GRAPHENE 3D LAB INC.
(formerly Matnic Resources Inc.)
Management Discussion and Analysis
For the year ended July 31, 2014

This Management Discussion and Analysis of Graphene 3D Lab Inc.(formerly Matnic Resources Inc.) (the "Company" or "Graphene 3D") provides analysis of the Company's financial results for the year ended July 31, 2014. The following information should be read in conjunction with the audited annual financial statements and the accompanying notes for the year ended July 31, 2014, which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted. United States dollars are indicated by the symbol "US$".

This discussion contains forward-looking statements and information that are based on the beliefs of management and reflect the Company's current expectations. When used in this Discussion, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information. Such statements and information reflect the current view of the Company with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements and information.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the completion of the Proposed Corporate Transaction and matters relating thereto; and risks associated with the marketing and sale of securities, the need for additional financing, reliance on key personnel, the potential for conflicts of interest among certain officers or directors with certain other projects, and the volatility of the Company's common share price and volume. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

There are a number of important factors that could cause the Company's actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, among others, risks related to Graphene 3D's proposed business such as failure of the business strategy, stable supply prices, demand and market prices for 3D printing products, and government regulation; risks related to Graphene 3D's operations, such as additional financing requirements and access to capital, reliance on key and qualified personnel, insurance, competition, intellectual property and reliable supply chains; risks related to Graphene 3D and its business generally such as potential exposure to tax under Canadian and US income tax laws, laws and regulations relating to cross-border mergers and acquisitions, infringement of intellectual property rights, product liability, environmental protection, currency exchange rates and conflicts of interest.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While the Company may elect to, it does not undertake to update this information at any particular time.

1.1 Date of Report

This report is prepared as of November 25, 2014.

1.2 Company Overview

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/takeover transaction ("Transaction"). Graphene 3D Lab (U.S.) Inc. was incorporated on September 3, 2013 in the State of Delaware.

In association with the Transaction, MatNic changed its name to Graphene 3D Lab Inc. and concurrent with the closing of the Transaction, the Company 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." On October 7, 2014, the Company began trading on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group, under the symbol "GPHBF".

Graphene 3D Lab (U.S.) Inc. is a C-corporation, organized on September 3, 2013 under the laws of the State of Delaware. The founders of the corporation are: Daniel Stolyarov, Ph.D, CEO, Elena Polyakova, Ph.D, COO, and Prof. Michael Gouzman, VP of Engineering and Technology. Founding team members have many years' worth of combined experience in 3D printing, material production, R&D, and the commercialization of new materials.

Graphene 3D Lab (U.S.) Inc. is a spinout of Graphene Laboratories, Inc., a widely recognized brand and source for 2D materials, such as various forms of graphene, which is a separate and distinct business from Graphene 3D Lab (U.S.) Inc. (described in further detail below). Graphene Laboratories Inc. owns and operates the Graphene Supermarket (www.graphenesupermarket.com) - the leading source for advanced 2D materials. Graphene Laboratories client list is comprised of more than 6,500 customers worldwide, including nearly every Fortune 500 tech company and major research university. Some notable clients are: NASA, Ford Motor Co., Honda, GE, Apple, Xerox, Samsung, Harvard University, IBM, and Stanford University.

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 Company is currently in the development stage and has not commenced its principal operations.

1.3 Nature of Business

The Company was previously a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company was focused on its exploration activities on the Shuswap Silver Project in the Kamloops Mining Division of British Columbia. This property was originally acquired in February 2011, when the Company entered into an Option Agreement, with Rich River Exploration Ltd. (Rich River) whereby the Company was granted an irrevocable and exclusive option to acquire a 100% interest in Shuswap Silver Property, consisting of sixteen contiguous mineral claims.

The Company incurred acquisition cost of $63,750, which includes share issuances, and incurred $321,086 in exploration expenditures. To complete its option obligations, the Company would be required to pay an aggregate amount of $100,000, issue an aggregate 750,000 common shares to Rich River and incur a minimum aggregate $1.1 million in exploration expenditures. In the quarter ended April 30 2014, management abandoned the minimal claims and recorded a corresponding loss of $384,836.

As a result of the Transaction outlined above, the Company acquired 100% ownership of Graphene 3D Lab (U.S.) Inc. by issuing 21,100,000 of its common shares the shareholders of Graphene 3D Lab (U.S.) Inc. and 4,500,000 common shares and 4,500,000 common share purchase warrants to the holders of the convertible promissory notes. For accounting purposes, the acquisition is considered to be a reverse acquisition/takeover transaction since MatNic, prior to the acquisition, did not constitute a business. Graphene 3D Lab (U.S.) Inc. is deemed to have issued shares and share purchase warrants in exchange for the net obligations of MatNic together with its listing status at the assessed fair value of the consideration which has been recorded in a subsequent period as listing expense.

Graphene 3D is located in Calverton, New York at Stony Brook University's Business Incubator. Our current facility is well equipped with wet chemistry benches, material processing areas, as well as office and general production space. Our current facility can accommodate up to 20 employees, and is well-suited to short term projects. Graphene 3D staff has established partnerships with two world-class research institutions located relatively close to our facilities: Brookhaven National Laboratory and Stony Brook University. Our team takes advantage of these partnerships by having access to local talent, teaming up with local research staff, and by having on-demand access to advanced scientific equipment.

It is our vision to capitalize on the extraordinarily disruptive potential of 3D printing to offer products and services which enable printing of entire devices, from aesthetics to electronics in a one-step, fully-computerized process. 3D printing is considered as significant to manufacturing as the advent of the modern assembly line; it is already being taken advantage of by multi-billion dollar industries including aerospace, automotive, and defense. The 3D printing industry itself is currently a few-billion dollar industry and continues to experience significant growth. We aim to utilize graphene – widely recognized for its extraordinary strength and conductivity – to offer technology enabling the printing of entire operational devices; this as of yet unrealized advancement can move 3D printing from a novel and niche technology to the manufacturing process of choice in nearly every industry.

In the past few months, Graphene 3D has made several notable achievements towards its goals.

Key talks were given by management of the Company, including Dr. Elena Polyakova's talk at the World Congress of 3D Printing in Dalian, China, which took place in late June. In the talk, Dr. Polyakova overviewed recent advances in 3D printing with conductive filaments made by Graphene 3D. Dr. Polyakova also presented Graphene 3D's recent advancements at the Graphene World Summit and at Euro Pacific Capital's Annual Global Investment Conference in early September.

On September 2nd, Graphene 3D announced that it had filed a provisional patent application related to its 3D printed battery technology, which was submitted to the U.S. Patent and Trademark Office. The patent application includes the materials and methods used to develop a 3D printed battery which incorporates graphene technology. The 3D printed battery technology was presented at the Inside 3D Printing conference in Santa Clara, CA by CEO Dr. Daniel Stolyarov in mid-October.

In October, Mr. Gil Mayron was appointed as Chief Marketing Officer. Gil Mayron was the founder of BotMill, one of the first companies to manufacture and distribute desktop 3D printers to the consumer market. BotMill was acquired by 3D Systems in August 2011. Mr. Mayron then joined 3D Systems' business development team, identifying and managing strategic partnerships, new licensing opportunities and initiated several high-level branding partnerships. At Graphene 3D, Mr. Mayron will be responsible for developing distribution channels, identifying potential business partners and acquisition targets, and negotiating new business arrangements.

Further, Graphene 3D has made progress in the production of its conductive graphene-enhanced filaments, and is advancing towards commercial-scale capabilities. The Company has ordered lab and commercial scale extruders from China and Florida for the manufacture of filament, and has devised several formulations for the filament.

1.5 Selected Financial Information

The following tables contain selected financial information for the quarter ended July 31, 2014 and the previous seven quarters:

	Quarter ended July 31,2014 $	**Quarter ended April 30, 2014 $**	**Quarter ended January 31, 2014 $**	**Quarter ended October 31, 2013 $**
Revenue	-	-	-	-
Net loss ($000's)	(221)	(431)	(49)	(30)
Loss per share - Basic and diluted	(0.035)	(0.11)	(0.01)	(0.01)

	Quarter ended July 31,2013 $	**Quarter ended April 30, 2013 $**	**Quarter ended January 31, 2013 $**	**Quarter ended October 31, 2012 $**
Revenue	-	-	-	-
Net loss ($000's)	(23)	(32)	(50)	(28)
Loss per share - Basic and diluted	(0.017)	(0.01)	(0.01)	(0.01)

1.6 Results of Operations

Quarter ended July 31, 2014

During the three months ended July 31, 2014 the Company reported a net loss of $221,113 or $0.035 per share compared to a net loss of $23,234 or $0.01 per share for the quarter ended July 31, 2013. In the quarter ended July 31, 2014, the Company incurred listing expenses of $183,713 associated with the Transaction which was completed on August 8, 2014. The Company also incurred professional fees of $14,575 (quarter ended July 31, 2013 - $4,880) and filing fees of $6,729 (quarter ended July 31, 2013 - $1,067) in the current quarter.

In the quarter ended April 30, 2014, the Company incurred a loss of $384,836 on the write-off of its exploration and evaluation costs when it abandoned the Shuswap Silver Property.

Year ended July 31, 2014

During the year ended July 31, 2014, the Company reported a net loss of $732,330 or $0.15 per share as compared to a net loss of $133,270 or $0.04 per share for the year ended July 31, 2013. In the current year, the Company incurred listing expenses of $183,713 associated with the Transaction. The Company also incurred a loss of $384,836 on the write-off of its exploration and evaluation costs when it abandoned the Shuswap Silver Property.

The Company incurred increased filing and transfer agent fees of $29,428 compared to $13,057 in 2013. The increased 2014 fees were associated with the Transaction, a private placement financing and share consolidation. The Company's management fees paid to officers and directors or companies controlled by the officers and directors decreased from $76,600 in 2013 to $67,800 in 2014. The Company incurred increased professional fees of $65,643 in 2014 as compared to $39,273 in 2013. The increase includes financial and legal fees associated with the Transaction.

1.7 Liquidity and Capital Resources

	As at July 31, 2014 $	**As at July 31, 2013 $**	**As at July 31, 2012 $**
Total current assets	**16,346**	41,443	359,450
Exploration and evaluation assets	**-**	380,530	183,871
Total assets	**16,346**	421,973	543,321
Total liabilities	**188,459**	4,816	4,144
Shareholders' equity (deficiency)	**(172,113)**	417,157	539,177

As of July 31, 2014 the Company had a working capital deficiency of $172,113 as compared to $36,627 at July 31, 2013. Subsequent to July 31, 2014 and concurrent with the Transaction, the Company completed a private placement offering for gross proceeds of $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 $31,926.

The Company's ability to meet its administrative expenses and complete its planned research and development activities is ultimately dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future.

1.8 Off-Balance Sheet Arrangements

At July 31, 2014, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

1.9 Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in note 3 to the July 31, 2014 audited financial statements of Graphene 3D Lab Inc.

1.10 Transactions with Related Parties

During the year ended July 31, 2014, the following amounts were incurred or paid to officers and directors and/or their related companies:

- The Company paid $25,800 (2013: $23,500) for accounting fees to a company controlled by an officer and $Nil (2013: $5,250) in rent to a company controlled by a director.

- Included in accounts payable is $11,968 (2013: $4,515) due to companies controlled by officers of the Company for accounting and management services rendered. This amount has been paid subsequent to July 31, 2014.

- Included in accounts payable is $52,763 (2013: $Nil) due to a director of the Company for reimbursement of filing fees paid on the Company's behalf. This amount has been paid subsequent to July 31, 2014.

- During the year ended July 31, 2014, the Company paid $67,800 (2013 - $76,600) in management fees to companies controlled by officers and directors of the Company.

1.11 Risks and Uncertainties

An investment in the Company's securities involves a high degree of risk. Potential investors should carefully consider the following information about these risks. If any of the following risks actually occurs, the business, financial condition and prospects of the Company could be materially adversely affected. In that case, the value of any securities of the Company could also decline and investors could lose all or part of their investment.

The risks and uncertainties described below are those that Graphene 3D's management believes are material, but these risks and uncertainties may not be the only ones that the Company may face. Additional risks and uncertainties, including those that management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in Management Discussion and Analysis.

An investment in the securities of the Company is highly speculative.

Risks Related to Our Business and Industry

If the market does not develop as we expect, our products may not be accepted by the market.

Our future success depends on the acceptance of the products we will market in the marketplace. Market acceptance will depend upon several factors, including (i) the adoption by industries of graphene-based products and (ii) additive manufacturing gaining market acceptance as an alternative for industrial manufacturing. A number of factors may inhibit acceptance of the products, including (i) the existence of competing products, (ii) our inability to convince customers that they need to pay for the products and services we offer, (iii) our inability to convince corporations that they need to pay for the products and services we offer or (iv) failure of individuals and corporations to use the products. If the products are not accepted by the market, we may have to curtail our business operations, which could have a material negative effect on operating results and result in a lower stock price.

There is significant competition in our market, which could make it difficult to attract customers, cause us to reduce prices and result in reduced gross margins.

We will compete in our proposed businesses with other companies, some of which have far greater marketing and financial resources and experience than we do. We cannot guarantee that we will be able to penetrate this market and be able to compete at a profit. In addition to established competitors, other companies may enter our market and compete with us. Effective competition could result in price reductions, reduced margins or have other negative implications, any of which could adversely affect our business and chances for success. Competition is likely to increase significantly as new companies enter the market and current competitors expand their services and products. Many of these potential competitors are likely to enjoy substantial competitive advantages, including: larger technical staffs, greater name recognition, larger customer bases and substantially greater financial, marketing, technical and other resources. Any pricing pressures, reduced margins or loss of market share resulting from increased competition or our failure to compete effectively, could seriously damage our business and chances for success.

The long sales cycle for our products makes the timing of our revenues difficult to predict.

Initially, our 3D printers may have a long sales cycle. Because 3D printers are complex and typically involve significant capital investments by prospective purchasers, we and our sales agents generally will need to invest a significant amount of time educating prospective purchasers about the benefits of our products. As a result, before purchasing our products, potential purchasers may spend a substantial amount of time performing internal assessments before making a purchase. This may cause us to devote significant effort in advance of a potential sale without any guarantee of receiving any related revenues. Additionally, the "lock-in" practices of some of our competitors whereby through incentives and other means purchasers of a competitor's printer are induced into purchasing most or all of their supplies or additional equipment from that competitor may mean that we are unable to sell our filaments and other products to customers who have not purchased our printers. The effect of this may be that our potential client base is limited to those customers who have purchased one or more of our printers, and therefore our success or failure may greatly depend on our ability to sell 3D printers.

We may not be able to generate operating profits.

Since our inception, we have not generated operating profits. In the event that we are unable to execute on our business plan, we may be unable to generate profits in the future. We expect that our operating expenses will continue to increase in future periods as we pursue our growth strategies. Any future increases in our research and development expenses and selling, general and administrative expenses will directly affect our future results of operations and may have an effect on our financial condition.

We plan to grow very rapidly, which will place strains on management and other resources.

We plan to grow rapidly and significantly expand our operations. This growth will place a significant strain on management systems and resources. We will not be able to implement our business strategy in a rapidly evolving market without an effective planning and management process, and, to date, we have not implemented sophisticated managerial, operational and financial systems and controls. We may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth or in the number of third party relationships, and our systems, procedures or controls may not be adequate to support our operations and management may be unable to manage growth effectively. To manage our expected growth, we will be required to significantly improve or replace existing managerial, financial and operational systems, procedures and controls, and to expand, train and manage our intended growing employee base. We will be required to expand our finance, administrative and operations staff. We may be unable to complete in a timely manner the improvements to our systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

We may not be able to hire the number of skilled employees that we need to achieve our business plan.

For our business to grow in accordance with our business plan, we will need to hire and retain additional employees with the technical competence and engineering skills to operate our machines, improve our technology and processes. People with these skills are in short supply and may not be available in sufficient numbers to allow us to meet the goals of our business plan. If we cannot obtain the services of a sufficient number of technically skilled employees, we may not be able to achieve our planned rate of growth, which could adversely affect our results of operations.

Loss of key management or sales or customer service personnel could adversely affect our results of operations.

Our future success depends to a significant extent on the skills, experience and efforts of our management and other key personnel. We must continue to develop and retain a core group of management individuals if we are to realize our goal of continued expansion and growth. High demand exists for management and other key personnel in the additive manufacturing industry, and there can be no assurance that we will be able to retain such personnel and the loss of any or all of these individuals could materially and adversely affect our business. We do not carry key-man insurance on any member of management.

If our manufacturing facilities are disrupted, sales of our products will be disrupted, and we could incur unforeseen costs.

We plan on performing the final assembly of our 3D printers and manufacturing our filament at our facilities in Calverton, New York. If the operation of this facility is disrupted, we would be unable to fulfill customer orders for the period of the disruption. We would not be able to recognize revenue on orders that we could not ship, and we might need to modify our standard sales terms to secure the commitment of new customers during the period of the disruption and perhaps longer. Depending on the cause of the disruption, we could incur significant costs to remedy the disruption and resume product shipments. Such a disruption could have a material adverse effect on our revenue, results of operations and earnings.

Global economic, political and social conditions may harm our ability to do business, increase our costs, and negatively affect our stock price.

We are subject to global economic, political and social conditions that may cause customers to delay or reduce technology purchases due to economic downturns, volatility in fuel and other energy costs, difficulties in the financial services sector and credit markets, geopolitical uncertainties and other macroeconomic factors affecting spending behavior. We face risks that may arise from financial difficulties experienced by our suppliers, resellers or customers, including:

- The risk that customers or resellers to whom we sell our products and services may face financial difficulties or may become insolvent, which could lead to our inability to obtain payment of accounts receivable that those customers or resellers may owe;

- The risk that key suppliers of raw materials, finished products or components used in the products that we sell may face financial difficulties or may become insolvent, which could lead to disruption in the supply of printers, print materials or spare parts to our customers; and

- The inability of customers, including resellers, suppliers and contract manufacturers to obtain credit financing to finance purchases of our products and raw materials used to build those products.

We may need to raise additional capital from time to time if we are going to meet our growth strategy and may be unable to do so on attractive terms.

Expanding our business to meet our growth strategy may require additional investments of capital from time to time, and our existing sources of cash and any funds generated from operations may not provide us with sufficient capital. For various reasons, additional financing may not be available when needed, or may not be available on terms favorable to us. If we fail to obtain adequate capital on a timely basis or if capital cannot be obtained at reasonable costs, we will not be able to achieve our planned rate of growth, which will adversely affect our results of operations.

Our operating results and financial condition may fluctuate on a quarterly and annual basis.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to vary due to a number of factors, some of which are outside of our control. In addition, our actual or projected operating results may fail to match our past performance. These events could in turn cause the market price of our common stock to fluctuate. If our operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of our common stock will likely decline.

Our operating results and financial condition may fluctuate due to a number of factors, including those listed below and those identified throughout this "Risk Factors" section:

- the development of new competitive systems or processes by others;
- the entry of new competitors into our market whether by established companies or by new companies;
- changes in the size and complexity of our organization, including our international operations;
- levels of sales of our products and services to new and existing customers;
- the geographic distribution of our sales;
- changes in product developer preferences or needs;
- delays between our expenditures to develop, acquire or license new technologies and processes, and the generation of sales related thereto;
- our ability to timely and effectively scale our business during periods of sequential quarterly or annual growth;
- limitations or delays in our ability to reduce our expenses during periods of declining sequential quarterly or annual revenue;
- changes in our pricing policies or those of our competitors, including our responses to price competition;
- changes in the amount we spend in our marketing and other efforts;
- the volatile global economy;
- general economic and industry conditions that affect customer demand and product development trends;
- changes in accounting rules and tax and other laws; and

We could be subject to personal injury, property damage, product liability, warranty and other claims involving allegedly defective products that we supply, which could result in material expense, diversion of management time and attention and damage to our business reputation.

The products we plan to supply may be used in potentially hazardous applications, such as the assembled parts of an aircraft or automobile, that could result in death, personal injury, property damage, loss of production, punitive damages and consequential damages. Actual or claimed defects in the products we supply could result in our being named as a defendant in lawsuits asserting potentially large claims. Any such lawsuit, regardless of merit, could result in material expense, diversion of management time and efforts, and damage to our reputation, and could cause us to fail to retain or attract customers, which could adversely affect our results of operations.

Products as complex as those we offer may contain undetected defects or errors when first introduced or as enhancements are released that, despite testing, are not discovered until after the product has been installed and used by customers. This could result in lost revenue, delayed marketplace acceptance of the product, claims from customers or others, damage to our reputation and business or significant costs to correct the defect or error.

The sale and support of our products entails the risk of product liability claims. Any product liability claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, damage to our business reputation and failure to retain existing customers or to fail to attract new customers.

We could face liability if our 3D printers are used by our customers to print dangerous objects.

Customers may use our 3D printers to print parts that could be used in a harmful way or could otherwise be dangerous. For example, there have been recent news reports that 3D printers were used to print guns or other weapons. We will have little, if any, control over what objects our customers print using our 3D printers, and it may be difficult, if not impossible, for us to monitor and prevent customers from printing weapons with our 3D printers. While we have never printed weapons in our service center, there can be no assurance that we will not be held liable if someone were injured or killed by a weapon printed by a customer using one of our 3D printers.

We may not have adequate insurance for potential liabilities.

In the ordinary course of business, we may be subject to various product and non-product related claims, lawsuits and administrative proceedings seeking damages or other remedies arising out of our commercial operations. We maintain insurance to cover our potential exposure for most claims and losses. However, our insurance coverage is subject to various exclusions, self-retentions and deductibles, may be inadequate or unavailable to protect us fully, and may be cancelled or otherwise terminated by the insurer. Furthermore, we face the following additional risks under our insurance coverage:

- we may not be able to obtain insurance coverage on commercially reasonable terms, or at all;
- we may be faced with types of liabilities that are not covered under our insurance policies, such as environmental contamination or terrorist attacks, and that exceed any amounts what we may have reserved for such liabilities;
- the amount of any liabilities that we may face may exceed our policy limits and any amounts we may have reserved for such liabilities; and
- we may incur losses resulting from interruption of our business that may not be fully covered under our insurance policies.

Even a partially uninsured claim of significant size, if successful, could materially adversely affect our business, financial condition, results of operations and liquidity. However, even if we successfully defend ourselves against any such claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time in the defense against these claims and our reputation could suffer, any of which could adversely affect our results of operations.

Risks Related to Our Intellectual Property

We may not be able to obtain patent protection or otherwise adequately protect or enforce our intellectual property rights, which could impair our competitive position.

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We will rely primarily on patents, trademarks, and trade secrets, as well as non-disclosure agreements and other methods, to protect our proprietary technologies and processes globally. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use, or disclose our technologies and processes. For instance, if unauthorized disclosure of our trade secrets occurs, we could potentially lose trade secret protection. The loss of trade secret protection could make it easier for third parties to compete with our products by copying previously confidential features, which could adversely affect our revenue and operating margins.

We can provide no assurance that any of our existing or future patents or other intellectual property rights will not be challenged, invalidated, or circumvented or will otherwise provide us with meaningful protection. We may not be able to obtain foreign patents corresponding to our U.S. or foreign patent applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents and other intellectual property protections do not adequately protect our technology, our competitors may be able to offer products similar to ours. We may not be able to detect the unauthorized use of our proprietary technology and processes or take appropriate steps to prevent such use. Our competitors may also be able to develop similar technology independently or design around our patents. Any of the foregoing events would lead to increased competition and lower revenue or gross profits, which would adversely affect our results of operations.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the U.S. Patent and Trademark Office, or USPTO, and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our exclusive licensors fail to maintain the patents and patent applications covering our products and processes, our competitive position would be adversely affected.

We may incur substantial costs defending against third party infringement claims as a result of litigation or other proceedings.

Third-party intellectual property claims asserted against us, regardless of the merit or resolution of such claims, could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from assembling or licensing certain of our products, subject us to injunctions restricting our sale of products, cause severe disruptions to our operations or the marketplaces in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements. In addition we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products. If we are unable to effectively defend and manage these, our market share, sales and profitability could suffer, which could adversely affect our results of operations.

Our failure to expand our intellectual property portfolio could adversely affect the growth of our business and results of operations.

Expansion of our intellectual property portfolio is one of the available methods of developing our revenues and our profits. This involves a complex and costly set of activities with uncertain outcomes. Our ability to obtain patents and other intellectual property can be adversely affected by insufficient inventiveness of our employees, by changes in intellectual property laws, treaties, and regulations, and by judicial and administrative interpretations of those laws treaties and regulations. Our ability to expand our intellectual property portfolio could also be adversely affected by the lack of valuable intellectual property for sale or license at affordable prices. There is no assurance that we will be able to obtain valuable intellectual property in the jurisdictions where we and our competitors operate or that we will be able to use or license that intellectual property.

Risks Related to the Securities Markets and Ownership of Our Common Stock

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may fluctuate and may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of companies in our sector, which is not necessarily related to the operating performance of these companies;

- delays between our expenditures to develop and market new products and the generation of sales from those products;
- changes in the amount that we spend to develop, acquire or license new products, technologies or businesses;
- changes in our expenditures to promote our products and services;
- changes in the cost of satisfying our warranty obligations and servicing our installed base of systems;
- success or failure of research and development projects of us or our competitors;
- announcements of acquisitions by us or one of our competitors;
- the general tendency towards volatility in the market prices of shares of companies that rely on technology and innovation;
- changes in regulatory policies or tax guidelines;
- changes or perceived changes in earnings or variations in operating results;
- any shortfall in revenue or earnings from levels expected by investors or securities analysts; and
- general economic trends and other external factors.

If equity research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our shares, the price of our shares could decline.

The trading market for our shares will rely in part on the research and reports that equity research analysts publish about us and our business. We do not have control over these analysts, and we do not have commitments from them to write research reports about us. The price of our shares could decline if one or more equity research analysts downgrades our shares, issues other unfavorable commentary, or ceases publishing reports about us or our business.

Future sales of our shares could reduce the market price of our shares.

The price of our shares could decline if there are substantial sales of our common stock, particularly by our directors, their affiliates or our executive officers, or when there is a large number of shares of our common stock available for sale. The perception in the public market that our stockholders might sell our shares also could depress the market price of our shares. From time to time, we may conduct offerings of our securities and our executive officers, directors and selling stockholders would be subject to lock-up agreements that restrict their ability to transfer their shares following the offering. The market price of our shares may drop significantly when the restrictions on resale by our existing stockholders lapse and these stockholders are able to sell their shares into the market. If this occurs, it could impair our ability to raise additional capital through the sale of securities, should we desire to do so.

We do not anticipate paying any cash dividends in the foreseeable future. Therefore, if our share price does not appreciate, our investors may not gain and could potentially lose on their investment in our shares.

We have never declared or paid cash dividends on our common stock, nor do we anticipate paying any cash dividends on our share capital in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our shares will be investors’ sole source of gain for the foreseeable future.

Provisions in our charter documents or Delaware law may inhibit a takeover, which could adversely affect the value of our common stock.

Our certificate of incorporation and bylaws contain, and Delaware corporate law contains, provisions that could delay or prevent a change of control or changes in our management, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares, possibly at a premium over the then market price of our common stock. One of these Delaware laws prohibits us from engaging in a business combination with any interested stockholder (as defined in the statute) for a period of three years from the date that the person became an interested stockholder, unless certain conditions are met. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

Raising additional capital by issuing securities may cause dilution to our stockholders.

We may need or desire to raise substantial additional capital in the future. If we raise additional funds by issuing equity or convertible debt securities, we will reduce the percentage ownership of our then-existing stockholders, and the holders of those newly-issued equity or convertible debt securities may have rights, preferences, or privileges senior to those possessed by our then-existing stockholders. Additionally, future sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

1.12 Outstanding Share Data

Common Shares

The Company has an unlimited number of common shares without par value. As at July 31, 2014, the Company has 6,367,500 issued and outstanding common shares. On August 8, 2014, as a result of the Transaction, the Company has acquired all of the issued and outstanding common shares of Graphene 3D Lab (U.S.) Inc. in exchange for 21,100,000 common shares of the Company.

Concurrent with the Transaction, the Company has estimated the fair value of its 6,367,500 common shares deemed to be issued by MatNic to its former shareholders on the reverse acquisition transaction as $636,750, based on the trading value of the MatNic shares at the price of the shares of $0.10 per share. This amount has been subsequently reported as additional listing fee expense.

Concurrent with the Transaction, the Company also acquired all of the common shares of Graphene 3D US Inc. held as a result of the conversion of the promissory notes which had a fair value of $225,000. The Company issued 4,500,000 common shares and 4,500,000 non-transferable share purchase warrants to the note holders.

The Company completed a concurrent private placement offering for gross proceeds of $1,800,000 by the issuance of 7,200,000 common shares at $0.25 per share. In connection with the private placement financing the Company incurred share issue costs of $31,926.

Subsequent to July 31, 2014, the Company has issued 2,845,000 common shares on the exercise of warrants which brings the total outstanding shares to 42,012,500 as at November 26, 2014 of which 20,280,125 common shares are subject to escrow agreements.

OTCQB Listing

The Company has been verified to trade on OTCQB®, the venture marketplace for entrepreneurial and development stage companies operated by OTC Markets Group, and began trading Oct. 7, 2014. Euro Pacific Capital, Inc. is a qualified Principal American Liaison (“PAL”) and has submitted a Letter of Introduction for Graphene 3D in accordance with the standards for trading on OTCQB.

Warrants

As at July 31, 2014, the Company has 3,000,000 share purchase warrants outstanding which expire on February 27, 2017 and have an exercise price of $0.075 per share. At the time of the Transaction, the Company estimated the fair value of its 3,000,000 common share purchase warrants deemed to be issued by MatNic to its former shareholders at $251,000.

At the time of the Transaction, the Company also issued to the note holders 4,500,000 non-transferable share purchase warrants, exercisable at $0.07 per share for a period of 36 months. The fair value of the warrants issued to the note holders was assessed at $394,000.

The fair value of these two groups of warrants 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 with a term of 30 and 36 months, respectively. The fair value of these equity instruments has been subsequently recorded as an additional listing expense.

Subsequent to August 31, 2014, 2,845,000 warrants have been exercised for total proceeds of $213,375 which brings the total outstanding warrants to 4,655,000 as at November 26, 2014.

Stock options

As at July 31, 2014, the Company had 500,000 stock options outstanding. On August 8, 2014 concurrent with the Transaction, these stock options were cancelled. Subsequent to Transaction, the Company adopted a new stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price not less than the closing share price of the day preceding the date of grant.

During the subsequent period, the Company granted 2,075,000 stock options to directors, employees and consultants of the Company. The 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 was assessed at $0.78 per option. The weighted average assumptions used in the pricing model include a volatility rate of 130% based on comparable companies, an expected life of 5 years based on the contractual term and a risk free rate of 1% with no expected dividend yield. The options have various vesting schedules ranging from one year to 42 months. Based on the Black-Scholes option pricing model and the outlined assumptions, the estimated fair value is $1,779,336. This amount is recognized over the vesting period of the option grants.

As at November 26, 2014, there are 2,075,000 outstanding of which 382,500 are vested.