GRAPHENE 3D LAB INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED FEBRUARY 28, 2018 AND 2017

(Unaudited - Expressed in US Dollars)

Notice of non-review of condensed interim consolidated financial statements

The accompanying condensed interim consolidated financial statements for the nine month period ended February 28, 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.

GRAPHENE 3D LAB INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2018 AND MAY 31, 2017
(Unaudited - Expressed in US Dollars)

	February 28, 2018	May 31, 2017
	$	$
ASSETS		
Current		
Cash and cash equivalents	689,999	39,424
Amounts receivable (Note 5)	44,838	33,047
Inventory (Note 6)	315,783	237,346
Prepaid expenses and deposits	67,243	90,905
	1,117,863	400,722
Equipment (Note 7)	171,529	263,558
Intangible assets (Note 4)	360,012	392,742
	1,649,404	1,057,022
LIABILITIES		
Current		
Accounts payable and accrued liabilities	214,687	191,552
Due to related parties	4,209	-
Current portion of finance lease obligation (Note 8)	-	43,005
	218,896	234,557
Finance lease obligation (Note 8)	-	57,391
Deferred income tax	90,000	90,000
	308,896	381,948
Shareholders' Equity		
Share capital (Note 10)	7,213,167	5,799,624
Warrants (Note 10)	33,946	33,946
Contributed surplus	2,821,938	2,595,424
Accumulated other comprehensive loss	(97,694)	(75,329)
Deficit	(8,630,849)	(7,678,591)
	1,340,508	675,074
	1,649,404	1,057,022

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

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

"Daniel Stolyarov" Director	*"John Gary Dyal"* Director
Daniel Stolyarov	John Gary Dyal

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

GRAPHENE 3D LAB INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2018 AND 2017
(Unaudited - Expressed in US Dollars)

	Three months February 28, 2018	Three months February 28, 2017	Nine months February 28, 2018	Nine months February 28, 2017
	$	$	$	$
REVENUE	235,592	267,895	680,070	799,900
COST OF GOODS SOLD	(127,329)	(125,847)	(285,941)	(423,071)
	108,263	142,048	394,129	376,829
EXPENSES				
Share-based compensation (Note 9)	-	-	226,514	(108,413)
Salaries and benefits (Note 9)	140,706	96,930	241,249	283,026
Research and development	64,618	70,780	171,114	215,882
Professional fees	58,197	49,383	318,712	189,114
Marketing and investor relations	23,669	15,660	63,271	103,553
Office and administrative	72,980	60,704	150,257	205,550
Regulatory fees	23,532	20,782	35,765	42,016
Travel	598	3,938	19,068	18,951
Foreign exchange loss (gain)	-	20	(100)	20
Depreciation (Note 7)	16,760	25,035	70,407	82,686
	(401,060)	(343,232)	(1,296,257)	(1,032,385)
Other items:				
Amortization of intangible asset (Note 4)	(10,910)	(10,910)	(32,730)	(32,730)
Accretion expense (Note 8)	-	(900)	(900)	(2,700)
Gain (Loss) on disposal of equipment	-	-	(16,500)	-
	(10,910)	(11,810)	(50,130)	(35,430)
NET LOSS	(303,707)	(212,994)	(952,258)	(690,986)
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to income:				
Foreign currency translation income (loss)	15,000	(1,369)	22,365	7,443
COMPREHENSIVE LOSS	(288,707)	(214,363)	(929,893)	(683,543)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.005)	$ (0.004)	$ (0.015)	$ (0.013)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	56,038,921	56,915,804	62,096,889	54,792,510

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 NINE MONTHS ENDED FEBRUARY 28, 2018 AND 2017
(Unaudited - Expressed in US Dollars)

	Nine months ended February 28, 2018	Nine months ended February 28, 2017
	$	$
OPERATING ACTIVITIES		
Net loss	(952,258)	(690,986)
Non-cash items:		
Share-based compensation (recovery)	226,514	(108,413)
Depreciation	70,407	82,686
Accretion	-	2,700
Amortization of intangible asset	32,730	32,730
	(622,607)	(681,283)
Changes in non-cash working capital items:		
Amounts receivable	(11,791)	12,595
Inventory	(78,437)	(416)
Prepaid expenses and deposits	23,662	(72,489)
Accounts payable and accrued liabilities	23,135	(6,885)
	(666,038)	(748,478)
INVESTING ACTIVITIES		
Proceed from sale of equipment	21,622	(8,650)
Due to related parties	4,209	-
	25,831	(8,650)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares (net)	393,359	822,050
Proceeds from warrant exercises	1,020,184	26,449
Principal payments on finance lease	(100,396)	(27,569)
	1,313,147	820,930
Change in cash and cash equivalents	672,940	63,802
Effect of exchange rate changes on cash	(22,365)	(7,443)
Cash and cash equivalents, beginning	39,424	131,138
Cash and cash equivalents, ending	689,999	187,497

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 NINE MONTHS ENDED FEBRUARY 28, 2018 AND 2017
(Unaudited - Expressed in US Dollars)

		Common Shares		Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Notes	**#**	**$**	**#**	**$**	**$**	**$**	**$**	**$**
Balance, May 31, 2016		49,410,454	4,924,772	5,410,000	60,300	2,629,811	(67,724)	(6,661,001)	886,158
Exercise of warrants		500,000	66,248	(500,000)	(39,800)	-	-	-	26,448
Share issued for private placement		7,060,350	859,711	7,060,350	-	-	-	-	859,711
Share issuance costs		-	(53,533)	178,063	15,872	-	-	-	(37,661)
Share-based compensation		-	-	-	-	(108,413)	-	-	(108,413)
Foreign currency translation loss		-	-	-	-	-	(7,443)	-	(7,443)
Net loss for the period		-	-	-	-	-	-	(690,986)	(690,986)
Balance, February 28, 2017		56,970,804	5,797,198	12,148,413	36,372	2,521,398	(75,167)	(7,351,987)	927,814
Balance, May 31, 2017		**56,970,804**	**5,799,624**	**11,538,413**	**33,946**	**2,595,424**	**(75,329)**	**(7,678,591)**	**675,074**
Exercise of warrants	10	10,581,010	1,020,184	(11,081,010)	-	-	-	-	1,020,184
Share issued for private placement	10	5,400,000	348,667	-	-	-	-	-	348,667
Share issuance costs		-	(2,429)	-	-	-	-		(2,429)
Performance bonus shares	10	500,000	47,121	-	-	-	-	-	47,121
Share-based compensation	10	-	-	-	-	226,514	-	-	226,514
Foreign currency translation loss		-	-	-	-	-	(22,365)	-	(22,365)
Net loss of the period		-	-	-	-	-	-	(952,258)	(952,258)
Balance, February 28, 2018		**73,451,814**	**7,213,167**	**457,403**	**33,946**	**2,821,938**	**(97,694)**	**(8,630,849)**	**1,340,508**

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

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."

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 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, 2017. 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, 2017. 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, 2018.

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 April 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 February 28, 2018, the Company has an accumulated deficit of $8,630,849 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, 2017. Refer to note 3, *Summary of Significant Accounting Policies,* of the Company's annual consolidated financial statements for the year ended May 31, 2017 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.

(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 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:

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
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 3), 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 February 28,2018, the Company's intangible assets are as follows:

(Unaudited - Expressed in US Dollars)

4. INTANGIBLE ASSETS (continued)

	$
Cost:	
Balance, May 31, 2015	-
Addition (Note 4)	436,382
Balance, May 31, 2017 and February 28, 2018	436,382
Accumulated Amortization:	
Balance, May 31, 2017	43,640
Amortization	32,730
Balance, February 28, 2018	76,370
Net Book Value:	
May 31, 2017	392,742
February 28, 2018	360,012

5. AMOUNTS RECEIVABLE

	February 28, 2018	**May 31, 2017**
	$	$
Trade accounts receivable	41,598	31,690
GST receivable	3,240	1,357
Total	44,838	33,047

6. INVENTORY

	February 28, 2018	**May 31, 2017**
	$	$
Raw materials	-	84,870
Finished goods	315,783	152,476
Total	315,783	237,346

(Unaudited - Expressed in US Dollars)

7. EQUIPMENT

	Equipment Under Finance Lease	Laboratory Equipment	Total
Cost:	$	$	$
Balance, May 31, 2016	183,181	309,356	492,537
Additions	-	8,960	8,960
Disposals	-	-	-
Balance, May 31, 2017	183,181	318,316	501,497
Additions	-	3,525	3,525
Transfer leased equipment to equipment	(183,181)	183,181	-
Disposals	-	(34,391)	(34,391)
Balance, February 28, 2018	-	470,631	470,631
Accumulated Depreciation:			
Balance, May 31, 2016	18,319	111,340	129,659
Depreciation expense	36,637	71,643	108,280
Balance, May 31, 2017	54,956	182,983	237,939
Transfer accumulated depreciation	(54,956)	54,956	-
Disposals	-	(9,244)	(9,244)
Depreciation expense	-	70,407	70,407
Balance, February 28, 2018	-	299,102	299,102
Net Book Value:			
May 31, 2017	128,225	135,333	263,558
February 28, 2018	-	171,529	171,529

8. FINANCE LEASE OBLIGATION

During the year ended May 31, 2016, the Company entered into a finance lease for a twin screw extruder. The gross amount of the minimum lease payments related to the asset under the finance lease was $156,157. The lease bears interest at a rate of 14.93%. The term of lease is for 36 months, expiring in February 2019. As at September 11, 2017, the Company paid off the outstanding balance of lease.

The following is a schedule of the future minimum lease payments together with the balance of the obligation under the finance lease:

(Unaudited - Expressed in US Dollars)

8. FINANCE LEASE OBLIGATION (continued)

		February 28, 2018
2018	$	52,040
2019		43,404
Total minimum lease payments		95,444
Present value of buy-out option at inception		14,000
Accretion expense on buy-out option since inception		4,200
Less interest at the implicit rate		(13,248)
Balance of the obligation		100,396
Less current portion of fiancé lease obligation		(43,005)
Less long term portion of fiancé lease obligation		(57,391)
Long term portion of finance lease obligation	$	-

Continuity of finance lease obligation:

Balance of obligation, May 31, 2017	$	100,396
Principal payments with accretion expense		(101,296)
Accretion expense on buy-out option		900
Balance of obligation, February 28, 2018	$	-

9. 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 nine months ended February 28,2018, the Company paid and accrued salaries to directors and officers of the Company in the amount of $164,423 (2016 - $112,500).

b) During the nine months ended February 28, 2018, the Company issued 2,750,000 (2016 – 800,000) stock options with a fair value of $327,000 (2016 - $117,917) to directors and officers of the Company. For the nine months ended February 28, 2018 $226,514 (2016 - $108,413) has been included in share-based compensation.

c) During the nine months ended February 28, 2018, the Company terminated its finance lease obligation (Note 9) by completing the buy-out of the equipment under the lease. The termination of the finance lease and buy-out of the equipment was settled for $103,676, of which a deposit in the amount of $5,000 was paid during the year ended May 31, 2017, and the remaining amount was paid through a short-term loan acquired on the termination date. The short-term loan was reimbursed on September 11, 2017 by the Company and did not bear any interest.

d) As at February 28, 2018, $4,209 (2016 - $NIL) was due to a director of the Company for short-term loans for recoveries of business expenses.

(Unaudited - Expressed in US Dollars)

9. RELATED PARTY TRANSACTIONS (continued)

The following amounts were due to related parties:

	February 28, 2018	May 31, 2017
Salary to directors and officers	$ 95,192	$ 18,103
Loans payable to directors	4,809	-
Professional fees to related parties	-	16,566
Expense reimbursements to related parties	206	4,059
	$ 100,207	$ 38,728

Amounts due to related parties are unsecured, have no fixed repayments and are non-interest bearing.

Acquisition of Graphene Laboratories:

As described in Note 3, the Company entered a non-arm's length share exchange agreement to acquire all of the issued and outstanding shares of Graphene Laboratories Inc. ("GLI"). GLI is controlled and managed by the Co-Chief Executive Officers of the Company.

10. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

a) On July 11, 2016, the Company closed a non-brokered private placement financing issuing 3,766,600 units at a price of C$0.16 per unit for gross proceeds of $459,097 (C$602,656). Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of C$0.25 until July 11, 2018. In connection with the private placement financing, the Company incurred share issuance costs of $15,998.

b) In September 2016, the Company closed a non-brokered private placement financing issuing 3,293,750 units at a price of C$0.16 per unit for gross proceeds of $400,614 (C$527,000). Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of C$0.25 for a period of two years. In aggregate, the financing was subject to the following finders' fees: $21,663 of cash commission and 178,063 finders' warrants exercisable at C$0.25 for a period of two years. The finders' warrants attached to this issuance were valued at $13,446 and have been recorded as share issuance costs.

c) On September 1, 2017, the Company closed a non-brokered private placement financing issuing 5,400,000 common shares at a price of C$0.08 per unit for gross proceeds of $348,667 (C$432,000).

d) On November 13, 2017, the Company issued 500,0000 bonus shares at a deemed price of C$0.12 with a fair market value $47,121 (C$60,000) to an Officer of the Company.

(Unaudited - Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Issued and outstanding common stock (continued):

Escrow shares:

As at February 28, 2018, there are 330,000 common shares (May 31, 2017 – 7,487,758 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:

	Number of options	Exercise price
Options outstanding – May 31, 2016	4,725,000	C$0.61
Granted August 4, 2016 for a five year term	690,000	C$0.21
Granted September 13, 2016 for a five year term	200,000	C$0.21
Forfeited during the year	(387,500)	C$0.92
Cancelled/expired during the year	(2,762,500)	C$0.77
Options outstanding – May 31, 2017	2,465,000	C$0.24
Granted July 28, 2017 for a five year term	300,000	C$0.11
Granted November 30, 2017 for a five year term	2,450,000	C$0.12
Exercised during the period	(500,000)	C$0.12
Options outstanding – February 28, 2018	4,715,000	C$0.19
Vested options – February 28, 2018	4,715,000	C$0.19

During the year ended May 31, 2016, the Company granted 2,700,000 stock options to directors, employees and consultants of the Company with weighted average fair value of $0.17 at the date of grant.

On August 4, 2016, the Company granted 690,000 stock options to directors, officers and consultants of the Company with a weighted average fair value of $0.15 at the date of grant. The options are exercisable at C$0.21 per share for a period of five years from the date of grant and 640,000 of the stock options vested immediately and 50,000 of the stock options vested on February 4, 2017.

On September 13, 2016, the Company granted 200,000 stock options to an officer of the Company with a fair value of $0.13 at the date of grant. The options are exercisable at C$0.21 per share for a period of five years from the date of grant and vested on November 24, 2016.

On July 28, 2017, the Company granted 300,000 stock options to an officer of the Company with a fair value of $0.11 at the date of grant. The options are exercisable at C$0.11 per share for a period of five years from the date of grant and vested on July 28, 2017.

On November 14, 2017 the Company granted 2,450,000 incentive stock options to certain directors, officers and consultants. The Options are exercisable at C$0.12 for a period of 5 years from the date of grant and vested immediately.

(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:

	2017	2016
Share price	C$0.12	C$0.25
Risk-free interest rate	0.75%	0.56%
Expected volatility	156%	171%
Expected dividend yield	$nil	$nil
Expected forfeiture rate	0%	0%
Expected life	5 years	3.15 years

The options have various vesting schedules. Based on the Black-Scholes option pricing model and the assumptions outlined above the Company recorded share-based compensation of $226,514 for the nine months ended February 28, 2018 due to the forfeiture of unvested stock options. During the year ended May 31, 2017 the Company recorded a recovery of share-based compensation of $34,387.

Details of stock options outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of stock options outstanding	Number of stock options vested and exercisable
February 28, 2019	C$0.25	1.00	1,575,000	1,575,000
August 4, 2021	C$0.21	3.43	690,000	690,000
September 13, 2021	C$0.21	3.54	200,000	200,000
July 28, 2022	C$0.11	4.41	300,000	300,000
November 13, 2022	C$0.12	4.71	1,950,000	1,950,000

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.

(Unaudited - Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Share purchase warrants (continued):

During the period ended February 28, 2018, 10,581,010 common share purchase warrants were exercised at the amended price of C$0.12 per share for gross proceeds of $1,020,184 (C$1,269,721).

Continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price
Warrants outstanding – May 31, 2016	5,410,000	C$0.386
Issued with July 11, 2016 private placement, expires July 11, 2018	3,766,600	C$0.250
Issued with September 13, 2016 private placement first tranche, expires September 13, 2018, including 135,625 finder warrants	2,823,125	C$0.250
Issued with September 29, 2016 private placement second tranche, expires September 29, 2018, including 42,438 finder warrants	648,688	C$0.250
Warrants exercised during the year	(500,000)	C$0.070
Warrants expired during the year	(610,000)	C$1.250
Warrants outstanding – May 31, 2017	11,538,413	C$0.269
Warrants exercised during the period	(10,581,010)	C$0.120
Warrants expired during the period	(500,000)	C$0.300
Warrants outstanding –February 28, 2018	457,403	C$0.097

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

	2017	2016
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:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding
July 11, 2018	C$0.25	0.36	279,340
September 13, 2018	C$0.25	0.54	135,625
September 29, 2018	C$0.25	0.58	42,438

(Unaudited - Expressed in US Dollars)

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 February 28, 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.

12. 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:

	February 28, 2018	**May 31, 2017**
	$	$
FVTPL (i)	689,999	39,424
Loans and receivables (ii)	44,838	33,047
Other financial liabilities (iii)	214,687	191,552

(i) Cash and cash equivalents
(ii) Accounts receivable
(iii) 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:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	689,999	-	-	73,628

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 February 28, 2018 and 2017, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents and accounts receivable.

12. FINANCIAL INSTRUMENTS (continued)

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 February 28, 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 February 28, 2018, the Company held $322,671 (May 31,2017 - $6,312) in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $32,000 (2016 - $5,000).

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 February 28, 2018, the Company has cash and cash equivalents of $689,999 (May 31, 2017 - $39,424) and a working capital surplus of $898,967 (May 31,2017 - $166,165). However, the Company has an accumulated deficit of $8,630,849 (May 31, 2017 - $7,678,591). 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 use permit for the Company's facilities ending July 31, 2017. The lease requires monthly payments of $11,050.

The Company entered into a finance lease that requires monthly payments of $4,337 until March 1, 2019. During the nine months ended February 28, 2018, the Company terminated its finance lease obligation by completing the buy-out of the equipment under lease. See Note 9.

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.