

NOTICE TO READER

These condensed interim financial statements (the “Restated Financial Statements”) for the six months ended June 30, 2020, are being refiled because the original condensed interim financial statements, which were filed on SEDAR on July 31, 2020, contained a misclassification on the statements of cash flows. These Restated Financial Statements now include the revised presentation of the statements of cash flows (see Note 2 for details). The related Management’s Discussion and Analysis for the six months ended June 30, 2020, which was filed on SEDAR on July 31, 2020, has been revised (the “Revised MD&A”) to reflect the effects of the restatement and is being refiled with the Restated Financial Statements.



Nano One Materials Corp.
Condensed Interim Financial Statements
For the six months ended
June 30, 2020
(Amended and re-stated)

Unaudited – Prepared by Management
(Expressed in Canadian dollars)

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

Unaudited – Prepared by Management

As at June 30, 2020 and December 31, 2019

	Note	June 30, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		8,933,228	1,747,514
Short-term investment	9	1,001,598	198,911
Receivables	3	197,487	147,662
Prepaid expenses		158,398	25,198
		10,290,711	2,119,285
Non-current assets			
Deposits	3	364,028	21,360
Property and equipment	4	837,756	767,988
Intangible assets	5	23,717	24,279
		1,225,501	813,627
Total assets		11,516,212	2,932,912
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		78,101	109,844
Accounts payable to related parties	8	-	24,864
Deferred government assistance	6	-	676,373
Current portion of lease liabilities	4	178,954	101,719
		257,055	912,800
Non-current liabilities			
Lease liabilities	4	110,223	151,676
Total liabilities		367,278	1,064,476
Shareholders' equity			
Share capital	7	31,171,509	20,068,795
Reserves	7	2,931,514	3,163,224
Deficit		(22,954,089)	(21,363,583)
Total shareholders' equity		11,148,934	1,868,436
Total liabilities and shareholders' equity		11,516,212	2,932,912
Nature and continuance of operations	1		
Subsequent events	13		

Approved on behalf of the Board of Directors on July 31, 2020 (Amendment and re-statement approved on behalf of the Board of Directors on September 30, 2020):

"Dan Blondal"
 Director

"Lyle Brown"
 Director

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

Nano One Materials Corp.

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

For the three and six months ended June 30,

	Note	Three months ended		Six months ended	
		June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Expenses					
Amortization	5	281	-	562	-
Business development fees		37,104	54,015	75,181	99,917
Consulting fees		26,399	1,920	242,477	34,805
Depreciation	4	32,865	14,246	45,894	27,703
Finance costs	4	6,932	6,715	12,342	13,801
General and administrative expenses		78,753	63,907	123,710	89,707
Investor relations and shareholder information		148,611	94,064	262,038	214,253
Management and directors' fees	8	238,500	15,000	605,500	30,000
Professional fees	8	42,867	79,438	137,040	122,695
Rent		980	1,000	8,547	4,000
Research (recoveries) expenses, net	3,6,8	(312,690)	336,021	(368,813)	969,702
Salaries and benefits	8	218,696	220,631	386,432	409,262
Share-based payments	7	-	131,441	-	332,340
Transfer agent and filing fees		37,320	46,320	56,716	48,094
Travel, meals and conferences		2,676	66,440	41,731	142,556
Loss from operating expenses		(559,294)	(1,131,158)	(1,629,357)	(2,538,835)
Interest income		17,621	11,402	24,838	20,167
Loss and comprehensive loss for the period		(541,673)	(1,119,756)	(1,604,519)	(2,518,668)
Loss per share					
Weighted average number of common shares outstanding					
- basic		78,745,080	66,324,486	75,652,329	66,324,486
- diluted		78,745,080	66,324,486	75,652,329	66,324,486
Basic loss per common share		(0.01)	(0.02)	(0.02)	(0.04)
Diluted loss per common share		(0.01)	(0.02)	(0.02)	(0.04)

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

Nano One Materials Corp.

Condensed Interim Statements of Cash Flows

Unaudited – Prepared by Management

For the six months ended June 30,

	Note	June 30, 2020 \$	June 30, 2019 \$
		As re-stated (Note 2)	
Operating activities			
Loss and comprehensive loss for the period		(1,604,519)	(2,518,668)
Adjustments for:			
Amortization		562	-
Depreciation	4	125,014	386,686
Finance costs		12,342	-
Share-based payments		-	332,340
Interest income		(24,838)	(20,167)
Non-cash working capital items:			
Receivables		(49,825)	319,860
Prepaid expenses		(133,200)	23,712
Deposits		(37,205)	-
Accounts payable and accrued liabilities		(36,792)	53,916
Accounts payable to related parties		(24,864)	11,194
Deferred government assistance		(676,373)	-
		(2,449,698)	(1,411,127)
Investing activities			
Interest received on cash equivalents		22,300	20,167
Redemption of short-term investment	9	199,851	-
Purchase of short-term investment	9	(1,000,000)	-
Deposits on property and equipment		(305,463)	-
Purchases of property and equipment		(95,933)	(43,729)
		(1,179,245)	(23,562)
Financing activities			
Issuance of common shares and units for cash		11,503,375	220,706
Share issue costs		(618,358)	-
Payment of lease liabilities	4	(70,360)	(33,064)
		10,814,657	187,642
Change in cash and cash equivalents		7,185,714	(1,247,047)
Cash and cash equivalents, beginning of period		1,747,514	3,153,369
Cash and cash equivalents, end of period		8,933,228	1,906,322
Cash and cash equivalents comprise:			
Cash		3,810,342	334,040
Cash equivalents		5,122,886	1,572,282
Cash and cash equivalents, end of period		8,933,228	1,906,322
Supplemental cash flow information	9		

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

Nano One Materials Corp.

Condensed Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

	Number of common shares	Share capital \$	Reserves \$	Deficit \$	Total \$
December 31, 2018	66,155,637	18,843,555	2,911,595	(17,642,214)	4,112,936
January 1, 2019, as previously reported	66,155,637	18,843,555	2,911,595	(17,642,214)	4,112,936
Impact of change in accounting policy (IFRS 16) (Note 4)	-	-	-	(31,643)	(31,643)
January 1, 2019, adjusted balance	66,155,637	18,843,555	2,911,595	(17,673,857)	4,081,293
Exercise of stock options	75,000	35,000	-	-	35,000
Re-allocated on exercise of stock options	-	27,757	(27,757)	-	-
Exercise of warrants	148,565	185,707	-	-	185,707
Re-allocated on exercise of warrants	-	4,368	(4,368)	-	-
Re-allocated on expiry of stock options	-	49,584	(49,584)	-	-
Share-based payments	-	-	332,340	-	332,340
Loss and comprehensive loss for the period	-	-	-	(2,518,668)	(2,518,668)
June 30, 2019	66,379,202	19,145,971	3,162,226	(20,192,525)	2,115,672
December 31, 2019	67,189,802	20,068,795	3,163,224	(21,363,583)	1,868,436
Exercise of stock options	2,010,000	503,625	-	-	503,625
Re-allocated on exercise of stock options	-	498,997	(498,997)	-	-
Re-allocated on cancellation of stock options	-	-	(14,013)	14,013	-
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	-	-
Loss and comprehensive loss for the period	-	-	-	(1,604,519)	(1,604,519)
June 30, 2020	78,764,802	31,171,509	2,931,514	(22,954,089)	11,148,934

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

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

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.V”.

The Company has developed a patented technology platform to improve the production and performance of cathode powders used in lithium-ion batteries. As of the date of these financial statements, the Company holds sixteen (16) patents (Note 5), with several others pending. The technology allows for the production of a wide range of lithium-based composite powders for different battery applications including electric vehicles, e-buses, power tools, renewable energy storage and consumer electronics, as well as next generation solid state batteries. 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, and to imbed its technologies for the manufacturing of materials used in batteries for electric vehicles, energy storage, and consumer electronics.

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. As the Company presently focuses on research activities, it does not earn revenues and has historically incurred operating losses. As at June 30, 2020, the Company had working capital of \$10,033,656. The Company will utilize this working capital, and if necessary, seek additional funding through government assistance programs, contributions from industry partners, and/or equity financing to enable it to execute its research activities and milestones, and carry on as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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. Nonetheless, the Company has implemented prevention measures at its office and laboratory facilities including the facilitation of remote work programs. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic, and the various programs are constantly being expanded and relaxed, which may qualify the Company for additional assistance. To date, the Company has qualified for and received an additional \$250,000 from Sustainable Development Technology Canada, and approximately \$195,000 from the Innovative Assistance Program (under NRC-IRAP), both in relation to COVID-19 pandemic relief (Note 6).

2. SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT OF CASH FLOWS

Restatement of cash flows

The Company has amended its interim financial statements for the six months ended June 30, 2020. Specifically, the statements of cash flows were amended to (i) reclassify proceeds from government assistance totalling \$525,576 (2019 - \$216,528) from financing activities to operating activities; and (ii) to reclassify deposits on property and equipment totalling \$305,463 (2019 - \$nil) from operating activities to investing activities.

There were no changes to the presentation of the Company’s statements of financial position, loss and comprehensive loss, and changes shareholders’ equity.

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT OF CASH FLOWS (continued)**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, 2019, 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 an historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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 condensed interim statement of loss and comprehensive loss, and certain comparative figures within the condensed interim statement of cash flows have been reclassified to conform to the current period's presentation.

Significant accounting policies

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2020. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

3. RECEIVABLES AND DEPOSITS

Receivables consist of the following:

	June 30, 2020	December 31, 2019
	\$	\$
Receivable from Global OEM partner	185,552	139,738
Sales tax recoverable	11,902	7,924
Other receivable	33	-
	197,487	147,662

Research recoveries and receivables

On June 20, 2019, the Company entered into an agreement with a Global OEM (Original Equipment Manufacturer) (the "OEM Partner") to jointly evaluate processes and innovative cathode materials for high energy density lithium-ion batteries in automotive applications (the "Work Program"). The research activity under the Work Program is a direct component of the research efforts under the Company's SDTC Program #2 (Note 6). Under the Work Program, the Company provided staffing and utilized its property and equipment to perform research under the specifications of the Work Program and recovered these costs from the OEM Partner. The Work Program concluded in May 2020.

During the six months ended June 30, 2020, the Company collected \$139,738 from the OEM Partner which was included in receivables as at December 31, 2019.

During the six months ended June 30, 2020 and June 30, 2019, the Company recorded the following recoveries of research expenses:

	June 30, 2020	June 30, 2019
	\$	\$
Global OEM Partner	167,362	-
Other recoveries	56,679	-
	224,041	-

Deposits consist of the following:

	June 30, 2020	December 31, 2019
	\$	\$
Deposits for purchases of property and equipment	305,463	16,570
Security and other deposits	58,565	4,790
	364,028	21,360

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

4. PROPERTY AND EQUIPMENT

	Computer software \$	Computer equipment \$	Research and development equipment \$	Office equipment \$	Pilot plant \$	Right-of-use assets \$	Total \$
Cost							
December 31, 2018	7,424	109,241	831,972	5,283	1,803,248	-	2,757,168
Adoption of IFRS 16	-	-	-	-	-	285,552	285,552
Additions	-	24,438	51,348	2,258	155,416	-	233,460
December 31, 2019	7,424	133,679	883,320	7,541	1,958,664	285,552	3,276,180
Accumulated depreciation							
December 31, 2018	6,612	47,988	442,631	1,810	1,529,520	-	2,028,561
Depreciation	405	22,448	81,156	995	298,494	76,133	479,631
December 31, 2019	7,017	70,436	523,787	2,805	1,828,014	76,133	2,508,192
Cost							
December 31, 2019	7,424	133,679	883,320	7,541	1,958,664	285,552	3,276,180
Additions	1,511	11,814	65,907	-	21,750	93,800	194,782
June 30, 2020	8,935	145,493	949,227	7,541	1,980,414	379,352	3,470,962
Accumulated depreciation							
December 31, 2019	7,017	70,436	523,787	2,805	1,828,014	76,133	2,508,192
Depreciation	417	10,875	40,121	473	16,233	56,895	125,014
June 30, 2020	7,434	81,311	563,908	3,278	1,844,247	133,028	2,633,206
Net book value							
December 31, 2019	407	63,243	359,533	4,736	130,650	209,419	767,988
June 30, 2020	1,501	64,182	385,319	4,263	136,167	246,324	837,756

Depreciation for the six months ended June 30, 2020 and June 30, 2019, is allocated as follows:

	Depreciation expense \$	Research and development \$	Total \$
June 30, 2019			
Computer software	203	-	203
Computer equipment	9,863	-	9,863
Research and development equipment	-	39,542	39,542
Office equipment	460	-	460
Pilot plant	-	293,909	293,909
Right-of-use assets	17,177	25,532	42,709
	27,703	358,983	386,686
June 30, 2020			
Computer software	417	-	417
Computer equipment	10,875	-	10,875
Research and development equipment	-	40,121	40,121
Office equipment	473	-	473
Pilot plant	-	16,233	16,233
Right-of-use assets	34,129	22,766	56,895
	45,894	79,120	125,014

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

4. PROPERTY AND EQUIPMENT (continued)Right-of-use assets and Lease liabilities

The Company has agreements to lease office space, and a laboratory facility. 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 facility leases:

Location	Asset	Type	Useful life of lease at inception	Useful life of lease at June 30, 2020
Burnaby, BC	Building	Corporate head office (main)	6.0 Years	2.3 Years
Burnaby, BC	Building	Corporate head office (expansion)	1.2 Years	1.0 Years
Burnaby, BC	Building	Laboratory	6.0 Years	2.3 Years

A reconciliation of the carrying amount of the lease liabilities as at June 30, 2020 and December 31, 2019 and changes during the period/year then ended is as follows:

	June 30, 2020 \$	December 31, 2019 \$
Lease liabilities		
Beginning of period/year	253,395	317,195
Addition	93,800	-
Lease payments	(70,360)	(95,506)
Lease interest (finance costs)	12,342	31,706
End of period/year	289,177	253,395
Current portion of lease liabilities	178,954	101,719
Non-current portion of lease liabilities	110,223	151,676
Maturity analysis - contractual undiscounted cash flows		
Less than one year	178,954	101,719
One to five years	136,720	182,669
Total undiscounted lease liabilities	315,674	284,388

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2020, and December 31, 2019, the Company did not have any short-term leases. As at June 30, 2020 and December 31, 2019, the Company included the available three-year extension options on its leases within the measurement of the lease liabilities as described above, and there were no leases with residual value guarantees.

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

5. INTANGIBLE ASSETS

Intangible assets include 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 fourteen (14) to nineteen (19) years from the patent issuance date. The Company was not issued any patents during the six months ended June 30, 2020.

The amount capitalized as intangible assets represents only the patent issue costs. Application, renewal, and other costs are expensed to research (recoveries) expenses as incurred. The Company has several outstanding patent applications in which all associated costs have been expensed.

	Issued patents \$
Cost	
December 31, 2018	13,877
Additions	11,637
December 31, 2019	25,514
Accumulated amortization	
December 31, 2018	-
Amortization	1,235
December 31, 2019	1,235
Cost	
December 31, 2019 and June 30, 2020	25,514
Accumulated amortization	
December 31, 2019	1,235
Amortization	562
June 30, 2020	1,797
Net book value	
December 31, 2019	24,279
June 30, 2020	23,717

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

6. GOVERNMENT ASSISTANCE

The Company receives funding from the Government of Canada for its research activities through various programs. During the six months ended June 30, 2020 and June 30, 2019, the following amounts were recognized as a reduction to research expenses:

	June 30, 2020 \$	June 30, 2019 \$
Cash received:		
Sustainable Development Technology Canada (SDTC)	250,000	-
Innovation Assistance Program (IAP)	194,606	-
Industrial Research Assistance Program (NRC-IRAP)	78,270	32,836
Other Grants	2,700	15,000
Automotive Supplier's Innovation Program (ASIP)	-	168,692
	525,576	216,528
Non-cash amortization of deferred government assistance:		
(1) Sustainable Development Technology Canada (SDTC)	676,373	-
	1,201,949	216,528

- (1) The SDTC non-cash amortization recognized during the six months ended June 30, 2020, represents a pro rata reduction of the deferred government assistance (liability) balance based on the expenditures incurred by the Company on SDTC Program #2 (Milestone 1) for the period then ended.

Sustainable Development Technology Canada ("SDTC"):SDTC Program #2 (active):

Effective July 1, 2019, the Company executed a contribution agreement with SDTC for a non-repayable grant of up to \$5,000,000 in respect of the Company's "Scaling Advanced Battery Materials" project. During the six months ended June 30, 2020, the Company received an additional one-time non-repayable grant of \$250,000 from SDTC in the form of an additional Milestone 1 payment in relation to COVID-19 pandemic relief, thereby increasing the SDTC Program #2 contribution from SDTC to \$5,250,000 (collectively, the "grant").

On May 6, 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 as described above.

The funds from SDTC are payable to the Company in five instalments including the release of a final 10% hold-back of \$500,000 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) project phases ("Milestones") through to June 30, 2024. 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 year ended December 31, 2019, the Company received the instalment for Milestone 1 from SDTC in the amount of \$973,814. Effective May 31, 2020, the Company had completed Milestone 1, which is currently under review by SDTC.

As at June 30, 2020, \$nil is recorded within deferred government assistance (December 31, 2019 - \$676,373). The Company records the receipt of SDTC grant instalments initially as deferred government assistance (liability) and recognizes the grant as a reduction to research expenses on a pro rata basis upon incurring the required expenditures associated with the current Milestone project phase at the time.

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

6. GOVERNMENT ASSISTANCE (continued)**Sustainable Development Technology Canada (“SDTC”) (continued):**SDTC Program #1 (completed):

Effective June 1, 2016, the Company executed a contribution agreement with SDTC for a non-repayable technology commercialization grant of up to \$2,081,297 for a lithium-ion battery materials pilot plant project. During the year ended December 31, 2019, the Company received the final payment of \$208,130. Accordingly, the Company had received the entire grant amount of \$2,081,297 by December 31, 2019.

National Research Council of Canada’s Industrial Research Assistance Program (“NRC-IRAP”):NRC-IRAP Program #5 (active):

Effective August 1, 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 six months ended June 30, 2020, the Company received a total of \$78,270 (2019 - \$32,836) in connection with this grant.

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.

During the six months ended June 30, 2020, the Company received a total of \$194,606 (2019 - \$nil) in connection with this grant.

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

Effective June 1, 2016, the Company executed an agreement with ASIP which provided the Company with a non-repayable contribution of up to \$1,950,522. During this program, the Company received \$1,733,506 in connection with this grant. The proceeds from the grant were incurred by the Company in relation to the preparation, design, construction, optimization and operation of its pilot plant.

Subsequent to June 30, 2020, the Company received the final payment of \$217,446 in connection with this grant. The ASIP program effectively concluded in June 2020.

During the year ended December 31, 2019, the Company received a total of \$168,692 in connection with this grant.

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

Unaudited – Prepared by Management

For the six months ended June 30, 2020 and June 30, 2019

6. GOVERNMENT ASSISTANCE (continued)**Other Grants:**

During the six months ended June 30, 2020, the Company received additional government grants for training and employment totalling \$2,700 (2019 - \$15,000).

The cumulative amount of program funding received from the Government of Canada for all periods are as follows:

	June 30, 2020	December 31, 2019
	\$	\$
Sustainable Development Technology Canada (SDTC)	3,305,111	3,055,111
Automotive Supplier's Innovation Program (ASIP)	1,733,506	1,733,506
Industrial Research Assistance Program (NRC-IRAP)	690,951	612,681
Innovation Assistance Program (IAP) (from NRC-IRAP)	194,606	-
Scientific Research & Experimental Development (SR&ED)	98,661	98,661
Other Grants	80,059	77,359
	6,102,894	5,577,318

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 issue of share capital during the six months ended June 30, 2020:

- a) On February 21, 2020, the Company completed a non-brokered private placement consisting of the issue of 9,565,000 units at a price of \$1.15 per unit for gross proceeds of \$10,999,750. Each unit consists 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 having a fair value of \$281,300. These share issue costs were recorded as a reduction of share capital.

The Company recorded the fair value of the finders' warrants issued using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of warrants – three years, stock price volatility – 60.00%, no dividend yield, and a risk-free interest rate yield – 1.28%.

- b) The Company issued 2,010,000 common shares on the exercise of stock options at prices between \$0.25 and \$0.70 per share, for proceeds of \$503,625. In addition, \$498,997 representing the fair value of the stock options granted and vested was re-allocated from reserves to share capital.

Transactions for the issue of share capital during the six months ended June 30, 2019:

- c) The Company issued 75,000 common shares on the exercise of stock options at prices ranging between \$0.35 and \$0.70 per share, for proceeds of \$35,000. In addition, \$27,757 representing the fair value of the stock options on initial vesting was re-allocated from reserves to share capital.
- d) The Company issued 148,565 common shares on the exercise of warrants at a price of \$1.25 per share, for proceeds of \$185,707. In addition, \$4,368 representing the fair value of certain of the warrants (finders' warrants) on initial issuance was re-allocated from reserves to share capital.

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

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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 June 30, 2020 and December 31, 2019, and changes during the period/year then ended is as follows:

	Period ended June 30, 2020		Year ended December 31, 2019	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	5,843,425	0.86	5,937,500	0.84
Granted	-	-	195,000	1.34
Exercised	(2,010,000)	0.25	(177,500)	0.43
Cancelled	(17,500)	1.25	(111,575)	1.48
Options outstanding, end of period/year	3,815,925	1.18	5,843,425	0.86

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

As at June 30, 2020, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
10,000	10,000	1.57	September 30, 2020
15,000	15,000	1.28	September 30, 2020
25,000	25,000	0.74	November 30, 2020
17,850	17,850	1.57	November 30, 2020
20,000	20,000	1.28	November 30, 2020
200,000	200,000	0.25	January 19, 2021
60,000	60,000	1.37	January 24, 2021
100,000	100,000	0.38	April 8, 2021
50,000	50,000	0.50	September 13, 2021
75,000	75,000	0.70	March 10, 2022
25,000	25,000	0.67	June 5, 2022
150,000	150,000	1.15	August 11, 2022
50,000	50,000	1.08	September 13, 2022
150,000	150,000	1.14	January 3, 2023
100,000	100,000	1.19	January 9, 2023
233,075	233,075	1.57	July 12, 2023
25,000	25,000	1.08	September 10, 2023
2,410,000	2,410,000	1.28	November 12, 2023
100,000	100,000	1.35	March 21, 2024
3,815,925	3,815,925		

See Note 13 for the exercise of stock options subsequent to June 30, 2020.

There were no stock options granted during the six months ended June 30, 2020.

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

During the six months ended June 30, 2020, 17,500 stock options were cancelled upon termination of a consulting contract. As a result, the original share-based payments expense of \$14,013 was reversed from reserves and credited to deficit.

During the six months ended June 30, 2019, 160,000 stock options in aggregate with a weighted average exercise price of \$1.36, and expiry dates of either January 24, 2021, or March 21, 2024 were granted to an employee and a consultant. 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:

	June 30, 2019
Risk-free interest rate	1.7%
Expected life of stock options (years)	3.9
Volatility	79.9%
Dividend rate	0%
Weighted average fair value per stock option granted	\$ 0.79

The total share-based payments expense for the six months ended June 30, 2020 was \$nil (2019 - \$332,340), which includes only those stock options that vested during the period then ended.

During the six months ended June 30, 2019, 51,500 stock options expired unexercised. As a result, the original share-based payments expense of \$49,584 was reversed from reserves and credited to deficit.

The following table summarizes information about the stock options outstanding as at June 30, 2020:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.25 - 0.74	475,000	0.91	0.42
1.08 - 1.28	2,920,000	3.21	1.26
1.35 - 1.57	420,925	2.85	1.49
	3,815,925	2.88	1.18

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

As an incentive to complete private placements, 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 private placements. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the Company's common share purchase warrants as at June 30, 2020 and December 31, 2019, and changes during the period/year then ended is as follows:

	Period ended June 30, 2020		Year ended December 31, 2019	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	676,500	0.69	1,879,555	1.25
Issued - attached to units	4,782,500	1.60	676,500	1.60
Issued - finders' warrants	467,740	1.60	-	-
Exercised	-	-	(856,665)	1.25
Expired	-	-	(1,022,890)	1.25
Warrants outstanding, end of period/year	5,926,740	1.60	676,500	0.69

As at June 30, 2020, the Company has warrants outstanding and exercisable as follows:

Warrants #	Weighted average exercise price \$	Expiry Date	Weighted average remaining life (years)
676,500	1.60	October 23, 2020	0.32
5,250,240	1.60	February 21, 2023	2.65
5,926,740	1.60		2.38

See Note 13 for the exercise of warrants subsequent to June 30, 2020.

During the year ended December 31, 2019, the Company completed a warrant exercise incentive program which facilitated the early exercise of outstanding warrants which had an expiry of September 8, 2019. The program commenced on August 8, 2019 and completed on August 23, 2019. Under the program, 676,500 warrants were exercised into common shares at a price of \$1.25 each for proceeds of \$845,625. Additionally, the Company issued one warrant (the "incentive warrants") for every warrant exercised under the program. The incentive warrants are exercisable into common shares at a price of \$1.60 each until October 23, 2020. The incentive warrants are subject to accelerated expiry terms. There was no value recognized on issuance of the incentive warrants during the year ended December 31, 2019.

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

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For the six months ended June 30, 2020 and June 30, 2019

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:

Nature of transaction or balance	Nature of relationship	Transactions six months ended June 30, 2020 \$	Transactions six months ended June 30, 2019 \$	Balances outstanding June 30, 2020 \$	Balances outstanding December 31, 2019 \$
Legal fees (1)	Company with a common Director/Officer	61,830	63,359	-	16,883
Management and directors' fees	(2)	605,500	30,000	-	5,250
Salaries and benefits / Research	Officers (*)	162,500	107,242	-	-
Expense reimbursements	Officer (*)	-	-	-	2,731
		829,830	200,601	-	24,864

(*) Member of key management personnel.

- (1) Legal fees incurred during the six months ended June 30, 2020, are included within professional fees (2019 – professional fees and intangible assets).
- (2) Management fees are paid to a company controlled by a Director, and to a company where the CFO is employed. Directors' fees were accrued to the Company's Directors.

9. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash investing and financing activities during the six months ended June 30, 2020 and June 30, 2019 as follows:

	June 30, 2020 \$	June 30, 2019 \$
Non-cash investing activities:		
Property and equipment included in accounts payable and accrued liabilities	5,049	-
Non-cash financing activities:		
Addition of right-of-use asset (IFRS 16)	93,800	317,195
Fair value of finders' warrants issued	281,300	-
Re-allocation of reserves on stock options exercised	498,997	277,757
Re-allocation of reserves on stock options cancelled/expired	14,013	49,584
Re-allocation of reserves on warrants exercised	-	4,368

During the six months ended June 30, 2020 and June 30, 2019, no amounts were paid for income taxes. During the six months ended June 30, 2020, \$12,342 (2019 - \$13,801) was paid in interest expense relating to the Company's lease liabilities.

A reconciliation of the carrying amount of short-term investment as at June 30, 2020 and December 31, 2019 and changes during the period/year then ended is as follows:

	June 30, 2020 \$	December 31, 2019 \$
Short-term investment		
Beginning of period/year	198,911	-
Additions	1,000,000	196,749
Interest income received	940	2,162
Interest income accrued	1,598	-
Maturities	(199,851)	-
End of period/year	1,001,598	198,911

As at June 30, 2020 and December 31, 2019, the Company's short-term investment included a non-redeemable guaranteed investment ("GIC") held with a Canadian chartered bank bearing interest at 1.50% and 2.10% per annum, respectively.

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

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10. MANAGEMENT OF CAPITAL

The Company considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new common shares. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2020, is comprised of its components of shareholders' equity. There were no changes to the Company's approach to capital management during the six months ended June 30, 2020.

The Company currently has no source of revenues, though it receives funding from government assistance programs (Note 6), and certain research cost recoveries from research partners. In order to fund future research activities and pay for operating expenses, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon continued government assistance programs, financial support and/or contributions of its industry partners, the ability to raise additional financing from equity markets, and the ability to generate future profitable operations.

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.

Classification of financial instruments

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

Financial liabilities:	Classification:	Subsequent measurement:
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.

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11. FINANCIAL INSTRUMENTS (continued)**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 heavily upon these sources to finance its activities. Moreover, as at the date of these financial statements, all of the Company's outstanding stock options and share purchase warrants were in-the-money, and if exercised, would provide the Company with additional capital resources and liquidity (Note 7). The Company's going concern assessment is discussed in Note 1.

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 bank. Management believes that the Company's credit risk attributable to its receivable from the OEM Partner is low as it is a credit-worthy company.

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. Moreover, certain deposits relate to future purchases of equipment of which the Company expects to receive at future dates.

c) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short-term to maturity and no penalty cashable features of its cash equivalents. For the six months ended June 30, 2020, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately \$27,000 (2019 - \$7,000).

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 the United States dollar and the Euro. Additionally, as at June 30, 2020, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. For the six months ended June 30, 2020, every 10% fluctuation in foreign exchange rates would have had an insignificant impact on loss and comprehensive loss for the period.

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12. SEGMENTED INFORMATION

The Company operates in one business segment being the development of a patented technology platform to improve the production and performance of cathode powders used in lithium-ion batteries (Note 1). The Company's non-current assets are located in Canada with the exception of certain patents within intangible assets that have been issued from patent regulators in foreign jurisdictions (Note 5).

13. SUBSEQUENT EVENTS

- (a) In July 2020, the Company issued 255,000 common shares on the exercise of stock options at prices ranging between \$0.70 and \$1.57 per share, for proceeds of \$267,300.
- (b) In July 2020, the Company issued 643,163 common shares on the exercise of warrants at a price of \$1.60 per share, for proceeds of \$1,005,061.
- (c) On July 20, 2020, the Company granted 1,437,250 stock options to Officers, Directors, employees and consultants of the Company. The options are exercisable at \$2.52 for three years until July 20, 2023.