GRAPHENE 3D LAB INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in US Dollars)

MANNING ELLIOTT
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Graphene 3D Lab Inc.

We have audited the accompanying consolidated financial statements of Graphene 3D Lab Inc. which comprise the consolidated statements of financial position as at May 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in cash flows and equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Graphene 3D Lab Inc. as at May 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(c) in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Graphene 3D Lab Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 26, 2018

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

	2018	2017
	$	$
ASSETS		
Current		
Cash and cash equivalents	426,878	39,424
Amounts receivable (Note 5)	23,631	33,047
Inventory (Note 6)	394,611	237,346
Prepaid expenses and deposits	65,478	90,905
	910,598	400,722
Equipment (Note 7)	221,532	263,558
Intangible assets (Note 4)	349,102	392,742
	1,481,232	1,057,022
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	198,655	191,552
Current portion of finance lease obligation (Note 8)	-	43,005
	198,655	234,557
Finance lease obligation (Note 8)	-	57,391
Deferred income tax (Note 12)	56,525	90,000
	255,180	381,948
Shareholders' Equity		
Share capital (Note 10)	7,205,717	5,799,624
Warrants (Note 10)	33,946	33,946
Contributed surplus	2,821,938	2,595,424
Accumulated other comprehensive loss	(92,883)	(75,329)
Deficit	(8,742,666)	(7,678,591)
	1,226,052	675,074
	1,481,232	1,057,022

Nature of Operations (Note 1)
Going Concern (Note 2(c))
Commitments (Note 14)

Approved on behalf of the Board of Directors on September 26, 2018:

"Daniel Stolyarov" Director
Daniel Stolyarov

"John Gary Dyal" Director
John Gary Dyal

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

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in US Dollars)

	2018	**2017**
	$	$
REVENUE	909,512	1,108,998
COST OF GOODS SOLD	(291,829)	(626,218)
	617,683	482,780
EXPENSES		
Salaries and benefits (Note 9)	332,332	390,325
Professional fees (Note 9)	299,498	289,990
Research and development	273,348	289,137
Share-based compensation (recovery) (Note 10)	226,514	(34,387)
Office and administrative	211,107	247,946
Marketing and investor relations	152,584	122,727
Depreciation (Note 7)	87,998	108,280
Amortization of intangible asset (Note 4)	43,640	43,640
Regulatory fees	40,404	45,919
Travel	30,152	22,066
Loss on disposal of equipment	16,500	-
Accretion expense (Note 8)	900	3,600
Foreign exchange loss	256	127
	(1,715,233)	(1,529,370)
NET LOSS BEFORE INCOME TAXES	(1,097,550)	(1,046,590)
INCOME TAXES:		
Deferred income tax recovery (Note 12)	33,475	29,000
NET LOSS	(1,064,075)	(1,017,590)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to income:		
Foreign currency translation income (loss)	17,554	(7,605)
COMPREHENSIVE LOSS	(1,046,521)	(1,025,195)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	65,267,399	55,341,559

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

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in US Dollars)

	2018	**2017**
	$	$
OPERATING ACTIVITIES		
Net loss	(1,064,075)	(1,017,590)
Non-cash items:		
Share-based compensation (recovery)	226,514	(34,387)
Depreciation	87,998	108,280
Accretion	900	3,600
Amortization of intangible asset	43,640	43,640
Foreign exchange loss	256	127
Loss on disposal of equipment	16,500	-
Professional fees	47,121	-
Deferred income tax recovery	(33,475)	(29,000)
	(674,621)	(925,330)
Changes in non-cash working capital items:		
Amounts receivable	9,416	24,922
Inventory	(157,265)	17,055
Prepaid expenses and deposits	25,427	(60,127)
Accounts payable and accrued liabilities	7,103	58,929
	(789,940)	(884,551)
INVESTING ACTIVITIES		
Proceeds from sale of equipment	8,646	-
Purchase of equipment	(71,118)	(8,960)
	(62,472)	(8,960)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares (net)	346,238	822,050
Proceeds from warrant exercises	1,012,734	26,448
Proceeds from short-term loan	97,440	-
Repayment of short-term loan	(97,440)	-
Principal payments on finance lease	(101,296)	(38,969)
	1,257,676	809,529
Change in cash and cash equivalents	405,264	(83,982)
Effect of exchange rate changes on cash	(17,810)	(7,732)
Cash and cash equivalents, beginning	39,424	131,138
Cash and cash equivalents, ending	426,878	39,424

Supplemental cash flow information (Note 16)

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

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(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	10	500,000	66,248	(500,000)	(39,800)	-	-	-	26,448
Expiration of warrants	10	-	-	(610,000)	-	-	-	-	-
Share issued for private placement	10	7,060,350	859,711	7,060,350	-	-	-	-	859,711
Share issuance costs	10	-	(51,107)	178,063	13,446	-	-	-	(37,661)
Share-based compensation	10	-	-	-	-	(34,387)	-	-	(34,387)
Foreign currency translation loss		-	-	-	-	-	(7,605)	-	(7,605)
Net loss for the year		-	-	-	-	-	-	(1,017,590)	(1,017,590)
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	1,012,734	(10,581,010)	-	-	-	-	1,012,734
Expiration of warrants	10	-	-	(500,000)	-	-	-	-	-
Share issued for private placement	10	5,400,000	348,667	-	-	-	-	-	348,667
Share issuance costs	10	-	(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		-	-	-	-	-	(17,554)	-	(17,554)
Net loss of the year		-	-	-	-	-	-	(1,064,075)	(1,064,075)
Balance, May 31, 2018		**73,451,814**	**7,205,717**	**457,403**	**33,946**	**2,821,938**	**(92,883)**	**(8,742,666)**	**1,226,052**

The accompanying notes are an integral part of these 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."

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 consolidated financial statements are prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These 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 consolidated financial statements were approved and authorized for issuance in accordance with resolution from the Board of Directors on September 26, 2018.

b) New Accounting Pronouncements Adopted

There were no new or revised accounting standards scheduled for mandatory adoption on June 1, 2017, and therefore no new accounting standards were adopted in 2018.

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 (Note 3(p)).

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS (continued)

c) Going Concern

These 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 May 31, 2018, the Company has an accumulated deficit of $8,742,666 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash on hand and short-term deposits which are readily convertible into a known amount of cash and is subject to an insignificant risk of change in value.

b) Inventory

The Company's inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overhead costs.

An allowance for obsolete or slow-moving inventories is made where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Equipment

Items of equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of items of equipment have difference useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in net profit (loss).

Laboratory equipment is depreciated on a straight-line basis ranging from 3 to 5 years.

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted, if appropriate.

d) Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the valuation of share-based payments expense, the determination of useful lives of equipment, valuation of inventories and recognition of inventory impairment, the determination of the allowance of doubtful accounts and the useful lives and recoverability of intangible assets. Actual results could differ from these estimates.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next period. Significant areas requiring critical accounting judgements include the Company's ability to carry on as a going concern and the probability that deferred income tax assets would be recovered in future periods.

e) Income Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Loss Per Share

Basic loss per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

g) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

h) Share-based Compensation

The Company uses the fair value based method of accounting for share-based compensation for all awards of shares and share options granted.

The share option plan allows Company employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive income, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

i) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognizes revenues from the sale of graphene products upon shipment and subject to assurance of collection, which is when the Company can measure the amount of revenue reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership of the goods have been transferred to the buyer and the Company no longer retains control over the goods sold.

Payments received from customers in advance of meeting all of the recognition criteria are recorded as deferred revenue and subsequently recognized as these criteria are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, trade accounts receivable, and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

Financial assets - The Company has classified its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized costs. The Company has classified its trade accounts receivable as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial liabilities - The Company has classified its accounts payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

k) Functional Currency and Foreign Currency Translation

The reporting currency of the Company is the US dollar. The functional currency of the Company is the Canadian dollar ("C$"). The functional currency of Graphene 3D Lab (U.S.) Inc. and Graphene Laboratories Inc. is the US dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

l) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Intangible Assets

Intangible assets acquired as part of a group of other assets are initially recognized and measured at cost less accumulated amortization and accumulated impairment losses. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred. Intangible assets with finite useful lives are amortized over their estimated useful lives from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Intangible assets not yet available for use or with indefinite lives are not amortized but are tested for impairment at each reporting date. The intangible assets are being amortized on a straight-line basis over ten years.

n) Leases

Leases are classified as either finance or operating in nature. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee. Obligations under finance leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense. Payments required under operating leases are recorded as an expense.

o) Business combinations

The Company uses the acquisition method to account for business combinations. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of the net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

p) New Accounting Standards Issued but Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.
- **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.

IFRIC 23 Uncertainty over Income Tax Treatments – IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company has not early adopted any of these new standards and interpretations and their adoption is not expected to have a material effect on the Company’s future results and financial position.

(Expressed in US Dollars)

4. INTANGIBLE ASSETS

As part of the acquisition of 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 May 31, 2018, the Company's intangible assets are as follows:

	$
Cost:	
Balance, May 31, 2016, 2017 and 2018	436,382
Accumulated Amortization:	
Balance, May 31, 2016	-
Amortization	43,640
Balance, May 31, 2017	43,640
Amortization	43,640
Balance, May 31, 2018	87,280
Net Book Value:	
May 31, 2017	392,742
May 31, 2018	349,102

5. AMOUNTS RECEIVABLE

	2018	**2017**
	$	$
Trade accounts receivable	22,003	31,690
GST receivable	1,628	1,357
Total	23,631	33,047

6. INVENTORY

	2018	**2017**
	$	$
Raw materials	167,847	84,870
Finished goods	226,764	152,476
Total	394,611	237,346

During the year ended May 31, 2018, inventory in the amount of $179,493 (2017 - $485,781) was expensed through cost of goods sold.

(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	-	71,118	71,118
Transfer	(183,181)	183,181	-
Disposals	-	(34,391)	(34,391)
Balance, May 31, 2018	-	538,224	538,224
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	(54,956)	54,956	-
Disposals	-	(9,245)	(9,245)
Depreciation expense	-	87,998	87,998
Balance, May 31, 2018	-	316,692	316,692
Net Book Value:			
May 31, 2017	128,225	135,333	263,558
May 31, 2018	-	221,532	221,532

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. On June 13, 2017, the Company completed the buy-out of the equipment under lease.

The following is a continuity schedule of the finance lease obligation together with the balance of the obligation under the finance lease:

Balance of obligation, May 31, 2016	$	135,765
Accretion expense		3,600
Principal payments		(38,969)
Balance of obligation, May 31, 2017		100,396
Accretion expense		900
Principal payments		(101,296)
Balance of obligation, May 31, 2018	$	-

(Expressed in US Dollars)

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 year ended May 31, 2018, the Company paid professional fees to companies controlled by officers, directors and spouses of officers of the Company in the amount of $144,155 (2017 - $125,653).

b) During the year ended May 31, 2018, the Company paid and accrued salaries to directors and officers of the Company in the amount of $225,000 (2017 - $225,000).

c) During the year ended May 31, 2018, the Company issued 1,500,000 (2017 – 845,000) stock options with a fair value of $122,790 (2017 - $123,488) to directors and officers of the Company which has been included in share-based compensation.

d) During the year ended May 31, 2018, the Company issued 500,000 bonus shares with a fair value of $47,121 (C$60,000) to an officer of the Company which has been included in professional fees.

The following amounts were due to related parties:

		2018		2017
Salaries to directors and officers	$	30,005	$	18,103
Professional fees to related parties		-		16,566
Expense reimbursements to related parties		10,579		4,059
	$	40,584	$	38,728

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

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) During the year ended May 31, 2017, the Company issued 500,000 common shares for the exercise of warrants for proceeds of $26,448 (C$35,000).

d) 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.

e) 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.

f) 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 May 31, 2018, there are 330,000 common shares (2017 – 7,487,758 common shares) subject to escrow agreements.

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

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 13, 2017 for a five year term	2,450,000	C$0.12
Options outstanding – May 31, 2018	5,215,000	C$0.17
Vested options – May 31, 2018	5,215,000	C$0.17

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 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.

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Stock options (continued):

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

	2018	2017
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

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 year ended May 31, 2018. During the year ended May 31, 2017 the Company recorded a recovery of share-based compensation of $34,387 due to the forfeiture of unvested stock options.

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	0.75	1,575,000	1,575,000
August 4, 2021	C$0.21	3.18	690,000	690,000
September 13, 2021	C$0.21	3.29	200,000	200,000
July 28, 2022	C$0.11	4.16	300,000	300,000
November 14, 2022	C$0.12	4.46	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.

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

Share purchase warrants (continued):

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 year	(10,581,010)	C$0.120
Warrants expired during the year	(500,000)	C$0.120
Warrants outstanding – May 31, 2018	457,403	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.

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

	2018	2017
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	0.11	279,340
September 13, 2018	C$0.25	0.29	135,625
September 29, 2018	C$0.25	0.33	42,438

Subsequent to year-end 414,965 warrants expired unexercised.

(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 May 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.

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. The significant differences are as follows:

	2018	2017
Combined statutory tax rate	26.5%	26.0%
	$	$
Income tax recovery at combined statutory rate	(290,741)	(272,113)
Non-deductible items for tax purposes and other items	69,399	(21,903)
Effect of change in income tax rates	436,542	-
Difference in foreign income tax rates	(43,601)	(120,654)
Change in tax benefits not recognized	(205,074)	385,670
Income tax (recovery)	(33,475)	(29,000)

Significant components of the Company's deferred income tax assets are shown below:

	2018	2017
	$	$
Non-capital loss carry forwards	1,626,199	1,873,149
Equipment	(5,827)	(14,411)
Intangible assets	(91,116)	(165,344)
Share issuance costs	21,990	32,348
Mineral properties	37,478	34,581
Tax benefits not recognized	(1,645,249)	(1,850,323)
Net deferred income tax assets (liabilities)	(56,525)	(90,000)

As at May 31, 2018, the Company had non-capital losses carried forward in the United States and Canada of approximately $1,001,000 (2017 - $1,392,000) and $625,000 (2017 - $481,000) respectively available to reduce taxable income. The non-capital losses carried forward expire between 2031 and 2038.

13. FINANCIAL INSTRUMENTS

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

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

	2018 $	**2017** $
FVTPL (i)	426,878	39,424
Loans and receivables (ii)	22,003	31,690
Other financial liabilities (iii)	198,655	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	426,878	-	-	426,878

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 May 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 May 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 May 31, 2018, the Company held $203,153 (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 $20,000 (2017 - $6,000).

(Expressed in US Dollars)

13. FINANCIAL INSTRUMENTS (continued)

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 May 31, 2018, the Company has cash and cash equivalents of $426,878 (2017 - $39,424) and a working capital surplus of $711,943 (2017 - $166,165). However, the Company has an accumulated deficit of $8,742,666 (2017 - $7,678,591). The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured.

14. 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.

The Company entered into a finance lease that requires monthly payments of $4,337 until March 1, 2019. During the year ended May 31, 2018, the Company terminated its finance lease obligation by completing the buy-out of the equipment under lease. See Note 8.

15. 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.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for:

	2018	2017
	$	$
Interest	-	14,623
Income taxes	-	-

The Company incurred the following non-cash financing activities:

	2018	2017
	$	$
Fair value of warrants granted	-	13,446
Fair value of warrants exercised	-	39,800
Fair value of bonus shares issued	47,121	-