



Nano One Materials Corp.
Condensed Interim Consolidated Financial Statements
For the six months ended
June 30, 2022

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed interim consolidated financial statements of Nano One Materials Corp. ("the Company") as at June 30, 2022, and for the three and six months ended June 30, 2022 and June 30, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of condensed interim financial statements by an entity's auditor.

Nano One Materials Corp.**Condensed Interim Consolidated Statements of Financial Position**

Unaudited – Prepared by Management

As at June 30, 2022 and December 31, 2021

	Note	June 30, 2022 \$	December 31, 2021 \$
Assets			
Current assets			
Cash and cash equivalents		47,929,159	52,652,258
Receivables and prepayments	4	312,770	697,182
		48,241,929	53,349,440
Non-current assets			
Deposits	4	303,866	158,691
Deferred acquisition cost	3	10,250,000	-
Property and equipment	5	1,847,247	1,824,058
Intangible assets - patents	6	28,488	25,708
		12,429,601	2,008,457
Total assets		60,671,530	55,357,897
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		587,123	759,014
Accounts payable to related parties	9	26,606	25,024
Deferred government assistance	7	-	18,958
Lease liabilities - current portion	5	172,657	143,740
		786,386	946,736
Non-current liabilities			
Lease liabilities	5	682,479	656,190
Total liabilities		1,468,865	1,602,926
Shareholders' equity			
Share capital	8	95,870,278	82,607,348
Reserves	8	9,889,302	8,977,007
Deficit		(46,556,915)	(37,829,384)
Total shareholders' equity		59,202,665	53,754,971
Total liabilities and shareholders' equity		60,671,530	55,357,897
Nature and continuance of operations			
	1		
Subsequent events			
	14		

Approved on behalf of the Board of Directors on August 4, 2022:

 "Dan Blondal"
 Director

 "Lyle Brown"
 Director

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

For the three and six months ended June 30, 2022 and June 30, 2021

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		\$	\$	\$	\$
Expenses					
Amortization	6	493	446	986	856
Depreciation	5	33,855	34,780	71,762	57,701
Finance costs	5	16,125	20,185	33,353	39,342
General and administrative expenses		280,456	346,519	550,028	480,354
Investor relations and shareholder information		265,602	245,614	402,664	374,612
Professional and consulting, net	7,9	460,839	172,813	970,106	425,412
Research expenses, net	7,9	2,021,549	955,370	3,896,672	999,528
Salaries, benefits, and fees, net	7,9	997,569	424,011	2,007,036	1,203,338
Share-based payments	8,9	461,642	405,328	969,887	3,475,825
Loss from operating expenses		(4,538,130)	(2,605,066)	(8,902,494)	(7,056,968)
Interest income	11	122,913	55,655	174,963	94,165
Bad debt		-	-	-	(130,780)
Loss and comprehensive loss for the period		(4,415,217)	(2,549,411)	(8,727,531)	(7,093,583)
Loss per share					
Weighted average number of common shares outstanding					
- basic		96,311,460	95,306,149	95,938,000	92,290,254
- diluted		96,311,460	95,306,149	95,938,000	92,290,254
Basic loss per common share		(0.05)	(0.03)	(0.09)	(0.08)
Diluted loss per common share		(0.05)	(0.03)	(0.09)	(0.08)

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

	Note	June 30, 2022 \$	June 30, 2021 \$
Operating activities			
Loss for the period		(8,727,531)	(7,093,583)
Adjustments for:			
Amortization		986	856
Depreciation	5	465,728	312,901
Finance costs		33,353	39,342
Research expenses, net - warrants issued		595,000	-
Share-based payments		969,887	3,475,825
Interest income		(174,963)	(94,165)
Non-cash working capital items:			
Receivables and prepayments		384,412	6,511
Accounts payable and accrued liabilities		(169,756)	125,366
Accounts payable to related parties		1,582	(33,783)
Deferred government assistance		(18,958)	(821,256)
		(6,640,260)	(4,081,986)
Investing activities			
Interest income received on cash and cash equivalents		174,963	94,165
Maturity of short-term investment		-	1,009,164
Deposits on property and equipment		(207,943)	(276,279)
Deferred acquisition cost - purchase price of JMBM Canada	3	(10,250,000)	-
Purchases of property and equipment, net		(301,284)	(551,976)
Payments for intangible assets	6	(3,766)	(2,019)
		(10,588,030)	273,055
Financing activities			
Issuance of common shares/units for cash		12,644,788	33,465,168
Share issue costs		(34,450)	(2,005,376)
Payments of lease liabilities	5	(105,147)	(85,615)
		12,505,191	31,374,177
Change in cash and cash equivalents		(4,723,099)	27,565,246
Cash and cash equivalents, beginning of period		52,652,258	27,750,290
Cash and cash equivalents, end of period		47,929,159	55,315,536
Cash and cash equivalents comprise:			
Cash	11	719,185	2,582,662
Cash equivalents		47,209,974	52,732,874
Cash and cash equivalents, end of period		47,929,159	55,315,536
Supplemental cash flow information	10		

Nano One Materials Corp.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

	Number of common shares	Share capital \$	Reserves \$	Deficit \$	Total \$
December 31, 2020	88,237,538	50,733,826	4,726,488	(26,561,978)	28,898,336
Issue of common shares - prospectus financing	5,405,000	28,916,750	-	-	28,916,750
Share issue costs - cash	-	(2,005,376)	-	-	(2,005,376)
Share issue costs - non-cash	-	(641,100)	641,100	-	-
Exercise of stock options	289,125	352,395	-	-	352,395
Re-allocated on exercise of stock options	-	194,123	(194,123)	-	-
Re-allocated on cancellation of stock options	-	-	(55,702)	55,702	-
Exercise of warrants	1,383,990	4,196,023	-	-	4,196,023
Re-allocated on exercise of warrants	-	399,036	(399,036)	-	-
Share-based payments	-	-	3,475,825	-	3,475,825
Loss and comprehensive loss for the period	-	-	-	(7,093,583)	(7,093,583)
June 30, 2021	95,315,653	82,145,677	8,194,552	(33,599,859)	56,740,370
December 31, 2021	95,528,103	82,607,348	8,977,007	(37,829,384)	53,754,971
Issue of common shares - private placement	4,643,148	12,536,500	-	-	12,536,500
Share issue costs - cash	-	(34,450)	-	-	(34,450)
Exercise of stock options	25,000	17,500	-	-	17,500
Re-allocated on exercise of stock options	-	11,038	(11,038)	-	-
Exercise of warrants	56,743	90,788	-	-	90,788
Re-allocated on exercise of warrants	-	454	(454)	-	-
Re-allocated on expiry of warrants	-	641,100	(641,100)	-	-
Warrants issued	-	-	595,000	-	595,000
Share-based payments	-	-	969,887	-	969,887
Loss and comprehensive loss for the period	-	-	-	(8,727,531)	(8,727,531)
June 30, 2022	100,252,994	95,870,278	9,889,302	(46,556,915)	59,202,665

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

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

Nano One® Materials Corp. (the “Company”) was incorporated under the laws of the Province of Alberta on November 5, 1987 and continued under the laws of the Province of British Columbia. The Company’s head office is located at Unit 101B - 8575 Government Street, Burnaby, BC, V3N 4V1, Canada. Its records office is located at Suite 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3, Canada. The Company’s common shares trade on the Toronto Stock Exchange (the “TSX”) under the symbol “NANO”.

On May 24, 2022, the Company through its subsidiary Nano One Materials Québec Inc., signed a definitive agreement to acquire 100% of the shares of Johnson Matthey Battery Materials Ltd. (“JMBM Canada”) a private Canadian company located in Candiac, Québec, for cash consideration of \$10,250,000 subject to closing working capital adjustments (Note 3).

The Company has developed, patented and scaled-up an innovative “One-Pot Process” for the production of cathode active materials (CAM) for lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics. The Company has built a demonstration pilot plant (Note 5) and is establishing partnerships throughout the lithium-ion battery supply chain to improve the cost and durability of lithium-ion batteries and progress towards commercialization. As of the approval date of these financial statements, the Company holds twenty-four (24) patents (Note 6), with many pending patent applications.

These condensed interim consolidated financial statements (the “financial statements”) have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not yet commenced commercial operations and has historically incurred operating losses. As at June 30, 2022, the Company had working capital of \$47,455,543 (December 31, 2021 - \$52,402,704), which management assesses is sufficient for the Company to continue as a going concern beyond one year. The Company will utilize this working capital to execute on its strategic objectives towards commercialization and carry on as a going concern. The Company’s ability to continue as a going concern on a long-term basis is primarily dependent upon new and continued government assistance programs, the ability to raise additional capital from equity or other markets, and commencing commercial operations to generate future profitability.

The Company continues to manage and respond to the COVID-19 pandemic within its internal policies, along with recommendations of health authorities and local and national requirements. The Company has implemented preventative measures to ensure the safety of its workforce and other key stakeholders.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended December 31, 2021, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company.

Principles of consolidation

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. Inter-company balances and transactions, and any unrealized income (loss) and expenses arising from inter-company transactions, are eliminated in preparing the financial statements.

On February 22, 2022, the Company incorporated a wholly-owned subsidiary, Nano One Materials Québec Inc. ("Nano Quebec"), in Quebec, Canada.

Significant accounting policies

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited consolidated financial statements and are those the Company expects to adopt in its annual consolidated financial statements for the year ended December 31, 2022. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2022. The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies. Additionally, there were no new standards adopted by the Company during the six months ended June 30, 2022.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

3. ACQUISITION OF JOHNSON MATTHEY BATTERY MATERIALS CANADA LTD.

On May 24, 2022, the Company signed a definitive agreement through its subsidiary Nano Quebec, to acquire 100% of the shares of JMBM Canada (Note 1), for cash consideration of \$10,250,000 subject to closing working capital adjustments. As part of the acquisition, the Company will acquire a lithium iron phosphate (“LFP”) production facility, land, equipment, and JMBM Canada's workforce. The acquisition is expected to close by December 31, 2022, subject to JMBM Canada fulfilling contractual commitments and certain other customary closing conditions. The cash consideration of \$10,250,000 paid by the Company during the six months ended June 30, 2022 is presented as deferred acquisition cost on the condensed interim consolidated statement of financial position.

As the acquisition has not yet closed as at June 30, 2022 and as at the date of approval of these financial statements, JMBM Canada is not yet a subsidiary of the Company and its assets, liabilities, and operating results are not included in these financial statements.

4. RECEIVABLES, PREPAYMENTS, AND DEPOSITS

Receivables consist of the following:

	June 30, 2022 \$	December 31, 2021 \$
Accrued government assistance	-	47,652
Prepaid expenses	214,895	285,697
Research cost recoveries	-	308,267
Sales tax recoverable and other	97,875	55,566
	312,770	697,182

Research cost recoveries and receivables

During the six months ended June 30, 2022 and June 30, 2021, the Company accrued or received the following cost recoveries within research expenses, net:

	June 30, 2022 \$	June 30, 2021 \$
USCo	5,095	79,379
CBMM	233,649	-
Other recoveries	90,863	-
	329,607	79,379

American-based multinational auto manufacturer (“USCo”):

In December 2020, the Company entered into a Cathode Evaluation Agreement with USCo to jointly evaluate the performance and commercial benefit of the Company's patented process for nickel-rich and cobalt-free cathode materials in lithium-ion batteries for electric vehicle applications.

During the six months ended June 30, 2022, the Company collected \$313,362 from USCo, of which \$5,095 (2021 - \$79,379) was recognized as cost recoveries during the six months ended June 30, 2022. The parties continue to collaborate under this arrangement. As at December 31, 2021, \$308,267 of the amount collected was accrued as receivable from USCo.

CBMM Technology Suisse SA (“CBMM”):

In May 2021, the Company entered into a Co-Development Agreement with CBMM, a niobium producer to co-develop niobium coated battery cathode materials with CBMM.

During the six months ended June 30, 2022, cost recoveries of \$233,649 were recognized and received (2021 - \$nil). The parties continue to collaborate under this agreement.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

4. RECEIVABLES, PREPAYMENTS, AND DEPOSITS (continued)

Deposits

Deposits consist of the following:

	June 30, 2022 \$	December 31, 2021 \$
Deposits on property and equipment	238,175	93,000
Security and other deposits	65,691	65,691
	303,866	158,691

5. PROPERTY AND EQUIPMENT

	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
Cost						
December 31, 2020	1,123,699	2,049,930	852,452	163,291	76,617	4,265,989
(1) Additions, net	444,892	116,974	205,300	74,393	172,255	1,013,814
December 31, 2021	1,568,591	2,166,904	1,057,752	237,684	248,872	5,279,803
Accumulated depreciation						
December 31, 2020	609,869	1,864,228	196,310	106,009	4,617	2,781,033
Depreciation	295,516	114,516	166,964	38,839	58,877	674,712
December 31, 2021	905,385	1,978,744	363,274	144,848	63,494	3,455,745
Cost						
December 31, 2021	1,568,591	2,166,904	1,057,752	237,684	248,872	5,279,803
(1) Additions	265,197	26,441	127,000	55,654	14,625	488,917
June 30, 2022	1,833,788	2,193,345	1,184,752	293,338	263,497	5,768,720
Accumulated depreciation						
December 31, 2021	905,385	1,978,744	363,274	144,848	63,494	3,455,745
(2) Depreciation	174,377	133,176	85,143	24,370	48,662	465,728
June 30, 2022	1,079,762	2,111,920	448,417	169,218	112,156	3,921,473
Net book value						
December 31, 2021	663,206	188,160	694,478	92,836	185,378	1,824,058
June 30, 2022	754,026	81,425	736,335	124,120	151,341	1,847,247

- (1) Additions for the six months ended June 30, 2022 were not reduced by any amortization of deferred government assistance.
Additions, net for the year ended December 31, 2021 were reduced by the amortization of deferred government assistance as follows:

	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
Year ended December 31, 2021						
Deferred government assistance amortized	297,045	49,375	-	42,792	149,751	538,963

- (2) Depreciation for the six months ended June 30, 2022 and June 30, 2021 is allocated as follows:

	Depreciation expense \$	Research expenses, net \$	Total \$
June 30, 2021			
Research and development equipment	-	131,598	131,598
Pilot plant	-	54,295	54,295
Right-of-use assets	39,901	41,931	81,832
Corporate equipment and software	16,953	-	16,953
Leasehold improvements	847	27,376	28,223
	57,701	255,200	312,901
June 30, 2022			
Research and development equipment	-	174,377	174,377
Pilot plant	-	133,176	133,176
Right-of-use assets	43,212	41,931	85,143
Corporate equipment and software	24,370	-	24,370
Leasehold improvements	4,180	44,482	48,662
	71,762	393,966	465,728

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

5. PROPERTY AND EQUIPMENT (continued)

Right-of-use assets and Lease liabilities

The Company has agreements to lease its office space, laboratory, and pilot plant facilities. The Company has determined that its lease contracts are leases as defined under IFRS 16 – *Leases* ("IFRS 16"). In analyzing the identified contracts, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities were calculated with a discount rate of 9%.

The Company has identified the following leases:

Location	Asset	Type	Term of lease at June 30, 2022 including extensions
Burnaby, BC	Building	Corporate head office (main)	0.2 Years (1)
Burnaby, BC	Building	Corporate head office (expansion)	2.0 Years
Burnaby, BC	Building	Laboratory and pilot plant	5.3 Years
Burnaby, BC	Building	Laboratory	6.1 Years

(1) The Company has extended its existing facility lease on its corporate head office. The extension will commence on October 1, 2022 and expire on September 30, 2025 (three years). As at June 30, 2022, the Company recognized a right-of-use asset and corresponding lease liability for this lease in the amount of \$127,000.

A reconciliation of the carrying amount of the lease liabilities as at June 30, 2022 and December 31, 2021 and changes during the period/year then ended is as follows:

	June 30, 2022 \$	December 31, 2021 \$
Lease liabilities		
Beginning of period/year	799,930	710,073
Extension	127,000	205,300
Lease payments	(105,147)	(189,944)
Lease interest (finance costs)	33,353	74,501
End of period/year	855,136	799,930
Current portion of lease liabilities	172,657	143,740
Non-current portion of lease liabilities	682,479	656,190
Maturity analysis - contractual undiscounted cash flows		
Less than one year	237,780	207,724
One to five years	659,147	588,536
More than five years	136,030	194,328
Total undiscounted lease liabilities	1,032,957	990,588

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2022, and December 31, 2021, the Company did not have any short-term leases. As at June 30, 2022, the Company included the available extension options on its leases within the measurement of the lease liabilities, and there were no leases with residual value guarantees.

Nano One Materials Corp.**Notes to the Condensed Interim Consolidated Financial Statements**

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

6. INTANGIBLE ASSETS

As at June 30, 2022, intangible assets include twenty-three (23) (December 31, 2021 – twenty (20)) issued patents associated with the Company's technology, with an additional patent subsequently issued. These patents were issued by various jurisdictions including Canada, China, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between thirteen (13) to nineteen (18) years from the patent issuance date.

The amount capitalized as intangible assets represents only the patent issue costs. Application, renewal, and other costs are expensed to professional fees as incurred. The Company has many pending patent applications in which all associated costs have been expensed.

	Issued patents \$
<u>Cost</u>	
December 31, 2020	25,514
Additions	4,893
December 31, 2021	30,407
<u>Accumulated amortization</u>	
December 31, 2020	2,811
Amortization	1,888
December 31, 2021	4,699
<u>Cost</u>	
December 31, 2021	30,407
Additions	3,766
June 30, 2022	34,173
<u>Accumulated amortization</u>	
December 31, 2021	4,699
Amortization	986
June 30, 2022	5,685
<u>Net book value</u>	
December 31, 2021	25,708
June 30, 2022	28,488

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

7. GOVERNMENT ASSISTANCE

The Company receives funding from various Canadian federal and provincial government programs. During the six months ended June 30, 2022 and June 30, 2021 the following amounts were received (repaid):

	June 30, 2022 \$	June 30, 2021 \$
(1) Amounts received (repaid):		
(2) Sustainable Development Technology Canada (SDTC)	-	262,500
Industrial Research Assistance Program (NRC-IRAP)	136,768	(3,408)
	136,768	259,092

(1) Proceeds or repayments are recorded within research expenses, net.

(2) See deferred government assistance below for allocation of SDTC proceeds for the six months ended June 30, 2022 and June 30, 2021. Subsequent to June 30, 2022, the Company received Milestone 4 proceeds of \$1,797,824.

Deferred government assistance:

As at June 30, 2022 and December 31, 2021, the deferred government assistance balances were in relation to SDTC Program #2 (below). Under the SDTC Program, the government assistance is received by the Company in advance of each project phase ("Milestone") to be completed. The Company records the receipt of SDTC grant instalments initially as a liability and amortizes the liability based on the percentage of required expenditures incurred for each Milestone.

A reconciliation of the carrying amount of the deferred government assistance as at June 30, 2022 and December 31, 2021, and changes during the period/year then ended are as follows:

	June 30, 2022 \$	December 31, 2021 \$
Deferred government assistance (SDTC Program #2)		
Beginning of period/year	18,958	821,256
Additions - proceeds received	-	1,652,859
(1) Amortization	(18,958)	(2,455,157)
End of period/year	-	18,958

(1) Amortization of deferred government assistance is allocated as follows:

	June 30, 2022 \$	June 30, 2021 \$
Property and equipment	-	239,635
Professional and consulting fees, net	-	11,758
Salaries, benefits, and fees, net	-	62,007
Research expenses, net	18,958	507,856
	18,958	821,256

The Company completed Milestone 3 effective March 31, 2022, and subsequently on July 7, 2022, it received Milestone 4 proceeds of \$1,797,824.

During the year ended December 31, 2021, the Company received Milestone 3 funds totalling \$1,652,859 representing the aggregate of SDTC and British Columbia Innovative Clean Energy, Mines and Petroleum Resources ("BC-ICE") contributions.

Nano One Materials Corp.**Notes to the Condensed Interim Consolidated Financial Statements**

Unaudited – Prepared by Management

For the six months ended June 30, 2022 and June 30, 2021

7. GOVERNMENT ASSISTANCE (continued)**Sustainable Development Technology Canada (“SDTC”):**SDTC Program #2 (active):

In 2019, the Company executed a contribution agreement with SDTC for a non-repayable grant in respect of the Company’s “Scaling Advanced Battery Materials” project. The SDTC Program #2 grant is for up to \$8,545,500 (\$5,944,376 received as at June 30, 2022 and December 31, 2021) which includes BC-ICE contributions (discussed below). SDTC Program #2 is estimated to conclude in May 2023. The funds are non-repayable.

The funds from SDTC Program #2 are payable to the Company in five (5) instalments including the release of a final 10% hold-back to the Company upon satisfactory review and approval of the project by SDTC. The instalments from SDTC are to be paid to the Company at the beginning of each of the four (4) Milestones. Each instalment payment is subject to the Company meeting the specific project Milestones and having available cash resources to match each instalment from SDTC.

As at June 30, 2022, the Company is in Milestone 4, and subsequently received Milestone 4 proceeds of \$1,797,824. During the six months ended June 30, 2022, no proceeds were received (2021 - \$262,500).

National Research Council of Canada’s Industrial Research Assistance Program (“NRC-IRAP”):

Between the two programs detailed below, the Company received proceeds from NRC-IRAP during the six months ended June 30, 2022 of \$136,768 (2021 – repaid \$3,408).

Youth Internship Contribution Agreement (active):

The Company has entered into various Youth Internship Contribution Agreements with NRC-IRAP for non-repayable contributions to the Company beginning in May 2021. Under the terms of the agreements, the contributions from NRC-IRAP are for the reimbursement of certain salaries paid to employees of the Company.

During the six months ended June 30, 2022, the Company received \$16,768 (2021 - \$nil) in connection with the Youth Internship Contribution Agreements.

NRC-IRAP Program #6 (active):

In December 2021, the Company executed an agreement with NRC-IRAP for non-repayable contributions to the Company totaling up to \$404,000 (\$120,000 received through to June 30, 2022) over the course of the program through to June 2023. The scope of the program is research into cost optimization of the Company’s patented process for the manufacture of cathode active materials and specifically the use of metal feedstocks and thermal processing methods. Under the terms of the agreement, NRC-IRAP will reimburse the Company for 80% of salaries paid to employees involved in this project.

During the six months ended June 30, 2022, the Company received \$120,000 (2021 - \$nil) in connection with the NRC-IRAP Program #6.

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For the six months ended June 30, 2022 and June 30, 2021

7. GOVERNMENT ASSISTANCE (continued)

The cumulative amounts of grant funding received since January 1, 2014 from the Government of Canada are as follows:

	June 30, 2022 \$	December 31, 2021 \$
Sustainable Development Technology Canada (SDTC) and BC-ICE	8,025,683	8,025,683
Automotive Supplier's Innovation Program (ASIP)	1,950,952	1,950,952
Industrial Research Assistance Program (NRC-IRAP)	965,106	828,338
Innovation Assistance Program (IAP) (from NRC-IRAP)	241,225	241,225
Scientific Research & Experimental Development (SR&ED)	98,661	98,661
Other Grants	80,059	80,059
	11,361,686	11,224,918

8. SHARE CAPITAL AND RESERVES

The authorized share capital of the Company consists of unlimited common shares without par value. All issued common shares are fully paid.

Share capital**Transactions for the issuance of share capital during the six months ended June 30, 2022:**

- a) Upon the exercise of stock options, 25,000 common shares were issued at \$0.70 each for proceeds of \$17,500. In addition, \$11,038 representing the fair value initially recognized, was re-allocated from reserves to share capital.
- b) Upon the exercise of warrants, 56,743 common shares were issued at \$1.60 each for proceeds of \$90,788. In addition, \$454 representing the fair value initially recognized on the portion of these warrants which were issued as compensatory warrants, was re-allocated from reserves to share capital.
- c) On June 16, 2022, by way of a non-brokered private placement, Rio Tinto made a strategic equity investment into the Company resulting in the issuance of 4,643,148 common shares of the Company at \$2.70 each for proceeds of \$12,536,500 (US \$10,000,000).

Share issue costs of \$34,450 were paid for filing fees which were recorded as reduction of share capital.

Additionally, the Company issued 1,000,000 compensatory warrants to Rio Tinto as consideration for technical and support services in connection with the parties entering into a Strategic Collaboration Agreement on June 16, 2022. The warrants are exercisable at \$4.00 each for one year until June 16, 2022. The fair value of the warrants of \$595,000 was recognized within research expenses, net. See below for fair value details.

Transactions for the issuance of share capital during the six months ended June 30, 2021:

- d) On April 1, 2021, the Company completed a short-form prospectus financing consisting of the issuance of 5,405,000 common shares at a price of \$5.35 per share for gross proceeds of \$28,916,750.
An underwriters' cash commission totalling \$1,735,005 was paid upon closing of the offering, plus legal, filing and other fees of \$270,371. Additionally, the Company issued 324,999 finders' (underwriters') warrants exercisable at \$5.35 until April 1, 2022 having a fair value on issuance of \$641,100. These share issue costs were recorded as a reduction of share capital.
- e) Upon the exercise of stock options, 289,125 common shares were issued at prices between \$0.38 and \$2.81 each, for proceeds of \$352,395. In addition, \$194,123 representing the fair value initially recognized, was re-allocated from reserves to share capital.
- f) Upon the exercise of warrants, 1,383,990 common shares were issued at prices between \$1.60 and \$3.55 each, for proceeds of \$4,196,023. In addition, \$399,036 representing the fair value initially recognized on the portion of these warrants which were issued as compensatory warrants, was re-allocated from reserves to share capital.

Nano One Materials Corp.**Notes to the Condensed Interim Consolidated Financial Statements**

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8. SHARE CAPITAL AND RESERVES (continued)**Reserves**

The Company has an Omnibus Equity Incentive Plan which was approved by shareholders in October 2021 (the "Equity Plan") and replaces the previous stock option plan. The Equity Plan provides for the grant of stock options, RSUs, DSUs, performance share units ("PSUs") and other share-based awards subject to TSX approval. Under the Equity Plan, the maximum number of equity-based awards issued cannot exceed 10% of the Company's currently issued and outstanding common shares. Additionally, RSUs are required to be settled by December 31 in the third year following the year of grant ("Expiry date"), whereas DSUs are settled once the awardee retires or departs.

Stock options

In accordance with the Equity Plan, the exercise price of each stock option shall not be less than the market price of the Company's common shares as calculated at the close of the trading session on the date immediately prior to the date of grant. Stock options can be granted for a maximum term of ten years, and vest at the discretion of the Board of Directors. Stock options outstanding under the Company's former stock option plan are governed by the Equity Plan unless the former stock option plan is more beneficial, in which case the terms of the stock option plan will apply for the benefit of the option holder.

A summary of the status of the Company's stock options as at June 30, 2022 and December 31, 2021, and changes during the period/year then ended is as follows:

	Period ended June 30, 2022		Year ended December 31, 2021	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	6,337,050	2.76	4,604,075	1.66
Granted	184,407	2.88	2,143,950	4.85
Exercised	(25,000)	0.70	(369,125)	1.18
Cancelled	-	-	(41,850)	2.84
Options outstanding, end of period/year	6,496,457	2.77	6,337,050	2.76

As at June 30, 2022, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
50,000	50,000	1.08	September 13, 2022
150,000	150,000	1.14	January 3, 2023
210,575	210,575	1.57	July 12, 2023
1,347,625	1,347,625	2.52	July 20, 2023
25,000	25,000	2.81	September 8, 2023
2,375,000	2,375,000	1.28	November 12, 2023
15,000	15,000	3.05	December 4, 2023
1,366,750	1,253,375	5.10	February 1, 2024
52,100	26,050	5.26	February 25, 2024
40,000	20,000	4.90	June 7, 2024
40,000	20,000	3.62	October 5, 2024
240,000	60,000	3.14	December 2, 2024
400,000	200,000	5.10	February 1, 2026
175,307	-	2.88	February 4, 2027
9,100	-	2.88	June 13, 2027
6,496,457	5,752,625		

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8. SHARE CAPITAL AND RESERVES (continued)**Stock options (continued)**

The following table summarizes the above information about the stock options outstanding as at June 30, 2022:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
1.08 - 1.57	2,785,575	1.3	1.29
2.52 - 3.62	1,852,032	1.6	2.67
4.90 - 5.26	1,858,850	2.0	5.10
	6,496,457	1.6	2.77

The Company recorded the fair value of the stock options granted during the six months ended June 30, 2022 and June 30, 2021 using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair values were determined using the following weighted average assumptions:

	June 30, 2022	June 30, 2021
Risk-free interest rate	1.8%	0.3%
Expected life of stock options (years)	5.0	3.4
Historical volatility	67.4%	73.5%
Dividend rate	0%	0%
Weighted average fair value per stock option granted	\$ 1.64	\$ 2.56

The total share-based payments expense for the six months ended June 30, 2022 was \$969,887 (2021 - \$3,475,825), of which \$565,664 (2021 - \$3,475,825) was attributable to accruals for and/or vesting of stock options during the period then ended.

There were no stock options cancelled or expiring during the six months ended June 30, 2022. During the six months ended June 30, 2021, 41,850 stock options were cancelled upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$55,702 was reversed from reserves and credited to deficit.

Restricted share units and deferred share units (RSUs / DSUs)

In accordance with the Equity Plan, RSUs and DSUs are granted to directors, officers, employees, and consultants as part of long-term incentive compensation. The number of Equity Incentives awarded, and underlying vesting conditions are determined by the Company. Additionally, at the Company's sole discretion, upon each vesting date participants receive (a) common shares equal to the number of Equity Incentives that vested; (b) a cash payment equal to the number of vested Equity Incentives multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).

On the grant date of RSUs and DSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the RSUs and DSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, RSUs and DSUs are accounted for as equity settled share-based payments and are valued using the share price of the common shares on the grant date. Since the Company controls the settlement, the RSUs and DSUs are considered equity settled.

Pursuant to the underlying agreements, all Equity Incentives granted to date are to be settled in common shares.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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8. SHARE CAPITAL AND RESERVES (continued)

Restricted share units and deferred share units (RSUs / DSUs) (continued)

A summary of the status of the Company's Equity Incentives as at June 30, 2022 and December 31, 2021, and changes during the period/year then ended is as follows:

	Period ended June 30, 2022	Year ended December 31, 2021
	Equity Incentives #	Equity Incentives #
Equity Incentives outstanding, beginning of period/year	193,131	-
Granted - RSUs	189,423	184,505
Granted - DSUs	-	8,626
Equity Incentives outstanding, end of period/year	382,554	193,131

As at June 30, 2022, the Company has RSUs and DSUs outstanding as follows:

RSUs outstanding #	DSUs outstanding #	Vested #	Weighted average grant date fair value per Equity Incentive	Final vesting date	Expiry date
184,505	-	-	4.17	August 27, 2024	December 31, 2024
-	8,626	-	4.17	August 27, 2024	n/a
189,423	-	-	2.88	February 4, 2025	December 31, 2025
373,928	8,626	-	3.53		

During the six months ended June 30, 2022, the Company granted 189,423 RSUs to officers and directors of the Company which vest in three annual installments (one-third (63,141) on February 4, 2023; one-third (63,141) on February 4, 2024; and the final one-third (63,141) on February 4, 2025).

During the year ended December 31, 2021, the Company granted 184,505 RSUs and 8,626 DSUs to officers and directors of the Company which vest in three annual installments (one-third (64,377) on August 27, 2022; one-third (64,377) on August 27, 2023; and the final one-third (64,377) on August 27, 2024).

The value of the Equity Incentives granted was based on the fair value of the Company's common shares on the date of grant. During the six months ended June 30, 2022, the Equity Incentives were granted at a fair value of \$2.88 each for a total value of \$545,538 (Year ended December 31, 2021 - \$4.17 each for a total value of \$805,356) which is being recognized within share-based payment expense as the Equity Incentives vest.

The total share-based payments expense for the six months ended June 30, 2022 was \$969,887 (2021 - \$3,475,825), of which \$404,223 (2021 - \$nil) represents the accrual for future vesting of Equity Incentives with the remaining portion of share-based payment expense being attributable to accruals for and/or vesting of stock options, as described above.

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For the six months ended June 30, 2022 and June 30, 2021

8. SHARE CAPITAL AND RESERVES (continued)

Warrants

As an incentive to complete equity financings, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to warrants attached to units sold in equity financings. Finders' or brokers' warrants may be issued as equity financing share issue costs and are valued using the Black-Scholes option pricing model.

A summary of the Company's common share purchase warrants as at June 30, 2022 and December 31, 2021, and changes during the period/year then ended is as follows:

	Period ended June 30, 2022		Year ended December 31, 2021	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	4,369,187	2.59	5,561,328	2.52
Issued	1,000,000	4.00	324,299	5.35
Exercised	(56,743)	1.60	(1,516,440)	2.93
Expired	(324,299)	5.35	-	-
Warrants outstanding, end of period/year	4,988,145	2.71	4,369,187	2.59

During the six months ended June 30, 2022, 324,999 finders' warrants with an exercise price of \$5.35 each expired unexercised. As a result, the original fair value of \$641,100 which was recorded against share capital was reversed from reserves and credited to share capital.

As at June 30, 2022, the Company has warrants outstanding and exercisable as follows:

Warrants #	Weighted average exercise price \$	Expiry Date
31,316	2.72	October 29, 2022
1,583,100	3.55	October 29, 2022
2,298,406	1.60	February 21, 2023
75,323	1.60	February 21, 2023
1,000,000	4.00	June 16, 2023
4,988,145	2.71	

The Company recorded the fair value of the warrants issued to Rio Tinto during the six months ended June 30, 2022 using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair values were determined using the following weighted average assumptions:

	June 30, 2022
Risk-free interest rate	3.2%
Expected life of warrants (years)	1.0
Historical volatility	86.0%
Dividend rate	0%
Weighted average fair value per warrant granted	\$ 0.60

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing, and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

The following transactions were carried out with key management (gross before applicable government assistance recoveries):

	Transactions six months ended June 30, 2022 \$	Transactions six months ended June 30, 2021 \$	Balances outstanding June 30, 2022 \$	Balances outstanding December 31, 2021 \$
Bedrock Capital	75,000	75,000	-	-
DBM CPA	81,650	64,775	15,225	8,400
Directors' fees	114,521	27,000	-	-
Management and directors' fees (within salaries, benefits, and fees)	271,171	166,775	15,225	8,400
Officers (salaries, benefits, and fees; and research expenses)	782,115	720,700	-	631
Directors and officers (share-based payments)	683,893	3,156,085	-	-
Patent Filing Specialists (professional and consulting; and intangible assets)	126,132	69,385	11,381	15,993
	1,863,311	4,112,945	26,606	25,024

(a) Professional and consulting, net:

- Includes the services of Patent Filing Specialists Inc. ("Patent Filing Specialists"), a company controlled by Joseph Guy, a Company Director. Transactions are included within both intangible assets (for capitalized patent issue costs) and professional and consulting fees, net for patent filings, maintenance and related.

(b) Salaries, benefits, and fees, net (including allocations to research expenses, net):

- Includes salaries and short-term variable cash-based compensation incentives paid to Dan Blondal, CEO, Stephen Campbell, CTO, John Lando, Former President until November 30, 2021, Alex Holmes, COO, and Pamela Kinsman, Corporate Secretary and Director of Sustainability and Corporate Affairs. Expense reimbursements outstanding as at December 31, 2021 related to Alex Holmes.

In accordance with an executive employment agreement the Company has in place with Dan Blondal, in case of termination by the Company without cause, he is entitled to six (6) weeks' base pay (or notice) for every year of service to a maximum of twenty-four (24) months. He would not be entitled to further bonus payments after termination. In the case of resignation after a Change of Control and for 'Good Reason', Dan Blondal is entitled to twenty-four (24) months' base salary.

- Includes the services of Bedrock Capital Corp. ("Bedrock Capital") a company controlled by Paul Matysek the Chairman and a Company Director.
- Includes the services of Donaldson Brohman Martin, CPA Inc. ("DBM CPA"), a firm in which Dan Martino, CFO is a principal.

Includes fees paid to the Company's directors for their positions as non-executive directors and/or board committee members or chairpersons.

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the six months ended June 30, 2022, the Company granted 189,423 RSUs to various directors and officers (2021 – none were granted). See Note 8 for specifics on vesting terms.
- During the six months ended June 30, 2021, 1,540,000 stock options were granted to directors and officers which are exercisable at \$5.10 each. 400,000 of these stock options have a five year term expiring in February 2026, with the remainder having a term of three years expiring in February 2024. The stock options have varying vesting terms.

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10. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash investing and financing activities during the six months ended June 30, 2022 and June 30, 2021 as follows:

	June 30, 2022 \$	June 30, 2021 \$
Non-cash investing activities:		
Property and equipment included in accounts payable and accrued liabilities	17,888	9,343
Deposits on property and equipment in accounts payable and accrued liabilities	-	35,853
Non-cash financing activities:		
Addition or extension of right-of-use asset	127,000	205,300
Fair value of finders' warrants issued	-	641,100

During the six months ended June 30, 2022 and June 30, 2021, no amounts were paid for interest or income taxes.

11. MANAGEMENT OF CAPITAL

The Company considers its capital structure to consist of its components of shareholders' equity. When managing capital, the Company's objective is to ensure that it continues as a going concern, to ensure it has sufficient capital to deploy on new and existing projects (including the requirement for matching funds relating to SDTC programs) (Note 7), as well as generating returns on excess funds while maintaining liquidity/accessibility to such funds. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment, growth of its workforce, and general capital market or industry conditions. The Board of Directors relies on the expertise of the Company's management to sustain future development of the business. Management reviews and adjusts its capital structure on an ongoing basis.

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the six months ended June 30, 2022.

The Company currently has no source of revenues, though it receives funding from government programs (Note 7), and certain cost recoveries (Note 4) from strategic partners. Additionally, the Company has historically relied upon equity financing to fund its activities. In order to fund ongoing research activities, expansion, capital expenditures, and operating expenses, the Company will spend its existing working capital and may seek additional capital sources to facilitate growth and expansion plans towards commercialization.

The Company currently invests excess capital in high-interest savings accounts ("HISAs") and/or HISA funds which bear interest at variable rates (cash equivalents). Additionally, the Company may seek to invest excess funds in guaranteed investment certificates ("GICs") bearing fixed rates of interest that are either redeemable (cash equivalents) or non-redeemable (short-term investments) and have terms not exceeding 24 months.

As at June 30, 2022 and December 31, 2021, the Company had excess capital invested in a HISA and a HISA fund which facilitates the diversification of treasury amongst high-credit quality Canadian chartered banks. These amounts are accessible on demand. Additionally, the Company did not have any GIC or other short-term investment holdings.

Interest income of \$174,963 (2021 - \$94,165) earned during the six months ended June 30, 2022 was from the HISA and HISA fund.

Nano One Materials Corp.

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12. FINANCIAL INSTRUMENTS

Financial instruments - fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Financial instruments - classification

Financial assets:	Classification and measurement:
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Deposits	Amortized cost
Deferred acquisition cost	Amortized cost

Financial liabilities:	Classification and measurement:
Accounts payable and accrued liabilities	Amortized cost
Accounts payable to related parties	Amortized cost
Lease liabilities	Amortized cost

The Company's financial instruments, with the exception of cash and cash equivalents approximate their fair values. Cash and cash equivalents under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities. The carrying value of lease liabilities approximates its fair value due to being discounted with a rate of interest that approximates market rates.

Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks including liquidity risk, interest rate risk, credit risk, price risk, and currency risk.

a) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company has historically relied upon equity financings, cost recoveries from strategic partners, and government assistance programs to satisfy its capital requirements and will continue to depend upon these and other possible sources of capital to finance its activities until such time that the Company commences commercial operations and generates future profitability.

b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. The Company's exposure to variable interest rates is limited to cash equivalents held in its HISA and HISA fund, and a deposit held as collateral with a Canadian chartered bank on the Company's corporate credit cards.

For the six months ended June 30, 2022, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately \$249,000 (2021 – \$203,000).

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12. FINANCIAL INSTRUMENTS (continued)**Financial instruments - risk (continued)****c) Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents, receivables, and deposits.

The Company minimizes its credit risk on its cash and cash equivalents, by holding the funds with high-credit quality Canadian chartered banks. Management believes that the Company's credit risk attributable to its various components of receivables is low.

The Company is also exposed to credit risk relating to its deposits (security deposits on facilities, corporate credit card collateral, and deposits on equipment purchases) in which management believes the risk to be low. The Company's deposits are subject to the expected credit loss model for impairment testing. The Company applies the IFRS 9 simplified approach to the deposits to measure expected credit loss which uses a lifetime expected loss allowance. The deposits have been assessed based on debtor circumstances and are considered to be low risk.

d) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain equity financing, or the ability of holders of convertible securities (options and warrants) to exercise their securities due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the individual equity movements to determine the appropriate course of action to be taken by the Company.

e) Currency risk

Currency risk is the risk of fluctuation in profit or loss that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company is exposed to currency risk as it incurs certain transactions in United States dollar, and occasional transactions in the Euro, and the British Pound. Additionally, as at June 30, 2022, the Company held certain financial assets and liabilities that were denominated in these foreign currencies.

Based on the June 30, 2022 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would be insignificant to the Company's financial position and results of operations.

13. SEGMENTED INFORMATION

The Company operates in one business segment being the development of a patented process for the production of cathode active materials (CAM) for lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics (Note 1). The Company's non-current assets are located in Canada with the exception of certain patents (intangible assets) that are issued from patent regulators in foreign jurisdictions (Note 6).

14. SUBSEQUENT EVENTS

Upon the exercise of stock options and warrants, 46,750 common shares were issued between \$1.28 and \$1.60 each for proceeds of \$71,000.