAS 17 "Leases". An amortization expense on the right-of-use asset and an interest expense on the lease liability will replace the operating lease expense. IFRS 16 will change the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows but does not cause a difference in the amount of cash transferred between the parties of a lease. As at June 1, 2019, it is estimated that total liabilities would increase by \$125,357 and assets would increase by approximately \$124,673. The estimated impact to shareholder's equity as at June 1, 2019 is a decrease of \$683.

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

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

## e) New Accounting Pronouncements Adopted (continued)

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

**IFRIC 23 Uncertainty over Income Tax Treatments-** The new standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on June 1, 2019. The Company does not expect the adoption of IFRIC 23 to have a material effect on the Company’s future results and financial position.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s condensed interim consolidated financial statements.

**3. INTANGIBLE ASSETS**

As part of the Graphene Laboratories Inc., 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, 2019, the Company’s intangible assets are as follows:

---

	\$
<b>Cost:</b>	
Balance, May 31, 2019 and August 31, 2019	436,382
<b>Accumulated Amortization:</b>	
Balance, May 31, 2018	87,280
Amortization	43,640
Balance, May 31, 2019	130,920
Amortization	10,910
Balance, August 31, 2019	141,830
<b>Net Book Value:</b>	
May 31, 2019	305,462
August 31, 2019	294,552

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
 (Unaudited - Expressed in US Dollars)

**4. AMOUNTS RECEIVABLE**

	<b>August 31, 2019</b>	<b>May 31, 2019</b>
	\$	\$
Trade accounts receivable	62,049	90,877
GST receivable	1,250	1,284
<b>Total</b>	<b>63,299</b>	<b>92,161</b>

**5. INVENTORY**

	<b>August 31, 2019</b>	<b>May 31, 2019</b>
	\$	\$
Raw materials	138,537	143,711
Finished goods	212,927	237,395
<b>Total</b>	<b>351,464</b>	<b>381,106</b>

**6. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

The Company entered into a three-year lease agreement for the Company's facilities beginning on January 1, 2018 and ending on December 31, 2020. (Notes 2 and 12).

The Company has adopted IFRS 16, Leases as of June 1, 2019 using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. Upon adoption of this standard, the company recognized right-of-use asset of \$124,673 and leased liability of \$125,357.

**RIGHT-OF-USE ASSET**

	\$
<b>Cost:</b>	
Balance, May 31, 2019	-
Recognition upon adoption of IFRS 16	124,673
<b>Balance, August 31, 2019</b>	<b>124,673</b>
<b>Accumulated Amortization:</b>	
Balance, May 31, 2019	-
Amortization	20,779
<b>Balance, August 31, 2019</b>	<b>20,779</b>
<b>Net Book Value:</b>	
May 31, 2019	-
<b>August 31, 2019</b>	<b>103,894</b>

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

**6. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)****LEASE LIABILITY**

	\$
Balance, May 31, 2019	-
Recognition upon adoption of IFRS 16	125,357
Accretion expense*	1,880
Payments	(24,000)
Balance, August 31, 2019	103,237
<b>Current portion of lease liability</b>	<b>68,370</b>
<b>Long-term portion of lease liability</b>	<b>34,867</b>

\* The Company used 6% interest rate, its incremental borrowing rate to calculate the present value of the future lease payments as well as to calculate the quarterly accretion expense.

**7. EQUIPMENT**

	<b>Laboratory Equipment</b>
<b>Cost:</b>	\$
Balance, May 31, 2018	538,224
Additions	16,636
Balance, May 31, and August 31, 2019	554,860
<b>Accumulated Depreciation:</b>	
Balance, May 31, 2018	316,692
Depreciation expense	91,518
Balance, May 31, 2019	408,210
Depreciation expense	23,226
Balance, August 31, 2019	431,436
<b>Net Book Value:</b>	
May 31, 2019	146,650
August 31, 2019	123,424

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**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, 2019, the Company incurred a director and officer's salaries expense in the amount of \$32,308 (2018 - \$51,923).

b) During the three months ended August 31, 2019, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of \$35,984 (2018 - \$47,437).

The following amounts were due to related parties:

	<b>August 31, 2019</b>	<b>May 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Salary to officers	11,538	19,091
Expense reimbursements to related parties	1,050	13,231
	<b>12,588</b>	<b>32,322</b>

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

**9. Loans payable**

	August 31, 2019	May 31, 2019
Loans payable and accrued interest	\$ 65,532	\$ -
	<b>\$ 65,532</b>	<b>\$ -</b>

During the three months ended August 31, 2019, the Company entered into a loan agreement with 3<sup>rd</sup> party for borrowing the amount of C\$85,000 with the annual interest of 15%. Subject to the agreement, the Company will repay the principal amount of the loan outstanding, together with all accrued and unpaid interest on the loan and C\$5,000 commitment fee upon the maturity date. As at August 31, 2019, there was \$65,532 in total consisting of principal of loan and accrued interest.

Subsequent to the three months ended August 31, 2019, the Company paid off the principal of loan with the accrued and unpaid interests and commitment fee for the amount of \$70,343 (C\$93,598).

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**10. SHARE CAPITAL****Authorized:**

Unlimited number of common shares without par value.

**Issued and outstanding common stock:**

- a) On March 26, 2019, the Company closed a non-brokered private placement financing issuing 4,916,760 units at a price of C\$0.06 per unit for gross proceeds of \$220,384 (C\$295,006). Each unit consists of one common share and one common share purchase warrant. Each unit entitles the holder to purchase one additional common share at a price of C\$0.10 for a period of two years. The share purchase warrants include an acceleration provision whereby if the Company's common shares trade on the TSX Venture Exchange at a volume weighted-average price of C\$0.15 or more per common share for any period of at least ten consecutive trading days after four months from the closing date, the Company is entitled to accelerate the expiry date of the share purchase warrants to a date that is at least 30 days from the date that notice of such acceleration is given via a news release by the Company.

**Escrow shares:**

As at August 31, 2019, there are nil common shares (2018 – 240,000 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 options</b>	<b>Exercise 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, 2018	5,215,000	C\$0.18
Expired during the period	(1,575,000)	C\$0.25
Cancelled during the period	(45,000)	C\$0.21
Options outstanding- May 31 and August 31, 2019	3,595,000	C\$0.14
Vested options –May 31 and August 31, 2019	3,595,000	C\$0.14

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.

During the year ended May 31, 2019, one of the consultants from the Company resigned and subsequently 45,000 options were cancelled.

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
 (Unaudited - Expressed in US Dollars)

**10. SHARE CAPITAL (continued)****Stock options (continued):**

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.

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

	2019	2018
Share price	-	C\$0.11
Risk-free interest rate	-	0.75%
Expected volatility	-	156%
Expected dividend yield	-	\$nil
Expected forfeiture rate	-	0%
Expected life	-	5 years

Details of stock options outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of stock options outstanding	Number of stock options vested and exercisable
August 4, 2021	C\$0.21	1.93	645,000	690,000
September 13, 2021	C\$0.21	2.04	200,000	200,000
July 28, 2022	C\$0.11	2.91	300,000	300,000
November 14, 2022	C\$0.12	3.21	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:

	Number of warrants	Weighted average exercise price
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
Issued with March 26, 2019 private placement, expires March 26, 2021	4,916,760	C\$0.100
Warrants expired during the period	(457,403)	C\$0.250
Warrants outstanding – May 31 and August 31, 2019	4,916,760	C\$0.100

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**10. SHARE CAPITAL (continued)****Share purchase warrants (continued):**

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.

Details of warrants outstanding:

---

<b>Expiry date</b>	<b>Exercise price</b>	<b>Remaining life (years)</b>	<b>Number of warrants outstanding</b>
March 26, 2021	C\$0.10	1.57	4,916,760

---

**11. 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, 2019, 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.

**12. FINANCIAL INSTRUMENTS**

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

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:

---

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	64,190	-	-	64,190

---

---

**GRAPHENE 3D LAB INC.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018  
(Unaudited - Expressed in US Dollars)

---

**12. FINANCIAL INSTRUMENTS (continued)**

## 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, 2019 and 2018, 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, 2019, 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, 2019, the Company held \$27,402 (2018 - \$146,240) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by \$2,740 (2018 - \$14,600).

## 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, 2019, the Company has cash and cash equivalents of \$64,190 (2018 - \$251,868) and a working capital surplus of \$201,133 (2018 - \$540,299). However, the Company has an accumulated deficit of \$9,522,488 (2018 - \$8,927,569). The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured.

**13. COMMITMENTS**

The Company entered into a three-year lease for the Company's facilities beginning on January 1, 2018 and ending on December 31, 2020. The lease requires monthly payments of \$8,000.

**14. 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.

**15. SUBSEQUENT EVENT**

On October 15, 2019, the Company closed a non-brokered private placement financing issuing 4,240,000 units at a price of C\$0.05 per unit for gross proceeds of \$160,472 (C\$212,000). Each unit consist of one common share and one common share purchase warrant. Each unit entitles the holder to purchase one additional common share at a price of C\$0.12 for a period of two years.