



**Nano One Materials Corp.**  
**Condensed Interim Financial Statements**  
**March 31, 2021**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian dollars)**

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

The accompanying condensed interim financial statements of Nano One Materials Corp. ("the Company") as at March 31, 2021, and for the three months ended March 31, 2021 and March 31, 2020, have been prepared by the management of the Company and approved by the Company's Audit Committee.

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

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

**Nano One Materials Corp.**  
**Condensed Interim Statements of Financial Position**  
 Unaudited – Prepared by Management

**As at March 31, 2021 and December 31, 2020**

	Note	March 31, 2021 \$	December 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		30,183,984	27,750,290
Short-term investment		1,012,863	1,009,164
Receivables and prepayments	3	619,205	403,985
		<b>31,816,052</b>	<b>29,163,439</b>
<b>Non-current assets</b>			
Deposits	3	360,113	287,929
Property and equipment	4	1,818,444	1,484,956
Intangible assets - patents	5	23,131	22,703
		<b>2,201,688</b>	<b>1,795,588</b>
<b>Total assets</b>		<b>34,017,740</b>	<b>30,959,027</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		799,295	480,038
Accounts payable to related parties	8	390,627	49,324
Deferred government assistance	6	21,422	821,256
Lease liabilities - current portion	4	122,944	88,833
		<b>1,334,288</b>	<b>1,439,451</b>
<b>Non-current liabilities</b>			
Lease liabilities	4	768,779	621,240
<b>Total liabilities</b>		<b>2,103,067</b>	<b>2,060,691</b>
<b>Shareholders' equity</b>			
Share capital	7	55,810,096	50,733,826
Reserves	7	7,171,083	4,726,488
Deficit		(31,066,506)	(26,561,978)
<b>Total shareholders' equity</b>		<b>31,914,673</b>	<b>28,898,336</b>
<b>Total liabilities and shareholders' equity</b>		<b>34,017,740</b>	<b>30,959,027</b>
Nature and continuance of operations	1		
Subsequent events	13		

Approved on behalf of the Board of Directors on May 7, 2021:

\_\_\_\_\_  
 "Dan Blondal"  
 Director

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 "Lyle Brown"  
 Director

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**Nano One Materials Corp.****Condensed Interim Statements of Loss and Comprehensive Loss**

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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		Three months ended	
		March 31,	March 31,
	Note	2021	2020
		\$	\$
<b>Expenses</b>			
Amortization	5	410	281
Business development fees		-	38,077
Consulting fees		155,232	216,078
Depreciation	4	22,921	13,029
Finance costs	4	19,157	5,410
General and administrative expenses		80,676	52,524
Investor relations and shareholder information		128,998	113,427
Management and directors' fees	8	84,000	42,000
Professional fees, net	6,8	97,367	68,562
Research expenses, net	6,8	44,158	15,105
Salaries and benefits, net	6,8	695,327	447,119
Share-based payments	7,8	3,070,497	-
Transfer agent and filing fees		50,797	19,396
Travel, meals, and conferences		2,362	39,055
<b>Loss from operating expenses</b>		<b>(4,451,902)</b>	<b>(1,070,063)</b>
Interest income		38,510	7,217
Bad debt		(130,780)	-
<b>Loss and comprehensive loss for the period</b>		<b>(4,544,172)</b>	<b>(1,062,846)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding</b>			
- basic		<b>89,301,167</b>	72,559,637
- diluted		<b>89,301,167</b>	72,559,637
<b>Basic loss per common share</b>		<b>(0.05)</b>	(0.01)
<b>Diluted loss per common share</b>		<b>(0.05)</b>	(0.01)

# Nano One Materials Corp.

## Condensed Interim Statements of Cash Flows

Unaudited – Prepared by Management

For the three months ended March 31, 2021 and March 31, 2020

	Note	March 31, 2021 \$	March 31, 2020 \$
<b>Operating activities</b>			
Loss for the period		(4,544,172)	(1,062,846)
Adjustments for:			
Amortization		410	281
Depreciation	4	87,147	51,001
Finance costs		19,157	5,410
Share-based payments		3,070,497	-
Interest income		(38,510)	(7,217)
Non-cash working capital items:			
Receivables and prepayments		(50,253)	(116,979)
Deposits		-	(37,205)
Accounts payable and accrued liabilities		251,299	32,922
Accounts payable to related parties		341,303	(13,314)
Deferred government assistance		(799,834)	(286,939)
		<b>(1,662,956)</b>	<b>(1,434,886)</b>
<b>Investing activities</b>			
Interest income received on cash equivalents		34,811	6,277
Maturity of short-term investment		-	199,851
Deposits on property and equipment		(133,589)	(78,569)
Purchases of property and equipment		(250,939)	(34,362)
Payments for intangible assets	5	(838)	(684)
		<b>(350,555)</b>	<b>92,513</b>
<b>Financing activities</b>			
Issuance of common shares for cash		4,490,012	11,497,125
Share issue costs		-	(560,427)
Payments of lease liabilities	4	(42,807)	(25,817)
		<b>4,447,205</b>	<b>10,910,881</b>
<b>Increase in cash and cash equivalents</b>		<b>2,433,694</b>	<b>9,568,508</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>27,750,290</b>	<b>1,747,514</b>
<b>Cash and cash equivalents, end of period</b>		<b>30,183,984</b>	<b>11,316,022</b>
<b>Cash and cash equivalents comprise:</b>			
Cash		26,142,822	10,203,704
Cash equivalents		4,041,162	1,112,318
<b>Cash and cash equivalents, end of period</b>		<b>30,183,984</b>	<b>11,316,022</b>
<b>Supplemental cash flow information</b>	9		

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

Unaudited – Prepared by Management

**For the three months ended March 31, 2021 and March 31, 2020**

	Number of common shares	Share capital \$	Reserves \$	Deficit \$	Total \$
December 31, 2019	67,189,802	20,068,795	3,163,224	(21,363,583)	1,868,436
Issue of units - private placement	9,565,000	10,999,750	-	-	10,999,750
Share issue costs - cash	-	(618,358)	-	-	(618,358)
Share issue costs - non-cash	-	(281,300)	281,300	-	-
Exercise of stock options	1,985,000	497,375	-	-	497,375
Re-allocated on exercise of stock options	-	492,962	(492,962)	-	-
Re-allocated on cancellation of stock options	-	-	(14,013)	14,013	-
Loss and comprehensive for the period	-	-	-	(1,062,846)	(1,062,846)
<b>March 31, 2020</b>	<b>78,739,802</b>	<b>31,159,224</b>	<b>2,937,549</b>	<b>(22,412,416)</b>	<b>11,684,357</b>
December 31, 2020	88,237,538	50,733,826	4,726,488	(26,561,978)	28,898,336
Exercise of stock options	283,250	337,590	-	-	337,590
Re-allocated on exercise of stock options	-	187,222	(187,222)	-	-
Re-allocated on cancellation of stock options	-	-	(39,644)	39,644	-
Exercise of warrants	1,356,740	4,152,422	-	-	4,152,422
Re-allocated on exercise of warrants	-	399,036	(399,036)	-	-
Share-based payments	-	-	3,070,497	-	3,070,497
Loss and comprehensive for the period	-	-	-	(4,544,172)	(4,544,172)
<b>March 31, 2021</b>	<b>89,877,528</b>	<b>55,810,096</b>	<b>7,171,083</b>	<b>(31,066,506)</b>	<b>31,914,673</b>

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

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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### 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 TSX Venture Exchange under the symbol “NNO”.

The Company has developed, patented and scaled-up an innovative “One-Pot Process” for the production of cathode active materials (CAM) for lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics. The Company has built a demonstration pilot plant (Note 4) and is partnering with global leaders in the lithium-ion battery supply chain to improve the cost and durability of lithium-ion batteries. As of the date of these financial statements, the Company holds seventeen (17) patents (December 31, 2020 – sixteen (16) (Note 5), with several others pending.

These condensed interim 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 and commitments in the normal course of operations. The Company has not yet commenced revenue generating activities by way of licensing, commercialization, or other and has historically incurred operating losses. As at March 31, 2021, the Company had working capital of \$30,481,764 (December 31, 2020 - \$27,723,988), which management assesses is sufficient for the Company to continue as a going concern beyond one year. The Company will utilize this working capital to execute on its research and strategic objectives and carry on as a going concern. The Company’s ability to continue as a going concern on a long-term basis is primarily dependent upon continued government assistance programs, financial support and/or contributions from its industry partners, the ability to raise additional capital from equity markets, and the ability to generate future profitable operations.

On April 1, 2021, the Company completed a short-form prospectus financing consisting of the issuance of 5,405,000 common shares at \$5.35 per share for gross proceeds of \$28,916,750 (Note 13).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations or on the Company’s industry partners who provide in-kind and/or financial contributions to the Company’s government programs (Note 6). There are travel restrictions and health and safety concerns that may delay the Company’s research activities. Operations depend on safeguarding all personnel during the outbreak, which may be prohibitive in certain aspects. To date, the Company has not experienced any significant delays in carrying out its activities or other adverse effects on its business. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic. The Government continues to update its COVID-19 relief programs, which may qualify the Company for additional assistance. As at March 31, 2021, the Company has qualified for and received an additional \$512,500 from Sustainable Development Technology Canada (SDTC) (\$262,500 of which was received during the three months ended March 31, 2021), and approximately \$241,000 from the Innovative Assistance Program (NRC-IRAP), both in relation to COVID-19 pandemic relief (Note 6).

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of presentation**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited financial statements for the year ended December 31, 2020, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

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

#### **Functional and presentation currency**

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

#### **Comparative figures**

Certain comparative figures within operating expenses on the statement of loss and comprehensive loss have been reclassified to conform to the current period’s presentation. This includes (i) a reclassification of government assistance from research expenses to professional fees, and salaries and benefits; (ii) the inclusion of rent within general and administrative expenses; and (iii) the reclassification of certain amounts from investor relations and shareholder information to consulting fees.

Additionally, the comparative figure for deposits on property and equipment has been reclassified from operating activities to investing activities within the statement of cash flows to conform to the current period’s presentation.

#### **Significant accounting policies**

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2021. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited financial statements.

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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**3. RECEIVABLES AND PREPAYMENTS, AND DEPOSITS**

Receivables consist of the following:

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Accrued Government assistance (NRC-IRAP)	-	4,986
Deferred financing costs	115,618	-
Prepaid expenses	292,850	41,950
Sales tax recoverable	125,724	90,564
Subscriptions receivable	5,325	266,250
Other receivables	79,688	235
	<b>619,205</b>	<b>403,985</b>

**Research cost recoveries and receivables**

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

During the three months ended March 31, 2021, the Company recognized cost recoveries of \$79,379 (2020 - \$nil) in connection with this arrangement.

Deposits consist of the following:

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Deposits on property and equipment	301,548	229,364
Security and other deposits	58,565	58,565
	<b>360,113</b>	<b>287,929</b>

# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the three months ended March 31, 2021 and March 31, 2020

### 4. PROPERTY AND EQUIPMENT

	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
<b>Cost</b>						
December 31, 2019	883,320	1,958,664	285,552	148,644	-	3,276,180
(1) Additions, net	240,379	91,266	566,900	14,647	76,617	989,809
December 31, 2020	1,123,699	2,049,930	852,452	163,291	76,617	4,265,989
<b>Accumulated depreciation</b>						
December 31, 2019	523,787	1,828,014	76,133	80,258	-	2,508,192
Depreciation	86,082	36,214	120,177	25,751	4,617	272,841
December 31, 2020	609,869	1,864,228	196,310	106,009	4,617	2,781,033
<b>Cost</b>						
December 31, 2020	1,123,699	2,049,930	852,452	163,291	76,617	4,265,989
(1) Additions, net	87,818	5,777	205,300	11,041	110,699	420,635
<b>March 31, 2021</b>	<b>1,211,517</b>	<b>2,055,707</b>	<b>1,057,752</b>	<b>174,332</b>	<b>187,316</b>	<b>4,686,624</b>
<b>Accumulated depreciation</b>						
December 31, 2020	609,869	1,864,228	196,310	106,009	4,617	2,781,033
(2) Depreciation	26,462	12,874	39,266	4,621	3,924	87,147
<b>March 31, 2021</b>	<b>636,331</b>	<b>1,877,102</b>	<b>235,576</b>	<b>110,630</b>	<b>8,541</b>	<b>2,868,180</b>
<b>Net book value</b>						
December 31, 2020	513,830	185,702	656,142	57,282	72,000	1,484,956
<b>March 31, 2021</b>	<b>575,186</b>	<b>178,605</b>	<b>822,176</b>	<b>63,702</b>	<b>178,775</b>	<b>1,818,444</b>

- (1) Additions, net for the three months ended March 31, 2021 and the year ended December 31, 2020 were reduced by the amortization of deferred government assistance as follows (Note 6):

	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
<b>Three months ended March 31, 2021</b>						
Deferred government assistance amortized	95,926	6,310	-	12,060	120,919	235,215
<b>Year ended December 31, 2020</b>						
Deferred government assistance amortized	689,715	252,969	-	32,752	227,168	1,202,604

- (2) Depreciation for the three months ended March 31, 2021 and March 31, 2020 is allocated as follows:

	Depreciation expense \$	Research expenses, net \$	Total \$
<b>March 31, 2020</b>			
Research and development equipment	-	18,552	18,552
Pilot plant	-	8,037	8,037
Right-of-use assets	7,650	11,383	19,033
Corporate equipment and software	5,379	-	5,379
	13,029	37,972	51,001
<b>March 31, 2021</b>			
Research and development equipment	-	26,462	26,462
Pilot plant	-	12,874	12,874
Right-of-use assets	18,300	20,966	39,266
Corporate equipment and software	4,621	-	4,621
Leasehold improvements	-	3,924	3,924
	22,921	64,226	87,147

# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

### For the three months ended March 31, 2021 and March 31, 2020

#### 4. PROPERTY AND EQUIPMENT (continued)

##### Right-of-use assets and Lease liabilities

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

The Company has identified the following leases:

Location	Asset	Type	Term of lease at March 31, 2021 including extensions
Burnaby, BC	Building	Corporate head office (main)	1.5 Years
Burnaby, BC	Building	Corporate head office (expansion)	3.3 Years
Burnaby, BC	Building	Laboratory	7.4 Years
Burnaby, BC	Building	Laboratory	7.4 Years

A reconciliation of the carrying amount of the lease liabilities as at March 31, 2021 and December 31, 2020 and changes during the period/year then ended is as follows:

	March 31, 2021 \$	December 31, 2020 \$
<b>Lease liabilities</b>		
Beginning of period/year	710,073	253,395
Additions	-	205,400
Lease extension	205,300	361,500
Lease payments	(42,807)	(137,594)
Lease interest (finance costs)	19,157	27,372
<b>End of period/year</b>	<b>891,723</b>	<b>710,073</b>
<b>Current portion of lease liabilities</b>	<b>122,944</b>	<b>88,833</b>
<b>Non-current portion of lease liabilities</b>	<b>768,779</b>	<b>621,240</b>
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	199,710	150,011
One to five years	656,239	476,866
More than five years	281,776	310,925
<b>Total undiscounted lease liabilities</b>	<b>1,137,725</b>	<b>937,802</b>

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2021, and December 31, 2020, the Company did not have any short-term leases. As at March 31, 2021, 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.

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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**5. INTANGIBLE ASSETS**

Intangible assets include seventeen (17) (December 31, 2020 - sixteen (16)) issued patents associated with the Company's technology (Note 1). These patents were issued by various jurisdictions including Canada, China, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between thirteen (13) to nineteen (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 fees as incurred. The Company has several outstanding patent applications in which all associated costs have been expensed.

	<b>Issued patents \$</b>
<hr/>	
<b><u>Cost</u></b>	
December 31, 2019 and December 31, 2020	25,514
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<b><u>Accumulated amortization</u></b>	
December 31, 2019	1,235
Amortization	1,576
December 31, 2020	2,811
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<b><u>Cost</u></b>	
December 31, 2020	25,514
Addition	838
<b>March 31, 2021</b>	<b>26,352</b>
<hr/>	
<b><u>Accumulated amortization</u></b>	
December 31, 2020	2,811
Amortization	410
<b>March 31, 2021</b>	<b>3,221</b>
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<b><u>Net book value</u></b>	
December 31, 2020	22,703
<b>March 31, 2021</b>	<b>23,131</b>

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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**6. GOVERNMENT ASSISTANCE**

The Company receives funding from the Government of Canada for its research activities through various programs. During the three months ended March 31, 2021 and March 31, 2020 the following amounts were received (repaid):

	<b>March 31, 2021 \$</b>	<b>March 31, 2020 \$</b>
Grant cash proceeds received (repaid):		
(1) Sustainable Development Technology Canada (SDTC) - COVID-19 relief	262,500	250,000
(1) Industrial Research Assistance Program (NRC-IRAP)	(8,394)	62,733
(1) Other Grants	-	2,700
	<b>254,106</b>	<b>315,433</b>

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

**Deferred government assistance:**

As at March 31, 2021 and December 31, 2020, the deferred government assistance balances were in relation to SDTC Program #2 (below). Under the SDTC Program, the government assistance is received by the Company in advance of each project phase ("Milestone") to be completed. The Company records the receipt of SDTC grant instalments initially as a liability and amortizes the liability based on the percentage of required expenditures incurred for each Milestone.

A reconciliation of the carrying amount of the deferred government assistance as at March 31, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	<b>March 31, 2021 \$</b>	<b>December 31, 2020 \$</b>
<b>Deferred government assistance (SDTC Program)</b>		
Beginning of period/year	821,256	676,373
Additions - receipt of SDTC grant proceeds	-	2,805,202
(1) Amortization	(799,834)	(2,660,319)
<b>End of period/year</b>	<b>21,422</b>	<b>821,256</b>

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

	<b>March 31, 2021 \$</b>	<b>December 31, 2020 \$</b>
Property and equipment (Note 4)	235,215	1,202,604
Professional fees, net	11,346	174,470
Salaries and benefits, net	66,319	151,461
Research expenses, net	486,954	1,131,784
	<b>799,834</b>	<b>2,660,319</b>

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## Nano One Materials Corp.

### Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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#### 6. GOVERNMENT ASSISTANCE (continued)

##### **Sustainable Development Technology Canada (“SDTC”):**

###### SDTC Program #2 (active):

In 2019, the Company executed a contribution agreement with SDTC for a non-repayable grant in respect of the Company’s “Scaling Advanced Battery Materials” project. The SDTC Program #2 grant is for up to \$8,545,500 (December 31, 2020 - \$8,283,000) (\$4,291,516 received as of the date of these financial statements). SDTC Program #2 is estimated conclude in June 2024.

Initially, the non-repayable grant was for up to \$5,000,000 and was increased to \$5,512,500 upon receiving two additional one-time non-repayable grants of \$250,000 and \$262,500 from SDTC in relation to COVID-19 pandemic relief during the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

In May 2020, the Company announced that the Innovative Clean Energy (“ICE”) Fund of the Province of British Columbia’s Ministry of Energy, Mines and Petroleum Resources will be contributing \$3,033,000 to the SDTC Program #2. The funds are non-repayable, and the Company will receive the funds in alignment with the SDTC grant.

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

During the three months ended March 31, 2021, the Company received \$262,500 in relation to COVID-19 pandemic relief as described above (2020 - \$250,000).

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

###### NRC-IRAP Program #5 (completed):

In 2018, the Company executed an agreement with NRC-IRAP which provides the Company with a non-repayable contribution of up to \$349,000 for the development of coatings for high durability lithium-ion battery cathodes. Under the terms of the agreement, NRC-IRAP will reimburse the Company for 80% of salaries paid to Company employees involved in this project.

During the three months ended March 31, 2021, the Company repaid \$3,408 to NRC-IRAP for an overclaim that occurred during the year ended December 31, 2020 (2020 - the Company received \$62,733).

Upon conclusion of final payments, the NRC-IRAP Program #5 is complete.

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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### For the three months ended March 31, 2021 and March 31, 2020

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#### 6. GOVERNMENT ASSISTANCE (continued)

##### Innovation Assistance Program (“IAP”) from NRC-IRAP:

Effective April 1, 2020, the Company executed an agreement with IAP which provided the Company with a non-repayable contribution of up to \$243,936 in relation to COVID-19 pandemic relief relating to the Company’s development of coatings for high durability lithium-ion battery cathodes. Under the terms of the agreement, IAP reimbursed the Company for 100% of salaries paid to Company employees involved in this project through to June 24, 2020.

No amounts were received during the three months ended March 31, 2021 or March 31, 2020.

During the year ended December 31, 2020, the Company received \$241,225 in connection with this grant. As the grant was a one-time occurrence in relation to COVID-19 pandemic relief, no further amounts are due from this program.

##### **Automotive Supplier’s Innovation Program – a program of Innovation, Science and Economic Development Canada (ISED) (“ASIP”) (completed):**

In 2016, the Company executed an agreement with ASIP which provided the Company with a non-repayable contribution of up to \$1,950,522. The proceeds from the grant were incurred by the Company in relation to the preparation, design, construction, optimization, and operation of its pilot plant.

No amounts were received during the three months ended March 31, 2021 or March 31, 2020.

##### **Other Grants:**

During the three months ended March 31, 2021, the Company did not receive any grants for training and employment (2020 - \$2,700 was received).

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

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Sustainable Development Technology Canada (SDTC)	6,372,813	6,110,313
Automotive Supplier’s Innovation Program (ASIP)	1,950,952	1,950,952
Industrial Research Assistance Program (NRC-IRAP)	786,572	794,966
Innovation Assistance Program (IAP) (from NRC-IRAP)	241,225	241,225
Scientific Research & Experimental Development (SR&ED)	98,661	98,661
Other Grants	80,059	80,059
	<b>9,530,282</b>	<b>9,276,176</b>

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## Nano One Materials Corp.

### Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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#### 7. 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.

##### **Transactions for the issuance of share capital during the three months March 31, 2021:**

- a) The Company issued 283,250 common shares on the exercise of stock options at prices between \$0.38 and \$2.81 per share, for proceeds of \$337,590. In addition, \$187,222 representing the fair value of the stock options granted and vested was re-allocated from reserves to share capital.
- b) The Company issued 1,356,740 common shares on the exercise of warrants at prices of between \$1.60 and \$3.55 per share, for proceeds of \$4,152,422. In addition, \$399,036 representing the fair value of certain of the warrants on initial issuance (finders' warrants) was re-allocated from reserves to share capital.

##### **Transactions for the issuance of share capital during the three months ended March 31, 2020:**

- c) On February 21, 2020, the Company completed a non-brokered private placement consisting of the issuance of 9,565,000 units at a price of \$1.15 per unit for gross proceeds of \$10,999,750 (\$10,381,392 net proceeds after deducting cash finders' fees and expenses). Each unit consisted of one common share and one-half of a common share purchase warrant with each whole warrant exercisable into one common share at an exercise price of \$1.60 until February 21, 2023. The residual value of the warrants attached to the units was determined to be \$nil.

Cash finders' fees totalling \$557,221 and legal fees of \$61,137, were incurred in respect of the placement. Additionally, the Company issued 467,740 finders' warrants exercisable at \$1.60 until February 21, 2023, having a fair value of \$281,300. The Company recorded the fair value of the warrants issued using the Black-Scholes option pricing model. These share issue costs were recorded as a reduction of share capital.

- d) The Company issued 1,985,000 common shares on the exercise of stock options at prices between \$0.25 and \$0.70 per share, for proceeds of \$497,375. In addition, \$492,962 representing the fair value of the stock options granted and vested was re-allocated from reserves to share capital.

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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

The Company has a stock option plan under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise price of each stock option shall not be less than the discounted market price of the Company's common shares as calculated on the date immediately prior to the date of grant. The stock options can be granted for a maximum term of ten years, and vest at the discretion of the Board of Directors.

A summary of the status of the Company's stock options as at March 31, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	Period ended March 31, 2021		Year ended December 31, 2020	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	4,604,075	1.66	5,843,425	0.86
Granted	1,823,950	5.10	1,502,250	2.53
Exercised	(283,250)	1.19	(2,724,100)	0.42
Cancelled	(33,750)	2.52	(17,500)	1.25
<b>Options outstanding, end of period/year</b>	<b>6,111,025</b>	<b>2.71</b>	<b>4,604,075</b>	<b>1.66</b>

As at March 31, 2021, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
25,000	25,000	0.50	September 13, 2021
25,000	25,000	0.70	March 10, 2022
50,000	50,000	1.08	September 13, 2022
150,000	150,000	1.14	January 3, 2023
50,000	50,000	1.19	January 9, 2023
210,575	210,575	1.57	July 12, 2023
1,361,500	1,264,125	2.52	July 20, 2023 (1)
25,000	25,000	2.81	September 8, 2023
2,375,000	2,375,000	1.28	November 12, 2023
15,000	15,000	3.05	December 4, 2023
1,369,750	1,369,750	5.10	February 1, 2024 (2)
54,200	-	5.26	February 25, 2024 (2)
400,000	-	5.10	February 1, 2026
<b>6,111,025</b>	<b>5,559,450</b>		

(1) A portion of these options were exercised subsequent to March 31, 2021.

(2) A portion of these options were cancelled subsequent to March 31, 2021.

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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

The following table summarizes the above information about the stock options outstanding as at March 31, 2021:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.50 - 0.70	50,000	0.7	0.60
1.08 - 1.57	2,835,575	2.5	1.29
2.52 - 3.05	1,401,500	2.3	2.53
5.10 - 5.26	1,823,950	3.3	5.10
	<b>6,111,025</b>	<b>2.7</b>	<b>2.71</b>

During the three months ended March 31, 2021, the Company granted 1,823,950 (2020 – none) stock options to Directors, Officers, employees, and consultants. The Company recorded the fair value of the options granted 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:

	<b>March 31, 2021</b>
Risk-free interest rate	0.3%
Expected life of stock options (years)	3.4
Historical volatility	73.5%
Dividend rate	0%
Weighted average fair value per stock option granted	\$ 2.57

The total share-based payments expense for the three months ended March 31, 2021 was \$3,070,497 (2020 - \$nil), which includes only those stock options that vested during the period then ended.

During the three months ended March 31, 2021, 33,750 stock options were cancelled upon an individual leaving employment of the Company. During the three months ended March 31, 2020, 17,500 stock options were cancelled upon termination of consulting contracts. As a result, the original share-based payments expense of \$39,644 (2020 - \$14,013) was reversed from reserves and credited to deficit.

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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**7. SHARE CAPITAL AND RESERVES (continued)****Warrants**

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

A summary of the Company's common share purchase warrants as at March 31, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	Period ended March 31, 2021		Year ended December 31, 2020	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	5,561,328	2.52	676,500	1.60
Issued - attached to units	-	-	7,423,950	2.29
Issued - finders' warrants	-	-	890,372	2.13
Exercised	(1,356,740)	3.06	(3,396,494)	1.74
Expired	-	-	(33,000)	1.60
<b>Warrants outstanding, end of period/year</b>	<b>4,204,588</b>	<b>2.35</b>	<b>5,561,328</b>	<b>2.52</b>

As at March 31, 2021, the Company has warrants outstanding and exercisable as follows:

	Warrants #	Weighted average exercise price \$	Expiry Date	Weighted average remaining life (years)
	31,316	2.72	October 29, 2022	1.6
	1,602,350	3.55	October 29, 2022	1.6
(1)	2,494,129	1.60	February 21, 2023	1.9
	76,793	1.60	February 21, 2023	1.9
	<b>4,204,588</b>	<b>2.35</b>		<b>1.8</b>

(1) A portion of these warrants were exercised subsequent to March 31, 2021.

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## Nano One Materials Corp.

### Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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#### 8. RELATED PARTY TRANSACTIONS

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

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

Nature of transaction or balance	Transactions	Transactions	Balances	Balances
	three months ended March 31, 2021	three months ended March 31, 2020	outstanding March 31, 2021	outstanding December 31, 2020
	\$	\$	\$	\$
(1) Professional fees	43,678	39,850	412	38,753
(2) Management and directors' fees	84,000	42,000	13,500	7,875
(3) Salaries and benefits / Research expenses	561,715	81,250	376,715	-
(3) Expense reimbursements	-	-	-	2,696
(4) Share-based payments	2,933,297	-	-	-
	<b>3,622,690</b>	<b>163,100</b>	<b>390,627</b>	<b>49,324</b>

- (1) Legal fees are incurred with Patent Filing Specialists Inc., a company controlled by an independent Director of the Company (Joseph Guy). Transactions incurred during the three months ended March 31, 2021 are included within both intangible assets and professional fees (2020 – professional fees only).
- (2) Management fees are paid to Bedrock Capital Corp. a company controlled by the Chairman/Director of the Company (Paul Matysek); and to Donaldson Brohman Martin, CPA Inc. ("DBM CPA"), a firm in which the CFO is a principal (Dan Martino). Directors' fees are accrued to the Company's two independent Directors (Joseph Guy and Lyle Brown).
- (3) Salaries and benefits, net include amounts paid or accrued to the Company's CEO (Dan Blondal), CTO (Stephen Campbell), and President (John Lando). Research expenses includes a portion of salaries and benefits paid to Dan Blondal. Expense reimbursements outstanding as at December 31, 2020 related to Dan Blondal.
- (4) Share-based payments includes amounts recognized on vesting of stock options granted to Directors and Officers. During the three months ended March 31, 2021, 1,540,000 stock options (2020 – none) were granted to Directors and Officers which are exercisable at \$5.10. 1,140,000 stock options are exercisable for three years until February 1, 2024 and vested immediately, and 400,000 stock options are exercisable for five years until February 1, 2026 and vest over 24 months.

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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### For the three months ended March 31, 2021 and March 31, 2020

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#### 9. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash investing and financing activities during the three months ended March 31, 2021 and March 31, 2020 as follows:

	March 31, 2021 \$	March 31, 2020 \$
Non-cash investing activities:		
Property and equipment included in accounts payable and accrued liabilities	129,464	6,012
Share issue costs included in accounts payable and accrued liabilities	-	57,931
Non-cash financing activities:		
Lease extension on right-of-use asset (Note 4)	205,300	-
Fair value of finders' warrants issued	-	281,300

During the three months ended March 31, 2021 and March 31, 2020, no amounts were paid for interest or income taxes.

#### 10. MANAGEMENT OF CAPITAL

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital structure to consist of its components of shareholders' equity. When managing capital, the Company's objective is to ensure that it continues as a going concern, to ensure it has sufficient capital to deploy on new and existing projects (including the requirement for matching funds relating to the SDTC program) (Note 6), as well as to generate optimal returns to shareholders and benefits for other stakeholders. Management reviews and adjusts its capital structure on an ongoing basis.

The Company currently has no source of revenues, though it receives funding from government assistance programs (Note 6), and certain research cost recoveries from strategic partners. In addition, the Company is dependent on equity financing to fund its activities. In order to fund ongoing research activities and pay for operating expenses, the Company will spend its existing working capital and may complete additional equity financings to facilitate the management of its capital requirements. 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, 2021.

Additionally, the Company subsequently completed a short-form prospectus offering on April 1, 2021 for gross proceeds of \$28,916,750 (Note 13).

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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### 11. 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

<b>Financial assets:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Cash and cash equivalents	FVTPL	Fair value
Short-term investment	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

  

<b>Financial liabilities:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Accounts payable to related parties	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost

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

#### Financial instruments - risk

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

##### a) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. The Company has historically relied upon equity financings and government assistance programs to satisfy its capital requirements and will continue to depend upon these sources to finance its activities until such time that the Company commences generating profitable operations.

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# Nano One Materials Corp.

## Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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### 11. FINANCIAL INSTRUMENTS (continued)

#### Financial instruments - risk (continued)

##### b) 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, short-term investment, receivables, and deposits.

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

The Company is also exposed to credit risk relating to its deposits 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.

##### c) 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 held in high-interest savings accounts, and a deposit held as collateral with a Canadian chartered bank on the Company's corporate credit cards. The Company's short-term investment is not exposed to interest rate risk as it bears a fixed rate of interest. For the three months ended March 31, 2021, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately \$70,000 (2020 – \$4,000).

##### 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 due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors the individual equity movements to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

##### 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, 2021, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the March 31, 2021 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would be insignificant to the Company's financial position and results of operations.

### 12. SEGMENTED INFORMATION

The Company operates in one business segment being the development of a patented process for the production of cathode active materials (CAM) for lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics (Note 1). The Company's non-current assets are located in Canada with the exception of certain patents (intangible assets) that are issued from patent regulators in foreign jurisdictions (Note 5).

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

Unaudited – Prepared by Management

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**For the three months ended March 31, 2021 and March 31, 2020**

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**13. SUBSEQUENT EVENTS**

- a) The Company has issued 28,125 common shares and received proceeds of \$50,405 in aggregate, upon the exercise of options and warrants as follows:
- The Company issued 5,875 common shares on the exercise of stock options at \$2.52 per share, for gross proceeds of \$14,805; and
  - The Company issued 22,250 common shares on the exercise of warrants at \$1.60 per share, for gross proceeds of \$35,600.
- b) On April 1, 2021, the Company completed a short-form prospectus financing consisting of the issuance of 5,405,000 common shares at a price of \$5.35 per share for gross proceeds of \$28,916,750 (\$27,086,545 net proceeds after deducting cash underwriters' commission and expenses).

An underwriters' cash commission totalling \$1,735,005 was paid upon closing of the offering, plus underwriters' legal fees of \$95,200. Additionally, the Company issued 324,999 finders' (brokers') warrants exercisable at \$5.35 until April 1, 2022.