GRAPHENE 3D LAB INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2015 AND THE PERIOD FROM INCORPORATION ON SEPTEMBER 3, 2013 TO MAY 31, 2014
(Expressed in US Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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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, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in cash flows and equity (deficiency) for the year ended May 31, 2015 and the period from incorporation on September 3, 2013 to May 31, 2014, 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, 2015 and 2014, and its financial performance and cash flows for the year ended May 31, 2015 and the period from incorporation on September 3, 2013 to May 31, 2014 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 PROFESIONAL ACCOUNTANTS
Vancouver, British Columbia
September 22, 2015

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2015 AND 2014
(Expressed in US Dollars)

	2015	2014
	$	$
ASSETS		
Current		
Cash and cash equivalents	628,659	66,233
Amounts receivable (Note 5)	100,423	-
Inventory (Note 6)	58,625	-
Prepaid expenses and deposits	32,682	10,686
	820,389	76,919
Equipment (Note 7)	201,933	20,308
	1,022,322	97,227
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	71,232	24,353
Convertible promissory notes payable (Note 9)	-	204,530
	71,232	228,883
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	3,735,598	43,021
Warrants (Note 10)	378,600	-
Contributed surplus	1,320,772	2,996
Accumulated other comprehensive loss	(29,934)	-
Deficit	(4,453,946)	(177,673)
	951,090	(131,656)
	1,022,322	97,227

Nature of Operations (Note 1)
Going Concern (Note 2(c))
Commitment (Note 15)
Subsequent Events (Note 17)

Approved on behalf of the Board of Directors on September 22, 2015:

"Daniel Stolyarov"	Director	*"Ian Klassen"*	Director
Daniel Stolyarov		Ian Klassen	

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED MAY 31, 2015 AND
THE PERIOD FROM INCORPORATION ON SEPTEMBER 3, 2013 TO MAY 31, 2014
(Expressed in US Dollars)

	Year ended May 31, 2015	Period ended May 31, 2014
	$	$
REVENUE	41,056	-
COST OF GOODS SOLD	(47,159)	-
	(6,103)	
EXPENSES		
Listing fee expense (Note 4)	1,463,214	-
Share-based compensation	1,320,772	-
Salaries and benefits (Note 8)	339,561	-
Research and development (Note 8)	334,639	71,094
Professional fees (Note 8)	321,750	68,277
Marketing and investor relations	166,885	10,931
Office and administrative (Note 8)	114,360	12,702
Regulatory fees	63,832	-
Travel	63,418	-
Foreign exchange loss	46,111	8,867
Depreciation	35,628	5,802
	(4,270,170)	(177,673)
NET LOSS	(4,276,273)	(177,673)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to income:		
Foreign currency translation loss	(29,934)	-
COMPREHENSIVE LOSS	(4,306,207)	(177,673)
LOSS PER SHARE- BASIC AND DILUTED	$ (0.11)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	38,099,699	20,028,318

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2015 AND
THE PERIOD FROM INCORPORATION ON SEPTEMBER 3, 2013 TO MAY 31, 2014
(Expressed in US Dollars)

	Year ended May 31, 2015	Period ended May 31, 2014
	$	$
OPERATING ACTIVITIES		
Net loss	(4,276,273)	(177,673)
Non cash items:		
Listing fee expense	1,273,685	-
Share-based payments	1,320,772	-
Depreciation	35,628	5,802
Foreign exchange loss	46,111	8,867
	(1,600,077)	(163,004)
Changes in non-cash working capital items:		
Amounts receivable	(101,537)	-
Inventory	(58,625)	-
Prepaid expenses and deposits	(22,893)	(10,686)
Accounts payable and accrued liabilities	59,320	24,353
	(1,723,812)	(149,337)
INVESTING ACTIVITY		
Purchase of equipment	(217,254)	(26,110)
FINANCING ACTIVITIES		
Proceeds from issuance of convertible promissory notes	-	198,659
Proceeds from issuance of common shares (net)	2,500,877	43,021
Proceeds on the exercise of warrants	200,750	-
Cash acquired on reverse acquisition transaction	535	-
	2,702,162	241,680
Change in cash and cash equivalents	761,096	66,233
Effect of exchange rate changes on cash	(198,670)	-
Cash and cash equivalents, beginning	66,233	-
Cash and cash equivalents, ending	628,659	66,263

Supplemental cash flow information (Note 14)

GRAPHENE 3D LAB INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEAR ENDED MAY 31, 2015 AND THE PERIOD FROM INCORPORATION ON SEPTEMBER 3, 2013 TO MAY 31, 2014
(Expressed in US Dollars)

	Common Shares		Preferred Shares and Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	#	$	#	$	$	$	$	$
Opening Balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Common shares issued for cash	21,483,636	4,200	-	-	-	-	-	4,200
Preferred shares issued for cash	-	-	250,000	46,258	-	-	-	46,258
Share issuance costs	-	-	-	(7,437)	-	-	-	(7,437)
Conversion of preferred shares to common shares	3,196,970	38,821	(250,000)	(38,821)	-	-	-	-
Equity component of convertible promissory notes	-	-	-	-	2,996	-	-	2,996
Forfeiture of common shares	(3,580,606)	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(177,673)	(177,673)
Balance, May 31, 2014	**21,100,000**	**43,021**	**-**	**-**	**2,996**	**-**	**(177,673)**	**(131,656)**
Convertible promissory notes exchanged for common shares of Graphene 3D (US) Inc. (Note 9)	4,500,000	204,581	-	-	(2,996)	-	-	201,585
Warrants issued for convertible debenture (Note 4)	-	-	4,500,000	358,000	-	-	-	358,000
Common shares of Graphene 3D (US) Inc. exchanged for common shares of the Graphene 3D Lab Inc. (Note 4)	(25,600,000)	-	-	-		-	-	-
	25,600,000	-	-	-	--	-	-	-
Shares and warrants deemed to be issued on reverse takeover (Note 4)	6,367,500	578,970	3,000,000	228,000	-	-	-	806,970
Exercise of warrants	3,000,000	428,750	(3,000,000)	(228,000)	-	-	-	200,750
Common shares issued for cash	7,200,000	1,636,661	-	-	-	-	-	1,636,661
Share issuance costs	-	(119,955)	-				-	(119,955)
Common shares issued for cash	1,220,000	1,008,349	610,000	20,600	-	-	-	1,028,949
Share issuance costs	-	(44,779)	-				-	(44,779)
Share-based compensation	-	-	-	-	1,320,772	-	-	1,320,772
Foreign currency translation loss	-	-	-	-	-	(29,934)	-	(29,934)
Net loss for the year		-	-	-	-	-	(4,276,273)	(4,276,273)
Balance, May 31, 2015	**43,387,500**	**3,735,598**	**5,110,000**	**378,600**	**1,320,772**	**(29,934)**	**(4,453,946)**	**951,090**

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, the Company acquired Graphene 3D Lab (U.S.) Inc. through a reverse acquisition transaction described in Note 4. The historical operations, assets and liabilities of Graphene 3D Lab (U.S.) Inc. are included as the comparative figures as at and for the period ended May 31, 2014, which is 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. On August 11, 2014, the Company's common shares resumed trading on the TSX Venture Exchange ("TSX-V") under the symbol "GGG."

The Company's principal business is the development and manufacturing of graphene-enhanced materials for 3D printing, with proprietary technologies aimed at enhancing the properties of materials currently used in 3D printers. The address of the Company's principal place of business is at 4603 Middle Country Road, Calverton, 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 subsidiary Graphene 3D Lab (U.S.) 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 22, 2015.

b) New Accounting Pronouncements Adopted

The following standards have been adopted by the Company effective June 1, 2014, with no material impact on its consolidated financial statements:

- Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interest in Other Entities,* IAS 27 *Separate Financial Statement*, IAS 32 *Financial Instruments: Presentation,* IAS 36 *Impairment of Assets, and* IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 21 *Levies*

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(l)).

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, 2015, the Company has an accumulated deficit of $4,453,946 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 valuation of warrants and common shares deemed issued in the reverse acquisition transaction as described in Note 4, and the determination of the allowance of doubtful accounts. 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.

d) 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.

e) 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.

f) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) 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, accounts receivable, other receivable, accounts payable and convertible promissory notes 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 accounts receivable and other 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 and convertible promissory notes payable as other financial liabilities. Accounts payable and convertible promissory notes 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Revenue Recognition

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

The Company recognizes the revenues from the sale of graphene products upon delivery 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.

j) 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 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.

k) 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)

l) 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 before June 1, 2016:

IAS 1 Presentation of Financial Statements – In December 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

IAS 16 Property, Plant and Equipment and ***IAS 38 Intangible Assets*** – In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Standards effective for annual periods beginning on or before 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)

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

Standards effective for annual periods beginning on or before 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.
- I**mpairment**. 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 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.

4. REVERSE ACQUISITION TRANSACTION

On August 8, 2014, MatNic acquired 100% ownership of Graphene 3D Lab (U.S.) Inc. by issuing 25,600,000 of its common shares and 4,500,000 common share purchase warrants (the "Transaction"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since MatNic, prior to the acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* whereby Graphene 3D Lab (U.S.) is deemed to have issued shares and share purchase warrants in exchange for the net assets of MatNic together with its listing status at the fair value of the consideration received by Graphene 3D Lab (U.S.) Inc. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, MatNic, but are considered a continuation of the financial statements of the legal subsidiary, Graphene 3D Lab (U.S.) Inc.

(ii) Since Graphene 3D Lab (U.S.) Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the share and share-based consideration allocated to the former shareholders of MatNic on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares and warrants, the value in excess of the net identifiable assets or obligations of MatNic acquired on closing was expensed in the consolidated statement of comprehensive loss as listing fee expense.

The listing fee expense in the amount of $1,463,214 is comprised of the fair value of common shares and warrants of the Company retained by the former shareholders of MatNic, the warrants issued to convertible promissory note holders as well as other direct expenses of the Transaction.

The listing fee expense is summarized as follows:

	$
Net working capital deficiency assumed:	
Accounts payable and accrued liabilities	171,358
Receivables	(59,112)
Cash	(535)
	111,711
Common shares deemed to be issued re MatNic (6,367,500 shares at US$0.091 (C$0.10) per share)	578,970
Warrants deemed to be issued re MatNic (3,000,000 warrants exercisable at US$0.0675 (C$0.075) until February 27, 2017)	228,000
Warrants issued to convertible promissory note holders (4,500,000 warrants exercisable at US$0.064 (C$0.07) until August 8, 2017)	358,000
Sponsors fee, legal and disbursements	59,306
Legal and other transaction costs	127,227
	1,351,503
Listing fee expense	1,463,214

4. REVERSE ACQUISITION TRANSACTION (continued)

The Company has estimated the fair value of the equity instruments deemed to be issued by MatNic. The fair value of the common shares amounted to $578,970, based on the trading value of the MatNic shares at the time of the agreement being $0.091 (C$0.10) per share. The fair value of the Matnic warrants, exercisable at $0.0675 (C$0.075) per share for 30 months, amounted to $228,000. The fair value of the warrants issued in association with the convertible promissory notes, exercisable at $0.064 (C$0.07) per share for 36 months, amounted to $358,000. The fair value was estimated using the Black-Scholes pricing model applying an expected volatility of 165%, a risk free interest rate of 1% with no expected dividend yield. The fair value of these equity instruments has been recorded as a listing fee expense.

5. AMOUNTS RECEIVABLE

	2015	2014
	$	$
Trade accounts receivable	6,943	-
GST receivable	3,052	-
Other receivable	90,427	-
Total	100,422	-

Other receivable relates to a refundable deposit that was received in August 2015.

6. INVENTORY

	2015	2014
	$	$
Raw materials	25,415	-
Work in progress	2,980	-
Finished goods	30,230	-
Total	58,625	-

During the year ended May 31, 2015, inventory in the amount of $13,775, (2014 - $nil) was expensed through cost of goods sold.

7. EQUIPMENT

	Laboratory Equipment
Cost:	$
Beginning	-
Additions	26,110
Disposals	-
May 31, 2014	26,110
Additions	217,253
Disposals	-
May 31, 2015	243,363
Accumulated Depreciation:	
Beginning	-
Depreciation expense	5,802
May 31, 2014	5,802
Depreciation expense	35,628
May 31, 2015	41,430
Net Book Value:	
May 31, 2014	20,308
May 31, 2015	201,933

8. RELATED PARTY TRANSACTIONS

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, 2015, the Company paid $Nil (2014 - $26,110) for the purchase of laboratory equipment and paid $44,919 (2014 - $62,510) for reimbursement of rent, accounting, research and development and other expenses to a Company controlled by common officers and directors;

b) During the year ended May 31, 2015, the Company paid professional fees to a company controlled by an officer of the Company in the amount of $76,121 (2014 - $7,500);

c) During the year ended May 31, 2015, the Company paid professional fees to companies controlled by common officers and directors of the Company in the amount of $4,300 (2014 - $Nil) respectively;

8. RELATED PARTY TRANSACTIONS (continued)

d) During the year ended May 31, 2015, the Company paid salaries to directors and officers of the Company in the amount of $173,077 (2014 - $Nil); and

e) During the year ended May 31, 2015, the Company issued 900,000 stock options with a fair value of $658,803 to directors and officers of the Company. For the year ended May 31, 2015, $491,714 (2014 -$nil) has been included in share-based compensation.

9. CONVERTIBLE PROMISSORY NOTES PAYABLE

The Company entered into a series of convertible promissory notes payable during the period ended May 31, 2014 with arms length individuals with a principal amount of $204,581 (C$225,000). The notes were convertible into common shares of the Company for any portion of the outstanding principal at a rate of 1.5% of the then fully-diluted common shares of the Company for each C$10,000 principal balance converted at the discretion of the Company. The notes bore interest of 7.5% per annum.

In the event of a merger of the Company with and into a company publicly traded on the TSX Venture Exchange (a “Corporate Transaction”) occurring, the entire amount of principal is automatically converted into common shares at a conversion price of C$0.05 per common share. In addition in the event of a Corporate Transaction one common share purchase warrants will be issued for each C$0.05 of principal outstanding to the convertible promissory note holders. Each common share purchase warrant will entitle the holder to purchase one common share for each warrant held at an exercise price of C$0.07 per share. The warrants expire three years from date of issuance.

As a result of the reverse acquisition transaction as described in Note 4, the entire amount of principal of $204,581 (C$225,000) was converted into common shares of the Company immediately prior to the completion of the reverse acquisition transaction. A total of 4,500,000 common shares were issued as a result of the conversion. In addition, 4,500,000 common share purchase warrants were issued to the convertible promissory note holders. Each common share purchase warrant will entitle the holder to purchase one common share for each warrant held at an exercise price of $0.64 (C$0.07) per share. The warrants expire on March 25, 2017.

10. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value.

Issued and outstanding common stock:

a) On July 18, 2014, Graphene 3D (US) Inc. increased its authorized capital to 45 million common shares and completed a stock split whereby Graphene 3D (US) Inc. issued to each shareholder of record 12.787878 shares of common stock, par value $0.0001 per share, for each share of common stock held by each shareholder as at the record date. Under IFRS this stock split is applied retroactively in the financial statements. As at May 31, 2014, 21,100,000 common shares of Graphene 3D (US) Inc. are deemed to be outstanding.

b) On August 8, 2014, the Company issued 4,500,000 common shares and 4,500,000 non-transferrable share purchase warrants on the conversion of the convertible promissory notes payable (see also Note 9).

c) On August 8, 2014, as a result of the reverse acquisition transaction as described in Note 4, the Company acquired all of the issued and outstanding common shares of Graphene 3D Lab (U.S.) Inc. in exchange for 25,600,000 common shares of the Company.

   The Company has estimated the fair value of its 6,367,500 common shares deemed to be issued by MatNic Resources Inc. on the reverse acquisition transaction as $578,970, based on the trading value of the MatNic shares at the price of the shares was $0.091 (C$0.10) per share.

   The Company completed a concurrent private placement offering raising gross proceeds of $1,636,661 (C$1,800,000) by the issuance of 7,200,000 common shares at C$0.25 per share. In connection with the private placement financing the Company incurred share issue costs of $119,955.

d) On January 9, 2015, the Company completed a private placement offering raising gross proceeds of US$1,028,949 (C$1,220,000) by the issuance of 1,220,000 Units at C$1.00 per Unit. Each Unit consisted of one common share and half a common share purchase warrant. A total of 1,220,000 common shares and 610,000 share purchase warrants were issued. The common share purchase warrants have an exercise price of C$1.25 and expire on January 9, 2017. In connection with the private placement financing the Company incurred share issue costs of $44,779.

e) During the year ended May 31, 2015, the Company issued 3,000,000 common shares on the exercise of warrants for proceeds of $200,750 (C$225,000).

Escrow shares:

As at May 31, 2015, there are 18,990,000 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.

10. SHARE CAPITAL (continued)

Stock options (continued):

During the year ended May 31, 2015, the Company granted 2,475,000 stock options to directors, employees and consultants of the Company. The estimated fair value of the stock options granted was estimated at the grant date 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 resulting weighted average fair value at the date of grant is $0.75. The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

	2015
Share price	C$0.98
Risk-free interest rate	1.0%
Expected volatility	130%
Expected dividend yield	$nil
Expected forfeiture rate	0%
Expected life	5 years

Continuity of stock options:

	Number of options	**Exercise price**
Options outstanding at September 3, 2013 and May 31, 2014	-	-
Granted August 26, 2014 for five year term	2,075,000	C$1.00
Granted January 29, 2015 for five year term	400,000	C$1.00
Cancelled during the year	(25,000)	C$1.00
Options outstanding – May 31, 2015	2,450,000	C$1.00
Vested options – May 31, 2015	1,046,786	C$1.00

The options have various vesting schedule ranging from one year to 42 months. Based on the Black-Scholes option pricing model and the assumptions outlined above the estimated fair value of the granted options is $1,847,785. This amount is recognized over the vesting period. As a result a share-based compensation expense of $1,320,772 has been recorded during the year ended May 31, 2015.

Details of stock options outstanding:

Expiry date	**Exercise price**	**Remaining life (years)**	**Number of stock options outstanding**	**Number of stock options vest and exercisable**
August 26, 2019	C$1.00	4.2	2,050,000	946,786
January 20, 2020	C$1.00	4.7	400,000	100,000

10. SHARE CAPITAL (continued)

Share purchase warrants:

The Company issued 4,500,000 non-transferable common share purchase warrants to the promissory note holders in association with the reverse acquisition transaction (see Note 9). Each common share purchase warrant will entitle the holder to purchase one common share for each warrant held at an exercise price of $0.064 (C$0.07) per share. These warrants expire on August 8, 2017.

The Company also issued 610,000 common share purchase warrants on January 9, 2015 as part of the private placement described in Note 10(d). Each common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $1.01 (C$1.25) per share. These warrants expire on January 9, 2017.

Continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price
Warrants outstanding at September 3, 2013 and May 31, 2014	-	-
Deemed to be issued on the reverse acquisition transaction, expire February 27, 2017	3,000,000	C$0.075
Warrants exercised during the year	(3,000,000)	C$0.075
Issued on conversion of convertible debentures, expire March 25, 2017	4,500,000	C$0.070
Issued with January 9, 2015 private placement financing, expire January 9, 2017	610,000	C$1.250
Warrants outstanding – May 31, 2015	5,110,000	C$0.211

Details of warrants outstanding:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding and exercisable
January 9, 2017	C$1.25	1.6	610,000
March 25, 2017	C$0.07	1.8	4,500,000

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, 2015, 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:

	2015	2014
Combined statutory tax rate	26%	34%
	$	$
Income tax recovery at combined statutory rate	(1,111,831)	(60,409)
Non-deductible items for tax purposes and other items	662,603	3,217
Difference in foreign income tax rates	(168,463)	-
Change in tax benefits not recognized	617,691	57,192
Income tax expense	-	-

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

	2015	2014
	$	$
Non-capital loss carry forwards	611,241	57,192
Equipment	17,027	-
Share issuance costs	37,055	-
Mineral properties	5,450	-
Tax benefits not recognized	(670,773)	(57,192)
Net deferred income tax assets	-	-

As at May 31, 2015, the Company had non-capital losses carry forward in the United States and Canada of approximately $512,200 (2014 - $168,200) and $103,100 (2014 - $nil) respectively available to reduce taxable income. The non-capital losses carry forward expire between 2034 and 2035.

13. FINANCIAL INSTRUMENTS

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

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

	2015	2014
	$	$
FVTPL (i)	628,659	66,233
Loans and receivables (ii)	97,370	-
Other financial liabilities (iii)	71,232	228,883

(i) Cash and cash equivalents
(ii) Accounts receivable and other receivable
(iii) Accounts payable and convertible promissory notes 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	628,659	-	-	628,659

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 a 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, 2015, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents, accounts receivable and other receivables.

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, 2015, the Company is not exposed to significant interest rate risk.

13. FINANCIAL INSTRUMENTS (continued)

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, 2015 the Company held $489,000 in Canadian dollar cash and cash equivalents. A 10% increase or decrease in the Canadian dollar would increase or decrease comprehensive income by $57,000.

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 May 31, 2015, the Company has cash and cash equivalents of $628,659 and a working capital surplus of $749,157. However, the Company has an accumulated deficit of $4,453,946. The continuation of the Company depends upon the support of its lenders and equity investors, which cannot be assured.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for:

	Year ended May 31, 2015	Period ended May 31, 2014
	$	$
Interest	-	-
Income taxes	-	-

The Company incurred the following non-cash financing activities:

	Year ended May 31, 2015	Period ended May 31, 2014
	$	$
Common shares issued for convertible promissory note holders	204,581	-
Warrants issued to convertible promissory note holders	358,000	-
Shares deemed to issued on reverse acquisition	578,970	-
Warrants deemed issued on reverse acquisition	228,000	-

15. COMMITMENT

The Company has entered into a use permit for the Company's facilities for a period ending July 31, 2016. The lease requires monthly payments of $4,765.

16. 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.

17. SUBSEQUENT EVENTS

a) The Company issued 1,000,000 common shares on the exercise of warrants for proceeds of $56,000 (C$70,000).

b) Due to the departure of a member of its Advisory Board, the Company cancelled 3,222,546 of its escrowed shares. The three-year escrow agreement provided that any shares held in escrow would be returned to treasury and cancelled at such time the member no longer served on the Company's Advisory Board. This resulted in a decrease of outstanding shares from 44,387,500 to 41,164,955 or 7.3%. The TSX Venture Exchange has provided its consent for the cancellation of these shares and the Company's transfer agent has cancelled these shares in accordance with the terms of the escrow agreement.

c) On August 15, 2015, the Company entered a 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 Chief Executive Officer and Chief Operating Officer of the Company. GLI is in the business of manufacturing and distributing graphene and advanced materials.

   Pursuant to the SEA, the Company will acquire 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 will be issued at closing with a four month and a day hold restriction from the date of closing (the "Closing Date"), a further 600,000 Exchanged Shares will be issued at closing 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 on the basis of one common share for every $0.60 in cumulative cash flow generated from the operations of GLI over the next five fiscal years from the Closing date.

   The terms of the SEA are 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.

d) On August 24, 2015, the Company granted 200,000 options with an exercise price of C$0.69. These options expire on August 24, 2020.