Nano One Materials Corp.

Condensed Interim Consolidated Financial Statements

For the three months ended

March 31, 2024

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

As at March 31, 2024 and December 31, 2023

	Note	**March 31, 2024 $**	December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents	10	23,093,333	31,868,882
Restricted cash	10	575,000	575,000
Receivables and prepayments	3	1,132,802	1,130,043
Inventory	4	526,940	705,278
		25,328,075	34,279,203
Non-current assets			
Deposits and other assets	3	295,293	295,411
Property, plant and equipment	5	18,404,523	18,362,255
Intangible assets - patents	6	41,208	37,899
		18,741,024	18,695,565
Total assets		**44,069,099**	52,974,768
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		3,658,935	3,723,265
Accounts payable to related parties	9	45,776	46,461
Lease liabilities - current portion	5	404,776	374,242
		4,109,487	4,143,968
Non-current liabilities			
Lease liabilities	5	1,233,233	1,344,144
Total liabilities		**5,342,720**	5,488,112
Shareholders' equity			
Share capital	8	125,042,258	125,042,258
Reserves	8	5,061,813	7,171,841
Deficit		(91,377,692)	(84,727,443)
Total shareholders' equity		**38,726,379**	47,486,656
Total liabilities and shareholders' equity		**44,069,099**	52,974,768
Nature and continuance of operations	1		
Subsequent event	14		

Approved on behalf of the Board of Directors on May 14, 2024:

"Carla Matheson"	*"Lyle Brown"*
Director	**Director**

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

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2024 and March 31, 2023

	Note	**March 31, 2024 $**	March 31, 2023 $
Expenses			
Amortization	6	818	633
Business development and investor relations		98,018	145,347
Depreciation	5	66,145	58,187
Finance costs	5	50,198	24,656
General and administrative expenses		693,622	668,154
Professional and consulting, net	9	582,595	602,941
Research and operational expenses, net	7	2,620,094	1,945,076
Share-based payments	8,9	1,265,713	221,450
Wages, benefits and fees, net	9	5,011,804	4,817,919
Loss from operating expenses		**(10,389,007)**	(8,484,363)
Interest income	11	345,637	418,081
Loss on disposal of equipment		(25,603)	(9,822)
Other income		42,983	-
Loss and comprehensive loss for the period		**(10,025,990)**	(8,076,104)
Loss per share			
Weighted average number of common shares outstanding			
- basic		**111,266,777**	102,072,275
- diluted		**111,266,777**	102,072,275
Basic loss per common share		**(0.09)**	(0.08)
Diluted loss per common share		**(0.09)**	(0.08)

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

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2024 and March 31, 2023

	Note	**March 31, 2024 $**	March 31, 2023 $
Operating activities			
Loss for the period		(10,025,990)	(8,076,104)
Adjustments for:			
Amortization		818	633
Depreciation	5	361,792	340,900
Finance costs		50,198	24,656
Share-based payments		1,265,713	221,450
Interest income		(345,637)	(418,081)
Loss on disposal of equipment		25,603	9,822
Net change in non-cash working capital items	10	113,782	5,098,483
		(8,553,721)	(2,798,241)
Investing activities			
Interest income received on cash and cash equivalents		345,637	418,081
Deposits and other assets		-	(188,607)
Purchases of property, plant and equipment, net		(432,763)	(561,179)
Payments for intangible assets	6	(4,127)	(1,887)
		(91,253)	(333,592)
Financing activities			
Issuance of common shares for cash		-	3,845,839
Payments of lease liabilities	5	(130,575)	(88,667)
		(130,575)	3,757,172
Change in cash and cash equivalents		**(8,775,549)**	625,339
Cash and cash equivalents, beginning of period		**31,868,882**	39,445,395
Cash and cash equivalents, end of period		**23,093,333**	40,070,734
Supplemental cash flow information	10		

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

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2024 and March 31, 2023

	Number of common shares	Share capital $	Shares committed for issuance $	Reserves $	Deficit $	Total $
December 31, 2022	100,516,495	96,704,471	171,000	10,209,880	(53,635,982)	53,449,369
Exercise of RSUs	86,409	302,712	-	(302,712)	-	-
Exercise of stock options	248,146	365,737	(171,000)	-	-	194,737
Re-allocated on exercise of stock options	-	208,250	-	(208,250)	-	-
Re-allocated on cancellation of stock options	-	-	-	(46,310)	46,310	-
Exercise of warrants	2,281,939	3,651,102	-	-	-	3,651,102
Re-allocated on exercise of warrants	-	22,013	-	(22,013)	-	-
Re-allocated on expiry of warrants	-	909	-	(909)	-	-
Share-based payments	-	-	-	221,450	-	221,450
Loss and comprehensive loss for the period	-	-	-	-	(8,076,104)	(8,076,104)
March 31, 2023	103,132,989	101,255,194	-	9,851,136	(61,665,776)	49,440,554
December 31, 2023	111,266,777	125,042,258	-	7,171,841	(84,727,443)	47,486,656
Re-allocated on cancellation/expiry of stock options	-	-	-	(3,375,741)	3,375,741	-
Share-based payments	-	-	-	1,265,713	-	1,265,713
Loss and comprehensive loss for the period	-	-	-	-	(10,025,990)	(10,025,990)
March 31, 2024	**111,266,777**	**125,042,258**	**-**	**5,061,813**	**(91,377,692)**	**38,726,379**

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

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”.

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. As of the approval date of these consolidated financial statements (the “financial statements”), the Company holds forty-one (41) patents that are granted or approved for issuance, or have been issued, (Note 6), in addition to other 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 March 31, 2024, the Company had working capital of $21,218,588 (December 31, 2023 - $30,135,235). Management assesses that the Company has sufficient capital to cover operating expenses for the future fiscal quarters, however, management has determined that additional capital is required to continue ongoing engineering studies and expansion at its Candiac plant in connection with commercialization objectives beyond the next twelve months.

The timing and extent of the Company’s commercialization and capital expansion plans is largely discretionary to which the Company’s strategic decisions will be based upon its ability to raise additional capital from equity sources, project financing arrangements, strategic partners, or new and continued government assistance programs. The Company's ability to continue as a going concern on a long-term basis is also dependent upon commencing commercial operations to generate future profitability and positive operating cash flows. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policy information as detailed in the Company’s annual audited financial statements for the year ended December 31, 2023, and do not include all the information required for full annual financial statements in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IASB"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated 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 and its subsidiaries.

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Principles of consolidation

These financial statements include the financial information of the Company and its subsidiaries.

The financial statements include the following entities:

Nano One Materials Corp.	100%	Parent company
Nano One Materials Québec Inc. (“Nano Québec”)	100%	Holding company
Nano One Materials Candiac Inc. (“Nano Candiac”)	100%	Operating subsidiary

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.

Material accounting policies

Except as noted below, 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 audited consolidated financial statements for the year ended December 31, 2024. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited financial statements.

During the three months ended March 31, 2024, the Company changed certain estimates over the deprecation of property, plant and equipment on a prospective basis. Effective January 1, 2024, certain of the Company’s production and equipment fixtures are being depreciated on a straight-line basis between five (5) and ten (10) years (formerly 20% declining balance basis); and certain information technology equipment are being depreciated on a straight-line basis over three (3) years (formerly 30% declining balance basis).

New accounting policies

Certain pronouncements have been issued by the IASB that are effective for accounting periods beginning on or after January 1, 2024. The Company has reviewed all other updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within the material accounting policy information.

Standards issued but not yet effective

In June 2023, the International Sustainability Standards Board (“ISSB”) issued the following IFRS Sustainability Disclosure Standards: *General Requirements for Disclosure of Sustainability-related Information* (IFRS S1); and *Climate-related Disclosure* (IFRS S2), which are effective for accounting periods beginning on or after January 1, 2024, but are not currently mandated in Canada. The Company will monitor the continued development of mandating these standards and the requisite disclosure requirements.

IFRS S1 sets out general reporting requirements for disclosing sustainability-related financial information. IFRS S2 requires an entity to disclose information about climate-related risks and opportunities and the impact on an entity’s financial position, performance, cash flows, strategy, and business model.

(Expressed in Canadian Dollars)

3. RECEIVABLES, PREPAYMENTS, AND DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	March 31, 2024 $	December 31, 2023 $
Accrued government assistance	5,233	10,833
Prepaid expenses	754,422	738,333
Sales tax recoverable and other	373,147	380,877
	1,132,802	1,130,043

Research cost recoveries

During the three months ended March 31, 2024 and March 31, 2023, the Company accrued or received the following cost recoveries within research and operational expenses, net:

	March 31, 2024 $	March 31, 2023 $
USCo	-	58,153

American-based multinational auto manufacturer ("USCo"):

In 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. The parties continue to collaborate under this arrangement.

During the three months ended March 31, 2024, there were no cost recoveries recognized or received from USCo.

During the three months ended March 31, 2023, the Company invoiced USCo for future services totalling $306,804 (US$245,000) of which $248,651 was unearned as at March 31, 2023, and included in deferred liabilities. As at March 31, 2023, the amount earned of $58,153 was included within receivables (research cost recoveries).

Deposits and other assets

Deposits and other assets consist of the following:

	March 31, 2024 $	December 31, 2023 $
Spare parts and deposits on property, plant and equipment	102,720	102,838
Security and other deposits	192,573	192,573
	295,293	295,411

4. INVENTORY

Inventory is comprised of the following:

	March 31, 2024 $	December 31, 2023 $
Raw materials	517,991	701,932
Packaging	1,703	-
Inventory - work in progress	7,246	3,346
	526,940	705,278

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Production and research equipment $	Building $	Land $	Right-of-use assets $	Leasehold improvements $	Construction in progress $	Information technology equipment $	Pilot plant $	Total $
Cost									
December 31, 2022	5,045,390	4,874,961	3,263,658	1,184,752	265,083	220,338	472,142	2,219,529	17,545,853
Additions, net	2,805,836	-	-	1,241,138	579,244	2,382,186	136,009	-	7,144,413
Reclass	2,602,524	-	-	-	-	(2,602,524)	-	-	-
Disposal	(341,468)	-	-	-	-	-	(1,014)	-	(342,482)
December 31, 2023	10,112,282	4,874,961	3,263,658	2,425,890	844,327	-	607,137	2,219,529	24,347,784
Accumulated depreciation									
December 31, 2022	1,339,711	31,418	-	534,779	163,741	-	215,565	2,219,529	4,504,743
Depreciation	668,791	194,998	-	371,192	147,308	-	121,104	-	1,503,393
Disposal	(22,560)	-	-	-	-	-	(47)	-	(22,607)
December 31, 2023	1,985,942	226,416	-	905,971	311,049	-	336,622	2,219,529	5,985,529
Cost									
December 31, 2023	10,112,282	4,874,961	3,263,658	2,425,890	844,327	-	607,137	2,219,529	24,347,784
Additions, net	127,184	-	-	-	1,009	298,931	2,539	-	429,663
Disposals	(28,298)	-	-	-	-	-	-	-	(28,298)
March 31, 2024	**10,211,168**	**4,874,961**	**3,263,658**	**2,425,890**	**845,336**	**298,931**	**609,676**	**2,219,529**	**24,749,149**
Accumulated depreciation									
December 31, 2023	1,985,942	226,416	-	905,971	311,049	-	336,622	2,219,529	5,985,529
(1) Depreciation	162,864	48,750	-	114,452	13,708	-	22,018	-	361,792
Disposals	(2,695)	-	-	-	-	-	-	-	(2,695)
March 31, 2024	**2,146,111**	**275,166**	**-**	**1,020,423**	**324,757**	**-**	**358,640**	**2,219,529**	**6,344,626**
Net book value									
December 31, 2023	8,126,340	4,648,545	3,263,658	1,519,919	533,278	-	270,515	-	18,362,255
March 31, 2024	**8,065,057**	**4,599,795**	**3,263,658**	**1,405,467**	**520,579**	**298,931**	**251,036**	**-**	**18,404,523**

(1) Depreciation for the three months ended March 31, 2024 and March 31, 2023, is allocated as follows:

	Depreciation expense $	Research and operational expenses, net $	Total $
Production and research equipment	-	164,621	164,621
Building	-	48,750	48,750
Right-of-use assets	25,821	42,994	68,815
Leasehold improvements	4,725	26,348	31,073
Information technology equipment	27,641	-	27,641
March 31, 2023	58,187	282,713	340,900
Production and research equipment	-	162,864	162,864
Building	-	48,750	48,750
Right-of-use assets	35,954	78,498	114,452
Leasehold improvements	8,173	5,535	13,708
Information technology equipment	22,018	-	22,018
March 31, 2024	**66,145**	**295,647**	**361,792**

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Net additions to property, plant and equipment include amounts amortized from deferred government assistance which reduces gross additions. For the three months ended March 31, 2024 and the year ended December 31, 2023, these amounts were allocated within property, plant and equipment as follows:

	March 31, 2024 $	December 31, 2023 $
Production and research equipment	**-**	2,217,832

Right-of-use assets and Lease liabilities

The Company has agreements to lease certain of its offices and research 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 have been calculated at initial recognition with a discount rate of either 9% or 12%.

The Company has identified the following leases:

Location	**Asset**	**Type**	**Term of lease at March 31, 2024 inluding extensions**
Burnaby, BC	Building	Corporate head office (extension)	4.4 Years
Burnaby, BC	Building	Research facilities	4.4 Years
Burnaby, BC	Building	Warehouse and office	1.8 Years
Burnaby, BC	Building	Corporate head office (main)	1.5 Years

A reconciliation of the carrying amount of the lease liabilities as at March 31, 2024 and December 31, 2023 and changes during the period/year then ended is as follows:

Lease liabilities	**March 31, 2024 $**	December 31, 2023 $
Beginning of period/year	1,718,386	773,917
Addition or extension	-	1,241,138
Lease payments	(130,575)	(457,001)
Lease interest (finance costs)	50,198	160,332
End of period/year	**1,638,009**	1,718,386
Current portion of lease liabilities	**404,776**	**374,242**
Non-current portion of lease liabilities	**1,233,233**	**1,344,144**
Maturity analysis - contractual undiscounted cash flows		
Less than one year	579,023	559,687
One to five years	1,491,458	989,809
More than five years	-	651,560
Total undiscounted lease liabilities	**2,070,481**	2,201,056

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2024 and December 31, 2023, the Company did not have any short-term leases. As at March 31, 2024, 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.

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

As at March 31, 2024, intangible assets included forty (40) (December 31, 2023 – thirty-six (36)) patents that were approved for issuance, or have issued, associated with the Company's technology.

These patents were issued by various jurisdictions including Canada, China, India, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between ten (10) to nineteen (19) 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 and consulting, as incurred. The Company has other pending patent applications in which all associated costs have been expensed.

	Issued patents $
Cost	
December 31, 2022	38,846
Additions	9,169
December 31, 2023	48,015
Accumulated amortization	
December 31, 2022	7,109
Amortization	3,007
December 31, 2023	10,116
Cost	
December 31, 2023	48,015
Additions	4,127
March 31, 2024	**52,142**
Accumulated amortization	
December 31, 2023	10,116
Amortization	818
March 31, 2024	**10,934**
Net book value	
December 31, 2023	37,899
March 31, 2024	**41,208**

(Expressed in Canadian Dollars)

7. GOVERNMENT ASSISTANCE

The Company receives funding from various Canadian federal and provincial government programs. During the three months ended March 31, 2024 and March 31, 2023, the following amounts were received:

	Amounts received:	March 31, 2024 $	March 31, 2023 $
(1)	Sustainable Development Technology Canada (SDTC)	-	3,284,507
(2)	Industrial Research Assistance Program (NRC-IRAP)	17,499	53,104
(2)	Other Grants	31,127	28,720
		48,626	3,366,331

(1) See deferred government assistance below for allocation of SDTC proceeds for the three months ended March 31, 2024 and March 31, 2023.

(2) Proceeds are recorded within research and operational expenses, net.

Deferred government assistance (deferred liabilities):

As at March 31, 2024 and December 31, 2023, deferred liabilities included amounts for deferred government assistance in relation to SDTC projects. A reconciliation of the carrying amount of the deferred government assistance as at March 31, 2024 and December 31, 2023, and changes during the period/year then ended are as follows:

	Deferred government assistance	March 31, 2024 $	December 31, 2023 $
	Beginning of period/year	-	-
	Additions - proceeds received	-	3,284,507
(1)	Amortization	-	(3,284,507)
	End of period/year	**-**	-

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

	March 31, 2024 $	March 31, 2023 $
Property, plant and equipment	-	208,533
Research and operational expenses, net	-	373,373
	-	581,906

7. GOVERNMENT ASSISTANCE (continued)

Sustainable Development Technology Canada ("SDTC"):

SDTC Pre-Commercial Trial and Multi Cathode Piloting Hub Project (active):

On February 13, 2023, the Company executed an agreement with SDTC in respect of a new government program (Pre-Commercial Trial and Multi Cathode Piloting Hub) (the "SDTC Pre-Commercial Project") which will provide the Company up to $10,000,000 ($3,284,507 received as at March 31, 2024 and December 31, 2023) in funding from SDTC in stages. The funds are non-dilutive, and non-repayable and are intended to support the Company's design, construction, and operation of a multi-cathode piloting hub in Candiac. The initial project timeline is from January 1, 2023 to December 31, 2025.

The funds from the SDTC Pre-Commercial Project will be paid to the Company in four (4) instalments plus the release of a final 10% hold-back upon satisfactory review and approval of the project by SDTC. The instalments from SDTC will be paid to the Company at the beginning of each of the four (4) Milestones and will be initially recognized within deferred liabilities.

During the year ended December 31, 2023, the Company received Milestone 1 funds of $3,284,507.

SDTC Scaling Project (completed):

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 Scaling Project"). The SDTC Scaling Project grant was for $8,545,500 (received) which includes British Columbia Innovative Clean Energy, Mines and Petroleum Resources ("BC-ICE") contributions (discussed below).

As at December 31, 2023, all proceeds had been received including the final holdback of $803,300 received during the year ended December 31, 2023.

As at December 31, 2023, the Company had completed this project along with its reporting obligations to SDTC.

National Research Council of Canada's Industrial Research Assistance Program ("NRC-IRAP"):

Between the programs detailed below, the Company received proceeds from NRC-IRAP during the three months ended March 31, 2024, of $17,499 (2023 - $53,104).

Youth Internship Contribution Agreement (active):

Since 2021, the Company has entered into various Youth Internship Contribution Agreements with NRC-IRAP. Under the terms of the agreements, the contributions from NRC-IRAP were for the reimbursement of certain salaries paid to employees of the Company.

M2CAM Program (completed):

In 2021, the Company executed an agreement with NRC-IRAP for non-repayable contributions to the Company totalling $439,000 over the course of the program through to June 2023 (completed). The scope of the program was 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 (M2CAM). Under the terms of the agreement, NRC-IRAP reimbursed the Company for 80% of salaries paid to employees involved in this project.

(Expressed in Canadian Dollars)

7. GOVERNMENT ASSISTANCE (continued)

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

	March 31, 2024	December 31, 2023
	$	$
SDTC and BC-ICE	13,911,314	13,911,314
NRC-IRAP(1)	1,584,496	1,566,997
Other Grants	2,223,664	2,192,537
	17,719,474	17,670,848

(1) Includes amounts from the Innovation Assistance Program (IAP) from NRC-IRAP and the Automotive Supplier's Innovation Program (ASIP).

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 three months ended March 31, 2024:

There were no transactions for the issue of share capital during the three months ended March 31, 2024.

Transactions for the issuance of share capital during the three months ended March 31, 2023:

a) Upon the exercise of RSUs, 86,409 common shares were issued for $nil proceeds. In addition, $302,712 representing the fair value initially recognized, was re-allocated from reserves to share capital.

b) Upon the exercise of stock options, 248,146 common shares were issued at prices between $1.14 and $2.88 each for proceeds of $194,737 ($365,737 gross proceeds, less $171,000 which had been collected as at December 31, 2022). In addition, $208,250 representing the fair value initially recognized, was re-allocated from reserves to share capital.

c) Upon the exercise of warrants, 2,281,939 common shares were issued at $1.60 each for proceeds of $3,651,102. In addition, $22,013 representing the fair value initially recognized, was re-allocated from reserves to share capital.

Reserves

The Company has an Omnibus Equity Incentive Plan which was approved by shareholders in 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. The Company’s Equity Plan permits the holder of stock options to exercise cashless (net exercise) by surrendering a portion of the underlying stock option shares to pay for the exercise cost.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

A summary of the status of the Company's stock options as at March 31, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended March 31, 2024		Year ended December 31, 2023	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of period/year	2,688,565	4.48	6,269,863	2.80
Granted	943,948	1.92	452,418	3.28
Exercised	-	-	(3,955,321)	1.70
Cancelled/expired	(1,378,729)	5.10	(78,395)	3.28
Options outstanding, end of period/year	**2,253,784**	**3.03**	2,688,565	4.48

As at March 31, 2024, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
40,000	40,000	4.90	June 7, 2024
40,000	40,000	3.62	October 5, 2024
240,000	240,000	3.14	December 2, 2024
400,000	400,000	5.10	February 1, 2026
140,229	82,645	2.88	February 4, 2027
9,100	9,100	2.88	June 13, 2027
440,507	138,895	3.28	March 17, 2028
200,000	-	1.94	January 19, 2029
743,948	500,000	1.91	January 23, 2031
2,253,784	**1,450,640**	**3.03**	

The following table summarizes the above information about the stock options outstanding as at March 31, 2024:

Exercise prices $	Options #	Weighted average remaining life (years)	Weighted average exercise price $
1.91 - 2.88	1,093,277	5.9	2.05
3.14 - 3.62	720,507	2.7	3.25
4.90 - 5.10	440,000	1.7	5.08
	2,253,784	**4.1**	**3.03**

The Company recorded the fair value of the stock options granted during the three months ended March 31, 2024 and March 31, 2023, 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:

	March 31, 2024	March 31, 2023
Risk-free interest rate	3.5%	2.9%
Expected life of stock options (years)	6.6	5.0
Historical volatility	74.0%	77.2%
Dividend rate	0.0%	0.0%
Weighted average fair value per stock option granted	$ 1.33	$ 2.10

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The total share-based payments expense for the three months ended March 31, 2024, was $1,265,713 (2023 - $221,450), of which $884,483 (2023 – $87,290) was attributable to vesting of stock options during the period then ended.

During the period ended March 31, 2024, 1,378,729 (2023 – 29,238) stock options were either cancelled/forfeited upon certain individuals leaving employment of the Company or expired unexercised. As a result, the original share-based payments expense of $3,375,741 (2023 - $46,310) 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. Additionally, upon vesting of RSUs, the Company has a commitment to settle vested RSUs in the form of issuing common shares to the holders in equity settled arrangements.

Pursuant to the underlying agreements, all Equity Incentives granted to the date of approval of these financial statements are expected to be settled in common shares.

A summary of the status of the Company's Equity Incentives as at March 31, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended March 31, 2024	Year ended December 31, 2023
	Equity Incentives #	Equity Incentives #
Equity Incentives outstanding, beginning of period/year	667,774	379,679
Granted - RSUs	622,738	237,109
Granted - DSUs	-	182,550
Exercised	-	(131,564)
Equity Incentives outstanding, end of period/year	**1,290,512**	667,774

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

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

As at March 31, 2024, the Company has RSUs and DSUs outstanding as follows:

RSUs outstanding #	RSUs Exercisable #	DSUs outstanding #	Weighted average grant date fair value per RSU/DSU	Final vesting date	Expiry date
94,727	33,225	-	4.17	August 27, 2024	December 31, 2024
-	-	8,626	4.17	August 27, 2024	n/a
144,762	81,621	-	2.88	February 4, 2025	December 31, 2025
225,808	75,269	-	3.28	March 17, 2026	December 31, 2024
-	-	85,976	3.28	March 17, 2026	n/a
11,301	-	-	2.92	October 10, 2026	October 10, 2026
-	-	96,574	2.92	October 10, 2023	n/a
447,303	-	-	1.95	January 22, 2027	December 31, 2027
175,435	-	-	1.91	January 23, 2027	December 31, 2027
1,099,336	**190,115**	**191,176**	**2.73**		

Subsequent to March 31, 2024, 25,205 RSUs were exercised resulting in the issuance of an equivalent number of common shares for $nil proceeds (Note 14).

On January 22, 2024, the Company granted 447,303 RSUs to employees and consultants of the Company. The RSUs vest in three annual instalments (one-third (149,101) on January 22, 2025; one-third (149,101) on January 22, 2026; and the final one-third (149,101) on January 22, 2027).

On January 23, 2024, the Company granted 175,435 RSUs to officers of the Company. The RSUs vest in three annual instalments (one-third (58,478) on January 23, 2025; one-third (58,478) on January 23, 2026; and the final one-third (58,479) on January 23, 2027).

In accordance with the Plan, the value of the Equity Incentives granted was based on the closing market price of the Company's common shares on the date preceding the date of grant. During the three months ended March 31, 2024, the Equity Incentives were granted at a weighted average fair value of $1.94 each for a total value of $1,207,322, which is being accrued within share-based payment expense over the vesting periods.

During the year ended December 31, 2023, the Company granted 225,808 RSUs to officers and directors of the Company, as well as 85,976 DSUs to certain directors of the Company. The RSUs and DSUs vest in three annual instalments (one-third (103,928) on March 17, 2024; one-third (103,928) on March 17, 2025; and the final one-third (103,928) on March 17, 2026).

Additionally, the Company granted 11,301 RSUs to a director of the Company during the year ended December 31, 2023, which vests in three annual instalments (one-third (3,767) on October 10, 2024; one-third (3,767) on October 10, 2025; and the final one-third (3,767) on October 10, 2026). The Company also granted 96,574 DSUs to directors of the Company which vested immediately.

During the year ended December 31, 2023, the Equity Incentives were granted at a weighted average fair value of $3.19 each for a total value of $1,337,647, which is being accrued within share-based payment expense over the vesting periods.

The total share-based payments expense for the three months ended March 31, 2024, was $1,265,713 (2023 - $221,450), of which $381,230 (2023 - $134,160) represents the vesting of Equity Incentives with the remaining portion of share-based payment expense being attributable to stock options, as described above.

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 or for other services and are valued using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

A summary of the Company's common share purchase warrants as at March 31, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended March 31, 2024		Year ended December 31, 2023	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of period/year	-	-	3,288,479	2.33
Exercised	-	-	(2,281,939)	1.60
Expired	-	-	(1,006,540)	3.98
Warrants outstanding, end of period/year	**-**	**-**	-	-

During the year ended December 31, 2023, certain of the warrants that expired unexercised were issued as compensatory warrants and originally recorded against share capital. As a result, the original fair value on the portion that were compensatory warrants relating to an historical equity financing totaled $909 and was reversed from reserves and credited to share capital. In addition, 1,000,000 compensatory warrants expired unexercised and their fair value that was originally recorded to operating expenses of $595,000 was reversed from reserves and credited to deficit.

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 which key management controls or has significant influence. The Company considers all directors and officers of the Company to be key management.

The following transactions involved key management (gross amounts):

	Transactions three months ended March 31, 2024 $	Transactions three months ended March 31, 2023 $	**Balances outstanding March 31, 2024 $**	Balances outstanding December 31, 2023 $
Bedrock Capital	37,500	37,500	-	-
DBM CPA	7,500	57,500	-	11,550
Directors' fees	81,250	84,009	-	-
Management and directors' fees (within wages, benefits and fees)	126,250	179,009	-	11,550
Expense reimbursements (officer)	-	-	2,607	-
Wages, benefits and fees (officers) (1)	673,900	1,107,284	-	-
Share-based payments (directors and officers)	985,142	164,285	-	-
Patent Filing Specialists (professional and consulting; and intangible assets)	78,916	123,869	43,169	34,911
	1,864,208	1,574,447	**45,776**	46,461

(1) As at March 31, 2024, accounts payable and accrued liabilities included $180,326 in accrued short-term incentive compensation to key management relating to 2024 performance which is based on performance targets. Short-term incentive compensation is payable in cash annually during the first quarter of the fiscal year. During the three months ended March 31, 2024, there were no short-term incentive amounts paid to key management in relation to the year ended December 31, 2023. During the three months ended March 31, 2023, wages benefits and fees included $599,758 in amounts paid for short-term incentive compensation in relation to 2022.

(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, net for patent filings, maintenance and related.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (continued)

(b) Wages, benefits and fees, net:

- Includes salaries and short-term incentive cash-based compensation paid to Dan Blondal, CEO; Stephen Campbell, CTO; Alex Holmes, COO; Denis Geoffroy, Chief Commercialization Officer (CCO); Adam Johnson, Senior Vice-President of External Affairs; and Kelli Forster, Senior Vice-President of People & Culture.
- As of January 15, 2024, Pamela Kinsman, Corporate Secretary/Director of Sustainability resigned as Corporate Secretary and remains with the Company as Director of Sustainability);
- Leanne Swanson replaced Pamela Kinsman, as Corporate Secretary of the Company effective January 15, 2024.
- 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 Executive Chairman and a Company Director.
- Includes the services of Donaldson Brohman Martin, CPA Inc. ("DBM CPA") to January 15, 2024, a firm in which Dan Martino, former CFO, is a principal and has significant influence. On January 15, 2024, the Company announced the appointment of Carlo Valente as the new CFO. Dan Martino remains with the Company as Vice President of Finance provided services through DBM CPA. From January 15, 2024 to March 31, 2024, salaries and short-term incentive cash-based compensation paid or accrued for Carlo Valente are included within wages, benefits, and fees.
- Includes compensation to non-executive directors of the Company and committee chairpersons.

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the three months ended March 31, 2024, the Company granted 175,435 RSUs to Company directors and officers (2023 – 311,784 RSUs and DSUs granted). See Note 8 for specifics on vesting terms.
- During the three months ended March 31, 2024, the Company granted 943,948 stock options to Company officers (2023 – nil). See Note 8 for specifics on vesting terms.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital during the three months ended March 31, 2024 and March 31, 2023, were comprised of the following:

	March 31, 2024	March 31, 2023
	$	$
Receivables and prepayments	(2,759)	1,522,494
Inventory	178,338	(658,992)
Accounts payable and accrued liabilities	(61,112)	1,220,413
Accounts payable to related parties	(685)	63,316
Deferred liabilities	-	2,951,252
Net change	**113,782**	5,098,483

(Expressed in Canadian Dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The Company incurred non-cash investing and financing activities during the three months ended March 31, 2024 and March 31, 2023 as follows:

	March 31, 2024 $	March 31, 2023 $
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	798,530	495,155
Non-cash financing activities:		
Addition of right-of-use asset	-	411,800

During the three months ended March 31, 2024 and March 31, 2023, no amounts were paid for interest or income taxes.

Cash and cash equivalents consist of the following:

	March 31, 2024 $	December 31, 2023 $
Cash	3,180,677	6,241,778
Cash equivalents	19,912,656	25,627,104
Cash and cash equivalents, end of period/year	**23,093,333**	31,868,882

Restricted cash

On December 12, 2023, the Company executed certain agreements with a Canadian chartered bank to purchase a standby letter of credit for $575,000 (the "letter of credit"). The letter of credit restricts the Company's access to the cash in respect of an executed agreement with an arm's length vendor for engineering services. The letter of credit takes the form of a redeemable guaranteed investment certificate with a one year term maturing on December 6, 2024 and bearing interest at a rate of 4.9% per annum. The contract with the vendor concludes on August 31, 2024, at which time at the direction of the Company, the letter of credit will be redeemed.

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 its commercialization objectives (including the requirement for matching funds relating to SDTC projects) (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 operating and capital expenditure budgets that are monitored for variances and updated regularly depending on various factors, including but not limited to: business development and commercial arrangements, capital deployment, personnel planning, service contracts with vendors, access to financing, government program applications, 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 towards commercialization. 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 three months ended March 31, 2024.

The Company currently has no source of revenues, though it receives funding from government programs (Note 7) and has historically relied upon equity financing (strategic partners and capital markets) to fund its activities. In order to fund ongoing capital and operating expenditures, the Company will spend its existing working capital and seek additional capital sources.

The Company currently invests excess capital in high-interest savings accounts ("HISAs") and/or HISA funds which bear interest at variable rates (cash equivalents), as well as in guaranteed investment certificates ("GICs") bearing fixed rates of interest that are liquid and redeemable on demand (cash equivalents) and have original terms not exceeding 12 months. In specific circumstances the Company will invest in a GIC relating to standby letter of credit arrangements (restricted cash).

(Expressed in Canadian Dollars)

11. MANAGEMENT OF CAPITAL (continued)

As at March 31, 2024 and December 31, 2023, the Company had excess capital invested in a HISA, a HISA fund, and GICs, which facilitates the diversification of treasury amongst high-credit quality Canadian chartered banks. These holdings are accessible on demand or cashable (with the exception of restricted cash). During the three months ended March 31, 2024, the Company earned interest income of $345,637 (2023 - $418,081) from its treasury investments.

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	Amortized cost
Restricted cash	Amortized cost
Receivables	Amortized cost
Deposits	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 measured at amortized cost approximate their fair values. The carrying value of lease liabilities approximates 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 will be unable to meet its financial obligations as they come due. The Company has historically relied upon government assistance programs, equity financings, and the exercise of convertible equity securities (options and warrants), 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 profitability and positive operating cash flows.

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 and cash equivalents held in its HISA and HISA fund, and deposits held as collateral with a Canadian chartered bank on the Company's corporate credit cards. The Company's GICs carry fixed rates of interest.

For the three months ended March 31, 2024, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately $62,000 (2023 – $89,000).

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, restricted cash, receivables, and deposits.

The Company minimizes its credit risk on its cash and cash equivalents and restricted cash (standby letter of credit), 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 exposed to credit risk relating to its deposits (security deposits on facilities and other collateral), 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. The Company believes its exposure to credit risk is low with respect to accrued government assistance, and sales tax recoverable as these amounts are due from the Government of Canada.

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 equity securities (options and warrants) to exercise their securities, which affects proceeds to the Company on such exercises, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

Commodity price risk is defined as the potential adverse impact on the Company's results of operations in respect of fluctuating prices of its raw materials inventory. The Company is exposed to commodity price risk including exposure to the fluctuating market prices of lithium as it relates to lithium raw materials within inventory. Adjustments to the Company's lithium inventory in respect of market fluctuations are included within research and operational expenses, net.

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 March 31, 2024, the Company held certain financial assets and liabilities that were denominated in these foreign currencies.

Based on the March 31, 2024 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would impact loss and comprehensive loss for the period by approximately $8,000 (2023 - $210,000).

13. SEGMENTED INFORMATION

The Company operates in one business segment, the research, scale-up, and piloting of a patented process for commercial production of cathode active materials (CAM) (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 EVENT

In April 2024, upon the exercise of RSUs, 25,205 common shares were issued for $nil proceeds.