Nano One Materials Corp.

Condensed Interim Consolidated Financial Statements

For the nine months ended

September 30, 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 September 30, 2024 and December 31, 2023

	Note	**September 30, 2024 $**	December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents	10	13,467,011	31,868,882
Restricted cash	10	-	575,000
Receivables and prepayments	3	847,167	1,130,043
Inventory	4	351,647	705,278
		14,665,825	34,279,203
Non-current assets			
Deposits and other assets	3	489,717	295,411
Property, plant and equipment	5	16,520,638	18,362,255
Intangible assets - patents	6	48,098	37,899
		17,058,453	18,695,565
Total assets		**31,724,278**	52,974,768
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	3,360,110	3,769,726
Lease liabilities - current portion	5	448,355	374,242
		3,808,465	4,143,968
Non-current liabilities			
Lease liabilities	5	1,003,525	1,344,144
Total liabilities		**4,811,990**	5,488,112
Shareholders' equity			
Share capital	8	125,304,906	125,042,258
Reserves	8	5,689,556	7,171,841
Deficit		(104,082,174)	(84,727,443)
Total shareholders' equity		**26,912,288**	47,486,656
Total liabilities and shareholders' equity		**31,724,278**	52,974,768
Nature of operations and going concern	1		
Subsequent events	14		

Approved on behalf of the Board of Directors on November 12, 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 and nine months ended September 30, 2024 and September 30, 2023

		Three months ended		Nine months ended	
	Note	**September 30, 2024 $**	September 30, 2023 $	**September 30, 2024 $**	September 30, 2023 $
Expenses					
Amortization	6	1,126	812	2,853	2,113
Business development and investor relations		85,102	158,830	420,998	511,677
Depreciation	5	69,180	56,948	203,234	176,687
Finance costs	5	45,235	56,223	143,271	107,867
General and administrative expenses		645,717	512,959	1,984,200	1,800,144
Professional and consulting, net	9	410,145	664,024	1,597,341	1,913,596
Research and operational expenses, net	7	1,667,433	1,955,350	6,734,245	5,954,731
Share-based payments	8,9	763,134	404,441	2,431,940	1,071,715
Wages, benefits and fees, net	9	4,633,735	3,771,933	13,809,629	12,615,924
Loss from operating expenses		**(8,320,807)**	(7,581,520)	**(27,327,711)**	(24,154,454)
Interest income	11	111,466	321,726	671,214	1,141,600
Gain (loss) on disposal of property, plant and equipment	5	3,581,393	(42,851)	3,555,790	(53,637)
Other income		17,410	-	94,399	-
Loss and comprehensive loss for the period		**(4,610,538)**	(7,302,645)	**(23,006,308)**	(23,066,491)
Loss per share					
Weighted average number of common shares outstanding					
- basic		**111,302,952**	104,424,147	**111,286,150**	103,264,058
- diluted		**111,302,952**	104,424,147	**111,286,150**	103,264,058
Basic loss per common share		**(0.04)**	(0.07)	**(0.21)**	(0.22)
Diluted loss per common share		**(0.04)**	(0.07)	**(0.21)**	(0.22)

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 nine months ended September 30, 2024 and September 30, 2023

	Note	**September 30, 2024 $**	September 30, 2023 $
Operating activities			
Loss for the period		(23,006,308)	(23,066,491)
Adjustments for:			
Amortization		2,853	2,113
Depreciation	5	1,346,013	1,056,225
Finance costs		143,271	107,867
Share-based payments		2,431,940	1,071,715
Interest income		(671,214)	(1,141,600)
(Gain) loss on disposal of property, plant and equipment		(3,555,790)	53,637
Net change in non-cash working capital items	10	888,494	3,893,968
		(22,420,741)	(18,022,566)
Investing activities			
Interest income received on cash and cash equivalents		671,214	1,141,600
Deposits and other assets		-	(79,099)
Purchases of property, plant and equipment, net		(1,639,065)	(3,302,960)
Disposal of land, net	5	4,834,550	-
Payments for intangible assets	6	(13,052)	(7,010)
Standby letter of credit	10	575,000	-
		4,428,647	(2,247,469)
Financing activities			
Issuance of common shares for cash		-	7,026,322
Shares committed for issuance		-	102,400
Payments of lease liabilities	5	(409,777)	(302,179)
		(409,777)	6,826,543
Change in cash and cash equivalents		**(18,401,871)**	(13,443,492)
Cash and cash equivalents, beginning of period		**31,868,882**	39,445,395
Cash and cash equivalents, end of period		**13,467,011**	26,001,903
Supplemental cash flow information	10		

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

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2024 and September 30, 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	99,721	358,223	-	(358,223)	-	-
Exercise of stock options	1,557,821	3,546,220	(171,000)	-	-	3,375,220
Proceeds received for subsequent exercise of stock options	-	-	102,400	-	-	102,400
Exercise of stock options - cashless net exercise	12,776	-	-	-	-	-
Re-allocated on exercise of stock options	-	1,830,353	-	(1,830,353)	-	-
Re-allocated on cancellation of stock options	-	-	-	(103,593)	103,593	-
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	-	(595,909)	595,000	-
Share-based payments	-	-	-	1,071,715	-	1,071,715
Loss and comprehensive loss for the period	-	-	-	-	(23,066,491)	(23,066,491)
September 30, 2023	104,468,752	106,113,291	102,400	8,371,504	(76,003,880)	38,583,315
December 31, 2023	111,266,777	125,042,258	-	7,171,841	(84,727,443)	47,486,656
Exercise of RSUs	75,117	262,648	-	(262,648)	-	-
Re-allocated on cancellation/expiry of stock options	-	-	-	(3,516,940)	3,516,940	-
Re-allocated on cancellation of RSUs	-	-	-	(134,637)	134,637	-
Share-based payments	-	-	-	2,431,940	-	2,431,940
Loss and comprehensive loss for the period	-	-	-	-	(23,006,308)	(23,006,308)
September 30, 2024	**111,341,894**	**125,304,906**	**-**	**5,689,556**	**(104,082,174)**	**26,912,288**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 patented (Note 6) 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.

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared on a going concern basis which contemplates that the Company will be able to continue its operations for at least twelve months from September 30, 2024 and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has not generated revenue from operations to date and will require additional financing or outside participation to further advance its strategic initiatives. Future operations of the Company are dependent upon its ability to raise additional equity financing and seek government subsidies and maintain sufficient working capital and upon future revenue from licensing its technology and customer offtakes.

As of September 30, 2024, the Company had cash and cash equivalents of $13,467,011 (December 31, 2023 - $31,868,882) a working capital of $10,857,360 (December 31, 2023 - $30,135,235), which is calculated as current assets minus current liabilities, and an accumulated deficit of $104,082,174 (December 31, 2023 - $84,727,443). For the nine months ended September 30, 2024, the Company incurred a net loss of $23,006,308 and used cash in operating activities of $22,420,741. The Company's operations to date have been financed by the issuance of common shares, various government fundings, and the exercise of stock options and warrants. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and liquidate assets as necessary. Despite this, there can be no assurance that the Company will be able to continue securing additional financings in the future, and if they are secured, that they would be on terms favourable to the Company. This gives rise to a material uncertainty that may raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments to the carrying values of the assets and liabilities, the reported expenses, and the statements of financial position classifications used that would be necessary should the Company be unable to continue as going concern. Such adjustments could be material.

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 audited annual consolidated 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 ("IFRS"), 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 these financial statements.

Material accounting policy information

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 audited annual consolidated financial statements and are those the Company expects to adopt in its audited annual 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 audited annual financial statements.

During the nine months ended September 30, 2024, the Company changed certain estimates over the depreciation 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 the Company's accounting period beginning on January 1, 2024. The Company has reviewed all other updates and determined the below standard to be applicable or consequential to the Company.

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. 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.

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows.* IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company has not yet determined the impact of these amendments on its consolidated financial statements.

(Expressed in Canadian Dollars)

3. RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	September 30, 2024	December 31, 2023
	$	$
Accrued government assistance	-	10,833
Prepaid expenses	616,442	738,333
Sales tax recoverable and other	230,725	380,877
	847,167	1,130,043

Research cost recoveries

During the nine months ended September 30, 2024 and September 30, 2023, the Company accrued or received the following cost recoveries within research and operational expenses, net:

	September 30, 2024	September 30, 2023
	$	$
USCo	-	161,700

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 nine months ended September 30, 2024, there were no cost recoveries recognized or received from USCo. During the nine months ended September 30, 2023, the Company received $161,700 (US$122,500) from USCo.

Deposits and other assets

Deposits and other assets consist of the following:

	September 30, 2024	December 31, 2023
	$	$
Spare parts and deposits on property, plant and equipment	297,144	102,838
Security and other deposits	192,573	192,573
	489,717	295,411

4. INVENTORY

Inventory is comprised of the following:

	September 30, 2024	December 31, 2023
	$	$
Raw materials	338,110	701,932
Packaging	4,542	-
Inventory - work in progress	8,995	3,346
	351,647	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	208,337	-	-	-	152,211	401,567	27,011	-	789,126
Disposals	(28,298)	-	(1,259,127)	-	-	-	-	-	(1,287,425)
September 30, 2024	**10,292,321**	**4,874,961**	**2,004,531**	**2,425,890**	**996,538**	**401,567**	**634,148**	**2,219,529**	**23,849,485**
Accumulated depreciation									
December 31, 2023	1,985,942	226,416	-	905,971	311,049	-	336,622	2,219,529	5,985,529
(1) Depreciation	532,559	146,249	-	343,355	253,267	-	70,583	-	1,346,013
Disposals	(2,695)	-	-	-	-	-	-	-	(2,695)
September 30, 2024	**2,515,806**	**372,665**	**-**	**1,249,326**	**564,316**	**-**	**407,205**	**2,219,529**	**7,328,847**
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
September 30, 2024	**7,776,515**	**4,502,296**	**2,004,531**	**1,176,564**	**432,222**	**401,567**	**226,943**	**-**	**16,520,638**

(1) Depreciation for the nine months ended September 30, 2024 and September 30, 2023, is allocated as follows:

	Depreciation expense $	Research and operational expenses, net $	Total $
Production and research equipment	-	482,255	482,255
Building	-	146,249	146,249
Right-of-use assets	77,462	177,575	255,037
Leasehold improvements	13,711	73,459	87,170
Information technology equipment	85,514	-	85,514
September 30, 2023	176,687	879,538	1,056,225
Production and research equipment	-	532,559	532,559
Building	-	146,249	146,249
Right-of-use assets	107,862	235,493	343,355
Leasehold improvements	24,789	228,478	253,267
Information technology equipment	70,583	-	70,583
September 30, 2024	**203,234**	**1,142,779**	**1,346,013**

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

On September 12, 2024, the Company closed on a sale of the 157,000 sq. ft. vacant parcel of its land in Candiac for $5,000,000 in gross proceeds ($4,834,550 net). At the time of sale, the net book value of the land was $1,259,127 resulting in a gain on disposal of $3,581,393 after incurring commission and closing costs. The Company owns one remaining parcel of land on which its building is situated.

During the nine months ended September 30, 2024, the Company recorded a net gain on disposal of property, plant and equipment of $3,555,790 which includes the gain on disposal of land (per above), partially offset by losses on disposal of other items of equipment.

Net additions to property, plant and equipment include amounts amortized from deferred government assistance which reduces gross additions. For the nine months ended September 30, 2024 and the year ended December 31, 2023, these amounts were allocated within property, plant and equipment as follows:

	September 30, 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 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 September 30, 2024 inluding extensions (years)**
Burnaby, BC	Building	Corporate head office (extension)	3.9
Burnaby, BC	Building	Research facilities	3.9
Burnaby, BC	Building	Warehouse and office	1.3
Burnaby, BC	Building	Corporate head office (main)	1.0

A reconciliation of the carrying amount of the lease liabilities as at September 30, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

Lease liabilities	**September 30, 2024 $**	December 31, 2023 $
Beginning of period/year	1,718,386	773,917
Addition or extension	-	1,241,138
Lease payments	(409,777)	(457,001)
Lease interest (finance costs)	143,271	160,332
End of period/year	**1,451,880**	1,718,386
Current portion of lease liabilities	**448,355**	**374,242**
Non-current portion of lease liabilities	**1,003,525**	**1,344,144**
Maturity analysis - contractual undiscounted cash flows		
Less than one year	599,904	559,687
One to five years	1,191,375	989,809
More than five years	-	651,560
Total undiscounted lease liabilities	**1,791,279**	2,201,056

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Short-term leases are leases with a lease term of twelve months or less. As at September 30, 2024 and December 31, 2023, the Company did not have any short-term leases. As at September 30, 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.

6. INTANGIBLE ASSETS

As at September 30, 2024, intangible assets included various 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	13,052
September 30, 2024	**61,067**
Accumulated amortization	
December 31, 2023	10,116
Amortization	2,853
September 30, 2024	**12,969**
Net book value	
December 31, 2023	37,899
September 30, 2024	**48,098**

(Expressed in Canadian Dollars)

7. GOVERNMENT ASSISTANCE

The Company receives funding from various Canadian federal and provincial government programs. During the nine months ended September 30, 2024 and September 30, 2023, the following amounts were received:

		September 30, 2024	September 30, 2023
	Amounts received:	**$**	$
(1)	Next Generation Manufacturing Canada (NGen)	13,024	-
(2)	Industrial Research Assistance Program (NRC-IRAP)	18,334	131,407
(2)	Other Grants	83,417	60,865
(3)	Scientific Research and Experimental Development (SR&ED)	310,879	-
	Sustainable Development Technology Canada (SDTC)	-	4,087,807
		425,654	4,280,079

(1) Proceeds are recorded within professional and consulting, net.
(2) Proceeds are recorded within research and operational expenses, net.
(3) Proceeds are recorded within wages, benefits and fees, net.

Deferred government assistance (deferred liabilities):

During the year ended 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 September 30, 2024 and December 31, 2023, and changes during the period/year then ended are as follows:

	September 30, 2024	December 31, 2023
Deferred government assistance	**$**	$
Beginning of period/year	-	-
Additions - proceeds received	-	3,284,507
Amortization	-	(3,284,507)
End of period/year	**-**	-

Amortization of deferred government assistance for the nine months ended September 30, 2024 and September 30, 2023, is allocated as follows:

	September 30, 2024	September 30, 2023
	$	$
Property, plant and equipment	-	1,713,530
Research and operational expenses, net	-	577,232
Wages, benefits and fees, net	-	260,306
	-	2,551,068

Sustainable Development Technology Canada ("SDTC"):

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

On November 6, 2024, the Company executed a First Modification to the Project Funding Agreement (the "amendment") which superseded the original agreement signed with SDTC on February 13, 2023, in respect to the program entitled, *"Pre-Commercial Trial and Multi Cathode Piloting Hub"*. SDTC will provide the Company with staged funding up to $6,735,987 (formerly $10,000,000) of which $3,284,507 was received as at September 30, 2024 and December 31, 2023, representing the first instalment payment for Milestone 1. The revised funding amount is due to the modification and reduction to the project's scope in accordance with the amendment.

The funds from SDTC will be paid to the Company in three (3) instalments at the beginning of each of the three (3) Milestones (formerly four (4) instalments over four milestones) plus the release of a final 10% hold-back upon satisfactory review and approval of the project by SDTC. Instalments will be initially recognized within deferred liabilities when received. 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 final milestone is forecast to be completed by October 31, 2025.

The Company did not receive any proceeds from SDTC during the nine months ended September 30, 2024. During the year ended December 31, 2023, the Company received Milestone 1 funds of $3,284,507.

7. GOVERNMENT ASSISTANCE (continued)

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 which grant was for $8,545,500 (received) and included British Columbia Innovative Clean Energy, Mines and Petroleum Resources ("BC-ICE") contributions.

As at December 31, 2023, all proceeds had been received including the final holdback of $803,300 received during the year then ended. Additionally, the Company had completed this project along with its reporting obligations to SDTC.

Next Generation Manufacturing Canada (NGen)

Effective July 16, 2024, the Company and Worley Chemetics (a wholly owned Canadian subsidiary of Worley Limited) were awarded approximately $2,072,000 and $888,000 respectively in non-dilutive and non-repayable funding by NGen through its Electric Vehicle Manufacturing Program (EVMP). The funding stream is through to March 31, 2028.

On May 1, 2024, the Company executed a Strategic Alliance Agreement with Worley Chemetics under which the parties will jointly develop, market, and license a process engineering design package for the development of CAM production facilities with potential customers in the lithium-ion battery materials sector.

During the nine months ended September 30, 2024, the Company received $13,024 from NGen.

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

Between the programs detailed below, the Company received $18,334 (2023 - $131,407) from NRC-IRAP during the nine months ended September 30, 2024.

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.

Scientific Research and Experimental Development ("SR&ED"):

During the nine months ended September 30, 2024, the Company claimed refundable SR&ED amounts in relation to Nano Candiac for the year ended December 31, 2023 and the period from November 1, 2022 to December 31, 2022. During the nine months ended September 30, 2024, $310,879 was received (2023 - $nil) with offsetting credits recorded against subcontractor costs and employee wages which are aggregated within wages, benefits and fees.

SR&ED claims are subject to review, and potential adjustment, by tax authorities.

Department of Defense of the United States of America ("DoD"):

On September 25, 2024, the Company executed a Technology Investment Agreement for an award of approximately $17,800,000 (US$12,879,426) from the DoD in support of capacity expansion at its Candiac and Burnaby facilities through the Defense Production Act Investments (DPAI) office's Title III program. The program is effective from July 1, 2024 through 2027.

The Company did not receive any proceeds from the DoD during the nine months ended September 30, 2024.

(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:

	September 30, 2024	December 31, 2023
	$	$
NGen	13,024	-
NRC-IRAP[1]	1,585,331	1,566,997
Other Grants	2,177,293	2,093,876
SDTC and BC-ICE	13,911,314	13,911,314
SR&ED	409,540	98,661
	18,096,502	17,670,848

[1] Includes amounts from the Innovation Assistance Program (IAP) from NRC-IRAP.

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 nine months ended September 30, 2024:

a) In April and September 2024, a total of 75,117 common shares were issued for $nil proceeds upon the exercise of RSUs. Additionally, $262,648 representing the fair value initially recognized, was re-allocated from reserves to share capital.

Transactions for the issuance of share capital during the nine months ended September 30, 2023:

a) In March and September 2023, a total of 99,721 common shares were issued for $nil proceeds upon the exercise of RSUs. Additionally, $358,223 representing the fair value initially recognized, was re-allocated from reserves to share capital.

b) On various dates, a total of 1,557,821 common shares were issued upon the exercise of stock options between $1.14 and $2.88 each for proceeds of $3,375,220 ($3,546,220 gross proceeds, less $171,000 which had been collected as at December 31, 2022). In addition, $1,830,353 representing the fair value initially recognized, was re-allocated from reserves to share capital.

   Additionally, the Company issued 12,776 common shares on the cashless net exercise of 97,500 stock options which were exercisable at $2.52 each. The re-allocation of the fair value initially recognized is combined within the amount disclosed above.

c) In January to February 2023, a total of 2,281,939 common shares were issued upon the exercise of warrants at $1.60 each for proceeds of $3,651,102. Additionally, $22,013 representing the fair value initially recognized, was re-allocated from reserves to share capital.

d) In September 2023, the Company received $102,400 in proceeds from the subsequent exercise of 80,000 stock options at $1.28 each. The proceeds were presented as shares committed for issuance as at September 30, 2023.

Reserves

The Company has an Omnibus Equity Incentive Plan which was approved by shareholders in 2021 (the “Equity 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.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

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.

A summary of the status of the Company's stock options as at September 30, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended September 30, 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
Forfeited/expired	(1,443,573)	5.06	(78,395)	3.28
Options outstanding, end of period/year	**2,188,940**	**2.99**	2,688,565	4.48

As at September 30, 2024, the Company has stock options outstanding and exercisable as follows:

	Options outstanding \#	Options exercisable \#	Exercise price $	Expiry date
(1)	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
	133,399	92,476	2.88	February 4, 2027
	9,100	9,100	2.88	June 13, 2027
	422,493	146,262	3.28	March 17, 2028
	200,000	-	1.94	January 19, 2029
	743,948	500,000	1.91	January 23, 2031
	2,188,940	**1,427,838**	**2.99**	

(1) Subsequently expired unexercised.

The following table summarizes the above information about the stock options outstanding as at September 30, 2024:

Exercise prices $	Options \#	Weighted average remaining life (years)	Weighted average exercise price $
1.91 - 2.88	1,086,447	5.4	2.04
3.14 - 3.62	702,493	2.1	3.25
5.10	400,000	1.3	5.10
	2,188,940	**3.6**	**2.99**

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company recorded the fair value of the stock options granted during the nine months ended September 30, 2024 and September 30, 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:

	September 30, 2024	September 30, 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

The total share-based payments expense for the nine months ended September 30, 2024, was $2,431,940 (2023 - $1,071,715), of which $1,172,750 (2023 – $447,258) was attributable to vesting of stock options during the period then ended.

During the nine months ended September 30, 2024, 1,443,573 (2023 – 61,613) stock options were forfeited upon certain individuals leaving employment of the Company or expired unexercised. As a result, the original share-based payments expense of $3,516,940 (2023 - $103,593) 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 September 30, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended September 30, 2024	Year ended December 31, 2023
	Equity Incentives #	Equity Incentives #
Equity Incentives outstanding, beginning of period/year	667,774	379,679
Granted - RSUs	666,216	237,109
Granted - DSUs	326,086	182,550
Exercised	(75,117)	(131,564)
Cancelled	(69,044)	-
Equity Incentives outstanding, end of period/year	**1,515,915**	667,774

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

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

As at September 30, 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
63,420	63,420	-	4.17	August 27, 2024	December 31, 2024
-	-	8,626	4.17	August 27, 2024	n/a
115,764	52,625	-	2.88	February 4, 2025	December 31, 2025
210,996	60,457	-	3.28	March 17, 2026	December 31, 2026
-	-	85,976	3.28	March 17, 2026	n/a
11,301	-	-	2.92	October 10, 2026	December 31, 2026
-	-	96,574	2.92	October 10, 2023	n/a
378,259	-	-	1.95	January 22, 2027	December 31, 2027
175,435	-	-	1.91	January 23, 2027	December 31, 2027
43,478	-	-	1.15	August 1, 2027	December 31, 2027
-	-	326,086	1.15	August 1, 2024	n/a
998,653	**176,502**	**517,262**	**2.41**		

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).

On August 1, 2024, the Company granted 369,564 RSUs and DSUs in aggregate to Directors of the Company following the results of the Annual General and Special Meeting held on August 1, 2024. The 326,086 DSUs vested immediately on grant, and the 43,478 RSUs vest in three annual instalments (one-third (14,493) on August 1, 2025; one-third (14,493) on August 1, 2026; and the final one-third (14,492) on August 1, 2027).

During the nine months September 30, 2024, 69,044 (2023 – nil) RSUs were cancelled upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of $134,637 (2023 - $nil) was reversed from reserves and credited to deficit.

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 nine months ended September 30, 2024, the Equity Incentives were granted at a weighted average fair value of $1.64 each for a total value of $1,632,320, 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).

During the year ended December 31, 2023, the Company also granted 11,301 RSUs to a director of the Company, 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 nine months ended September 30, 2024, was $2,431,940 (2023 - $1,071,715), of which $1,259,190 (2023 - $624,457) represents the vesting of Equity Incentives with the remaining portion of share-based payment expense being attributable to stock options, as described above.

(Expressed in Canadian Dollars)

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

A summary of the Company's common share purchase warrants as at September 30, 2024 and December 31, 2023, and changes during the period/year then ended is as follows:

	Period ended September 30, 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.

Termination and Change of Control Benefits

The Company has an executive employment agreement with Dan Blondal, CEO and Director for a base salary of $348,000 annually. Pursuant to this employment agreement, in the case of termination by the Company without cause, Mr. Blondal 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 (as specifically defined), Mr. Blondal is entitled to twenty-four (24) months' base salary.

The Company has an executive employment agreement with Alex Holmes, COO, for a base salary of $295,000 annually. Pursuant to this employment agreement, in the case of termination by the Company without cause, Mr. Holmes 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 (as specifically defined), Mr. Holmes is entitled to twenty-four (24) months' base salary.

The Company has an executive employment agreement with Carlo Valente, CFO, for a base salary of $261,000 annually. Pursuant to this employment agreement, in the case of termination by the Company without cause, Mr. Valente 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 (as specifically defined), Mr. Valente is entitled to twenty-four (24) months' base salary.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (continued)

The Company had an arrangement with Paul Matysek, former Executive Chairman and Director (until his resignation effective October 1, 2024) for a monthly consulting fee of $12,500 ($150,000 annually), payable to Bedrock Capital Corporation (the "Consultant"), a company controlled by Paul Matysek. Effective October 1, 2024, the Company entered into an Advisory Agreement with Bedrock Capital for a term of six months to March 31, 2025, at the same monthly fee of $12,500 ($75,000 over the term of the agreement).

The following transactions involved key management (gross amounts):

	Transactions nine months ended September 30, 2024	Transactions nine months ended September 30, 2023	**Balances outstanding September 30, 2024**	Balances outstanding December 31, 2023
	$	$	**$**	$
Bedrock Capital	112,500	112,500	-	-
DBM CPA	7,500	164,500	-	11,550
Directors' fees	240,000	241,509	-	-
Management and directors' fees (within wages, benefits and fees)	360,000	518,509	-	11,550
Expense reimbursements (officer)	-	-	1,569	-
Wages, benefits and fees (officers) [(1)]	2,006,698	1,985,547	533,154	-
Share-based payments (directors and officers)	1,850,143	654,580	-	-
PFS (professional and consulting; and intangible assets)	240,251	351,029	71,339	34,911
	4,457,092	3,509,665	**606,062**	46,461

[(1)] As at September 30, 2024, $533,154 (December 31, 2023 - $nil) was accrued as 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 nine months ended September 30, 2024, there were no short-term incentive amounts paid to key management in relation to the year ended December 31, 2023. During the nine months ended September 30, 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. ("PFS"), 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.

(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; Carlo Valente, CFO (from January 15, 2024); Denis Geoffroy, Chief Commercialization Officer (CCO); Adam Johnson, Senior Vice-President of External Affairs; Kelli Forster, Senior Vice-President of People & Culture; and Leanne Swanson, Corporate Secretary (from January 15, 2024).
- Includes the services of Bedrock Capital Corp. ("Bedrock Capital") a company controlled by Paul Matysek the former Executive Chairman and a Director of the Company until Mr. Matysek's resignation effective October 1, 2024. Anthony Tse became the new Chairman (non-Executive) of the Company effective October 1, 2024.
- Includes compensation to non-executive directors of the Company and committee chairpersons.
- 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 providing services through DBM CPA.
- 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. As of January 15, 2024, Leanne Swanson was appointed Corporate Secretary of the Company.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (continued)

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the nine months ended September 30, 2024, the Company granted 548,009 RSUs and DSUs to Company directors and officers (2023 – 311,784 RSUs and DSUs granted). See Note 8 for specifics on vesting terms. Additional RSUs and DSUs were granted to Company directors subsequent to September 30, 2024 (Note 14).
- During the nine months ended September 30, 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 nine months ended September 30, 2024 and September 30, 2023, were comprised of the following:

	September 30, 2024 $	September 30, 2023 $
Receivables and prepayments	282,876	1,626,926
Inventory	353,631	(459,593)
Accounts payable and accrued liabilities	251,987	1,993,196
Deferred liabilities	-	733,439
Net change	**888,494**	3,893,968

The Company incurred non-cash investing and financing activities during the nine months ended September 30, 2024 and September 30, 2023 as follows:

	September 30, 2024 $	September 30, 2023 $
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	140,145	1,829,926
Non-cash financing activities:		
Addition of right-of-use asset	-	1,241,138

During the nine months ended September 30, 2024 and September 30, 2023, no amounts were paid for interest or income taxes.

Cash and cash equivalents consist of the following:

	September 30, 2024 $	December 31, 2023 $
Cash	5,751,741	6,241,778
Cash equivalents	7,715,270	25,627,104
Cash and cash equivalents, end of period/year	**13,467,011**	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 restricted 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 was issued in the form of a redeemable guaranteed investment certificate (GIC) with a one-year term to December 6, 2024 and bearing interest at a rate of 4.9% per annum. The contract with the vendor concluded on August 31, 2024, and the Company redeemed the letter of credit plus accrued interest thereafter.

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, as well as generating returns on excess funds while maintaining liquidity/accessibility to such funds. 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 production and licensing. 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 nine months ended September 30, 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. To fund ongoing capital and operating expenditures, the Company will spend its existing working capital and will require 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.

As at September 30, 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 (except for restricted cash).

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
Receivables	Amortized cost
Deposits	Amortized cost

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

12. FINANCIAL INSTRUMENTS (continued)

Financial instruments – risk (continued)

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 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 either fixed or variable rates of interest.

For the nine months ended September 30, 2024, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately $156,000 (2023 – $212,000).

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 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.

12. FINANCIAL INSTRUMENTS (continued)

Financial instruments – risk (continued)

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, the Euro, and the British Pound. Additionally, as at September 30, 2024, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the September 30, 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 $12,000 (2023 - $10,000).

13. SEGMENTED INFORMATION

The Company's cathode active materials (CAM) manufacturing business is organized into two operating segments being a research and innovation operation, and a piloting and pre-commercialization operation. The Company's chief operating decision maker reviews the financial position, operating results, and cash flows, and assesses capital expenditure plans and forecasts and makes capital allocation decisions for each of the two operating segments.

The Company's non-current assets are located in Canada with the exception of certain patents (intangible assets) issued from patent regulators in foreign jurisdictions (Note 6) carried at a net book value as at September 30, 2024 of $45,070 (December 31, 2024 - $35,364). Segment performance is evaluated based on various measures including assets and liabilities, operating expenses, and cash flows. Certain costs are managed on a consolidated basis and are therefore not reflected in segment loss (loss and comprehensive loss). Corporate and other includes activities which provide administrative, technical, financial, and other support to the Company's operating segments.

	Corporate and other $	Research and innovation $	Piloting and pre-commercialization $	Total $
Three months ended September 30, 2024				
Loss and comprehensive loss for the period	**(1,976,320)**	**(3,004,034)**	**369,816**	**(4,610,538)**
Three months ended September 30, 2023				
Loss and comprehensive loss for the period	(1,329,931)	(2,184,303)	(3,787,576)	(7,301,810)

As at and for the nine months ended	Corporate and other September 30, 2024 $	Research and innovation September 30, 2024 $	Piloting and pre-commercialization September 30, 2024 $	Total September 30, 2024 $
Current assets	13,872,909	142,886	650,030	14,665,825
Property, plant and equipment	-	3,036,608	13,484,030	16,520,638
Total assets	14,013,007	3,234,067	14,477,204	31,724,278
Current liabilities	533,154	1,323,241	1,952,070	3,808,465
Total liabilities	533,154	2,326,766	1,952,070	4,811,990
Loss and comprehensive loss	(6,539,504)	(8,510,425)	(7,956,379)	(23,006,308)
Cash used in operating activities	(4,930,408)	(7,105,788)	(10,384,545)	(22,420,741)
Cash provided by investing activities	809,792	(168,896)	3,787,751	4,428,647
Cash used in financing activities	-	(409,777)	-	(409,777)

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION (continued)

	Corporate and other	Research and innovation	Piloting and pre-commercialization	Total
For the nine months ended	September 30, 2023 $	September 30, 2023 $	September 30, 2023 $	September 30, 2023 $
Loss and comprehensive loss	(5,017,939)	(7,544,966)	(10,503,586)	(23,066,491)
Cash used in operating activities	(5,086,989)	(6,462,592)	(6,472,985)	(18,022,566)
Cash provided by (used in) investing activities	1,134,586	(805,293)	(2,576,762)	(2,247,469)
Cash provided by (used in) financing activities	7,128,722	(302,179)	-	6,826,543
As at	December 31, 2023 $	December 31, 2023 $	December 31, 2023 $	December 31, 2023 $
Current assets	32,354,763	349,621	1,574,819	34,279,203
Property, plant and equipment	-	3,618,150	14,744,105	18,362,255
Total assets	32,484,662	4,022,344	16,467,762	52,974,768
Current liabilities	224,180	1,336,744	2,583,044	4,143,968
Total liabilities	224,180	2,680,888	2,583,044	5,488,112

14. SUBSEQUENT EVENTS

(a) On October 1, 2024, the Company granted 300,000 RSUs, and 108,696 DSUs upon appointing a new Chairman. These grants are subject to certain vesting conditions.

(b) On October 23, 2024, the Company granted 37,672 RSUs and DSUs in aggregate to Directors of the Company. These grants are subject to certain vesting conditions.

(c) On October 28, 2024, 5,708 common shares were issued for $nil proceeds upon the exercise of RSUs.

(d) On November 6, 2024, the Company executed a First Modification to the Project Funding Agreement with SDTC which superseded the original agreement signed with SDTC in February 2023 (Note 7).