GRAPHENE 3D LAB INC.

(FORMERLY MATNIC RESOURCES INC.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JULY 31, 2014 AND 2013

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Graphene 3D Lab Inc.
(formerly Matnic Resources Inc.)

We have audited the accompanying financial statements of Graphene 3D Lab Inc. (formerly Matnic Resources Inc.) which comprise the statements of financial position as at July 31, 2014 and 2013 and the statements of comprehensive loss, changes in equity and cash flows for the years ended July 31, 2014 and 2013, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Graphene 3D Lab Inc. (formerly Matnic Resources Inc.) as at July 31, 2014 and 2013, and its financial performance and cash flows for the years ended July 31, 2014 and 2013 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 financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Graphene 3D Lab Inc. (formerly Matnic Resources Inc.) to operate as a going concern in the future.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

November 25, 2014

GRAPHENE 3D LAB INC.
(FORMERLY MATNIC RESOURCES INC.)
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Note	2014	2013
ASSETS		$	$
Current			
Cash		588	38,986
Amounts receivables		15,758	2,457
		16,346	41,443
Exploration and evaluation assets	4	-	380,530
		16,346	421,973
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5	188,459	4,816
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6	884,533	741,473
Contributed surplus		252,048	252,048
Deficit		(1,308,694)	(576,364)
		(172,113)	417,157
		16,346	421,973

NATURE AND BASIS OF PREPARATION (Note 1 and Note 2)
SUBSEQUENT EVENTS (Note 11)

"Ian Klassen" Director

"Daniel Stolyarov" Director

The accompanying notes are an integral part of these financial statements

GRAPHENE 3D LAB INC.
(FORMERLY MATNIC RESOURCES INC.)
STATEMENTS OF COMPREHENSIVE LOSS
FOR YEARS ENDED JULY 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Note	2014	2013
		$	$
Expenses			
Filing and transfer agent fees		29,428	13,057
Listing expenses		183,713	-
Management fees	5(b)	67,800	76,600
Office and miscellaneous		944	1,789
Professional fees	5(a)	65,643	39,273
Rent	5(a)	-	5,250
Loss before other items		(347,528)	(135,969)
Impairment of exploration and evaluation assets	4	(384,836)	-
Interest income		34	2,699
Net loss and comprehensive loss		(732,330)	(133,270)
Loss per share – basic and diluted		(0.15)	(0.04)
Weighted average number of common shares outstanding		4,867,500	3,348,801

The accompanying notes are an integral part of these financial statements

GRAPHENE 3D LAB INC.
(FORMERLY MATNIC RESOURCES INC.)
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Common Shares				
	Number of Shares (Note 1)	Amount	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance as at July 31, 2012	3,330,000	730,223	252,048	(443,094)	539,177
Shares issued for exploration and evaluation asset	37,500	11,250	-	-	11,250
Comprehensive loss	-	-	-	(133,270)	(133,270)
Balance as at July 31, 2013	3,367,500	741,473	252,048	(576,364)	417,157
Shares issued for cash	3,000,000	150,000	-	-	150,000
Share issuance costs	-	(6,940)	-	-	(6,940)
Comprehensive loss	-	-	-	(732,330)	(732,330)
Balance as at July 31, 2014	6,367,500	884,533	252,048	(1,308,694)	(172,113)

The accompanying notes are an integral part of these financial statements

GRAPHENE 3D LAB INC.
(FORMERLY MATNIC RESOURCES INC.)
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED JULY 31, 2014 AND 2013
(Expressed in Canadian dollars)

	2014	2013
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(732,330)	(133,270)
Items not affecting cash:		
Impairment of exploration and evaluation assets	384,836	-
Changes in non-cash working capital balances:		
Amounts receivables	(13,301)	2,289
Accounts payable and accrued liabilities	183,643	672
Cash used in operating activities	(177,152)	(130,309)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(4,306)	(185,409)
Cash used in investing activities	(4,306)	(185,409)
FINANCING ACTIVITIES		
Shares issued for cash	150,000	-
Share issuance costs	(6,940)	-
Cash provided by financing activities	143,060	-
DECREASE IN CASH DURING THE YEAR	(38,398)	(315,718)
CASH, BEGINNING OF YEAR	38,986	354,704
CASH, END OF YEAR	588	38,986

Non-cash transactions (Note 10)

The Company did not pay any interest or income taxes for the years ended July 31, 2014 and 2013.

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Graphene 3D Lab Inc. ("the Company") was incorporated pursuant to the British Columbia Business Corporations Act on January 18, 2011 and changed its name on August 6, 2014 from Matnic Resources Inc. The address of the Company's corporate office and its principal place of business is 112 – 4603 Middle Country Road, Calverton, New York, United States of America.

On February 2, 2012, the Company completed its Initial Public Offering ("IPO") of 3,350,000 common shares at $0.20 per share for gross proceeds of $670,000. On February 6, 2012, the Company's shares commenced trading on the TSX-V under the symbol "MIK".

The principal business of the Company is the identification, evaluation, acquisition and exploration of exploration and evaluation ("E&E") assets. During fiscal 2014, the Company abandoned its E&E asset, and had a change of business as described in Note 11.

On January 15, 2014 the Company completed a two for one common share consolidation; the share consolidation has been retroactively applied.

2. BASIS OF PREPARATION

a) Statement of compliance

The 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 financial statements were approved and authorized for issue in accordance with resolution from the Board of Directors on November 25, 2014.

b) New accounting pronouncements

The following standards have been adopted by the Company effective August 1, 2013, with no material impact on its financial statements:

- Amendments to IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, and IAS 1 *Presentation of Financial Statements.*

Certain new standards, interpretation 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.

c) Going concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $1,308,694 at July 31, 2014. 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, factors which raise significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in paragraph l) and m). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's functional currency is the Canadian dollar.

b) Significant accounting estimates and judgments (continued)

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax assets and calculation of impairment of exploration and evaluation costs.

c) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

d) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets (continued)

The recoverability of capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of exploration and evaluation costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

e) Impairment

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of the properties exceeds its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance costs. As at July 31, 2014, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

g) Government assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property.

h) Share capital – flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. In accordance with IAS 12, Income Taxes, a deferred tax liability is recognized, with certain specific exceptions, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. At the time flow-through shares are issued, there is a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. In the absence of a market price, the Company uses the fair value as determined by the price per share in recent non flow-through share financings or other techniques as considered necessary. This premium is recorded as other liabilities on the statement of financial position reducing share capital and is drawn down proportionately as the flow-through exploration spending occurs and is recorded to other income. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

i) Share-based compensation

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At July 31, 2014, the Company has not classified any financial assets as loans and receivables or as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified FVTPL as unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

n) 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.

The following standard will be effective for annual periods beginning on or after August 1, 2014:

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 Impairment of Assets – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

The following standard will be effective for annual periods not earlier than August 1, 2017:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Shuswap Silver Project

On February 14, 2011, the Company entered into an Option Agreement (the "Agreement") with Rich River Exploration Ltd. (the "Optionor") 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 (comprising an aggregate 2,697 hectares), located in the Kamloops Mining Division, British Columbia. (the "Property"). To exercise the option, the Company must pay an aggregate amount of $100,000 and issue an aggregate 375,000 common shares to the Optionor and incur a minimum aggregate $1,100,000 in exploration expenditures, in accordance with the following schedule:

Date for Completion	Cash Payment	Number of Common Shares to be Issued (Note 1)	Minimum Exploration Expenditures to be Incurred
	$		$
Upon execution of the Agreement (paid)	10,000	-	-
On or before the Listing Date (paid, issued, and incurred)	10,000	37,500	100,000
On or before February 6, 2013 (paid and issued)	15,000	37,500	200,000
On or before February 6, 2014	15,000	75,000	200,000
On or before February 6, 2015	25,000	87,500	200,000
On or before February 6, 2016	25,000	137,500	400,000
TOTAL	100,000	375,000	1,100,000

In accordance with the terms of the Agreement, the Optionor will retain a 2% net smelter returns royalty (the "NSR") in respect of the Property. The Company has the option to purchase 50% of such NSR at any time prior to commencement of commercial production in consideration of the payment of $750,000 to the Optionor.

In April 2014, the Company gave notice to the Optionor that it has abandoned the option agreement, and therefore the carrying amount of the property was fully written off.

Total costs incurred are summarized as follows:

	Acquisition	Exploration	Total
Balance, July 31, 2012	$ 35,000	$ 148,871	$ 183,871
Cash payment under the Agreement	15,000	-	15,000
Shares issued under the Agreement	11,250	-	11,250
Geologist fees and assays	-	170,409	170,409
Balance, July 31, 2013	61,250	319,280	380,530
Cash payments under the Agreement	2,500	-	2,500
Geologists fees and assays	-	1,806	1,806
Write-down	(63,750)	(321,086)	(384,836)
Balance, July 31, 2014	**$ -**	**$ -**	**$ -**

5. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

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

i) 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.

ii) Included in accounts payable is $5,880 (2013: $4,515) due to a company controlled by an officer of the Company for accounting services rendered. This amount is unsecured, non-interest bearing, with no fixed terms of repayment.

(iii) Included in accounts payable is $6,088 (2013: $Nil) due to a companies controlled by an officer of the Company for management services rendered. This amount is unsecured, non-interest bearing, with no fixed terms of repayment.

(iv) 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 is unsecured, non-interest bearing, with no fixed terms of repayment.

b) Key management compensation

Key management includes directors and key officers of the Company, including the President, CEO and CFO. During the year ended July 31, 2014:

i) The Company paid $67,800 (2013: $76,600) in management fees to companies controlled by officers and directors of the Company.

6. SHARE CAPITAL

a) Authorized: Unlimited number of common shares without par value.

b) Issued and outstanding:

i) On January 29, 2013, the Company issued 37,500 common shares to the Optionor in accordance with the Option Agreement as described in Note 4.

ii) On January 15, 2014 the Company consolidated its issued and outstanding shares on a basis of one new share for every two outstanding shares.

iii) On February 27, 2014 the Company issued 3,000,000 units pursuant to a private placement to net $150,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase on additional common share at $0.075 until February 27, 2017.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

c) Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 20% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date.

Continuity of stock options for the year ended July 31, 2014:

Expiry date	Exercise Price	July 31, 2013	Granted	Exercised	Expired/ cancelled	July 31, 2014	Options exercisable
August 24, 2016	$0.40	500,000	-	-	-	500,000	500,000
Weighted average exercise price		$0.40				$0.40	
Weighted average contractual remaining life (years)		3.07				2.07	

Continuity of stock options for the year ended July 31, 2013:

Expiry date	Exercise Price	July 31, 2012	Granted	Exercised	Expired/ cancelled	July 31, 2013	Options exercisable
August 24, 2016	0.40	500,000	-	-	-	500,000	500,000
Weighted average exercise price		$0.40				$0.40	
Weighted average contractual remaining life (years)		4.07				3.07	

Subsequent to year-end on August 8, 2014 all of the issued and outstanding stock options were cancelled.

d) Escrow shares

The Company entered into an escrow agreement on August 22, 2011. Pursuant to the escrow agreement, 825,000 common shares issued and outstanding were to be held in escrow, of which 10% were released on February 6, 2012, which was the date the common shares of the Company were listed and posted for trading on the TSXV, and 15% will be released every six months thereafter to February 6, 2015. As at July 31, 2014, there were 247,500 common shares remained in escrow.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

e) Warrants

Continuity of warrants for the year ended July 31, 2014:

Expiry date	Exercise Price	July 31, 2013	Issued	Exercised	Expired/ cancelled	July 31, 2014	Warrants exercisable
February 2, 2014	0.40	134,000	-	-	(134,000)	-	-
February 27, 2017	0.075	-	3,000,000	-	-	3,000,000	3,000,000

Continuity of warrants for the year ended July 31, 2013:

Expiry date	Exercise Price	July 31, 2012	Issued	Exercised	Expired/ cancelled	July 31, 2013	Warrants exercisable
February 2, 2014	0.40	134,000	-	-	-	134,000	134,000

The weighted average exercise price of the warrants was $0.075.

7. INCOME TAXES

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2014	2013
Combined statutory tax rate	26.00%	25.00%
	$	$
Income tax recovery at combined statutory rate	(192,854)	(33,318)
Effect of increase (reduction) in income tax rate	2,449	(1,332)
Tax benefits not recognized	190,405	34,650
Income tax expense	-	-

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2014	2013
	$	$
Non-capital loss carry forwards	268,686	170,606
Exploration and evaluation assets	10,152	(89,905)
Share issue costs	15,332	23,064
Total gross deferred income tax assets	294,170	103,765
Deferred tax assets not recognized	(294,170)	(103,765)
Net deferred income tax assets	-	-

(Expressed in Canadian dollars)

7. INCOME TAXES (continued)

As at July 31, 2014, the Company had approximately $1,033,000 (2013: $656,000) of non-capital loss carry forwards available to reduce taxable income for future years. These losses expire as follows:

July 31, 2031	$ 61,000
July 31, 2032	247,000
July 31, 2033	348,000
July 31, 2034	377,000
	1,033,000

As at July 31, 2014, the Company had approximately $39,046 (2013: $34,740) resource expenditures and $58,971 (2013: $88,706) share issue costs that can be carried forward to reduce taxable income in future years.

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 2(c)). The Company does not have any externally imposed capital requirements to which it is subject.

As at July 31, 2014, the Company had capital resources consisting of all components of shareholders' equity. 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 will continue to rely on capital markets to support continued growth.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Fair value of financial instruments

The Company's financial instruments include cash and accounts payable. Cash is classified as FVTPL. Accounts payable are classified as other financial liabilities. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

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

	2014	2013
	$	$
FVTPL (i)	588	38,986
Other financial liabilities (ii)	188,459	4,816

(i) Cash
(ii) Accounts payable

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Fair value of financial instruments (continued)

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Asset:	Level 1	Level 2	Level 3	Total
Cash	$ 588	-	-	$ 588

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary assets or liabilities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Financial risk management objectives and policies (continued)

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance of cash to meet its funding obligations. Management closely monitors the liquidity position and expects to raise additional funding to finance the Company's projects and operations. As at July 31, 2014, the Company had cash of $588 to settle accounts payable of $188,459 which fall due for payment within twelve months of the balance sheet date.

Significant commitments in years subsequent to July 31, 2014 are as follows:

	<1 year	1 – 2 Years	Total
	$	$	$
Accounts payable	188,459	-	188,459

10. NON-CASH TRANSACTIONS

Non-cash Financing and Investing Activities	2014	2013
	$	$
Shares issued for exploration and evaluation assets	-	11,250

11. SUBSEQUENT EVENTS

a) On August 8, 2014, the Company 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 the Company, 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 the Company 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, Graphene 3D Lab Inc. (Formerly MatNic Resources Inc.), but are considered a continuation of the financial statement 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 Graphene 3D Lab Inc. (formerly MatNic Resources Inc.) 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 services received in return for the allocation of the shares, options and warrants, the value in excess of the net identifiable assets or obligations of Graphene 3D Lab Inc. (formerly MatNic Resources Inc.) acquired on closing will be expensed as listing cost. Concurrently with the transaction, the 500,000 outstanding stock options as at August 8, 2014 were cancelled.

b) On August 8, 2014 the Company completed a private placement of 7,200,000 common shares at $0.25 per share for gross proceeds of $1,800,000.

11. SUBSEQUENT EVENTS (continued)

c) On August 26, 2014 the Company granted stock options 2,075,000 stock options with a exercise price of $1.00 per share with an expiration date of August 25, 2014 to officers, directors, consultants and employees of the Company.

d) Subsequent to year-end the Company issued 2,845,000 common shares due to the exercise of 2,845,000 common share purchase warrants for gross proceeds of $213,375.