



Nano One Materials Corp.
Condensed Interim Financial Statements
September 30, 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 September 30, 2021, and for the three and nine months ended September 30, 2021 and September 30, 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 September 30, 2021 and December 31, 2020

	Note	September 30, 2021 \$	December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		54,629,110	27,750,290
Short-term investment		-	1,009,164
Receivables and prepayments	3	548,002	403,985
		55,177,112	29,163,439
Non-current assets			
Deposits	3	268,097	287,929
Property and equipment	4	1,852,822	1,484,956
Intangible assets - patents	5	26,180	22,703
		2,147,099	1,795,588
Total assets		57,324,211	30,959,027
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		357,688	480,038
Accounts payable to related parties	8	26,295	49,324
Deferred government assistance	6	606,345	821,256
Lease liabilities - current portion	4	143,519	88,833
		1,133,847	1,439,451
Non-current liabilities			
Lease liabilities	4	690,974	621,240
Total liabilities		1,824,821	2,060,691
Shareholders' equity			
Share capital	7	82,335,978	50,733,826
Reserves	7	8,530,520	4,726,488
Deficit		(35,367,108)	(26,561,978)
Total shareholders' equity		55,499,390	28,898,336
Total liabilities and shareholders' equity		57,324,211	30,959,027
Nature and continuance of operations			
	1		
Subsequent events			
	13		

Approved on behalf of the Board of Directors on November 10, 2021:

"Dan Blondal"
 Director

"John Lando"
 Director

Nano One Materials Corp.

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

For the three and nine months ended September 30, 2021 and September 30, 2020

	Note	Three months ended		Nine months ended	
		September 30,	September 30,	September 30,	September 30,
		2021	2020	2021	2020
		\$	\$	\$	\$
Expenses					
Amortization	5	560	620	1,416	1,182
Business development fees		-	14,845	-	90,026
Consulting fees		178,935	97,474	419,602	339,951
Depreciation	4	30,809	35,611	88,510	81,505
Finance costs	4	17,147	7,865	56,489	20,207
General and administrative expenses		138,747	71,306	378,708	203,563
Investor relations and shareholder information		152,074	133,162	526,686	395,200
Management and Directors' fees	8	79,400	84,500	246,175	365,000
Professional fees, net	6,8	27,388	106,076	212,133	179,349
Research expenses (recoveries), net	6,8	293,639	(789,234)	1,293,167	(914,467)
Salaries and benefits, net	6,8	437,812	183,655	1,474,375	715,274
Share-based payments	7,8	381,669	1,514,660	3,857,494	1,514,660
Transfer agent and filing fees		76,760	67,391	306,547	124,107
Travel, meals, and conferences		5,743	2,458	16,349	44,189
Loss from operating expenses		(1,820,683)	(1,530,389)	(8,877,651)	(3,159,746)
Interest income		53,434	26,024	147,599	50,862
Bad debt		-	-	(130,780)	-
Loss and comprehensive loss for the period		(1,767,249)	(1,504,365)	(8,860,832)	(3,108,884)
Loss per share					
Weighted average number of common shares outstanding					
- basic		95,383,991	80,060,521	93,332,582	77,127,723
- diluted		95,383,991	80,060,521	93,332,582	77,127,723
Basic loss per common share		(0.02)	(0.02)	(0.09)	(0.04)
Diluted loss per common share		(0.02)	(0.02)	(0.09)	(0.04)

Nano One Materials Corp.**Condensed Interim Statements of Cash Flows**

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

	Note	September 30, 2021 \$	September 30, 2020 \$
Operating activities			
Loss for the period		(8,860,832)	(3,108,884)
Adjustments for:			
Amortization		1,416	1,182
Depreciation	4	479,664	253,095
Finance costs		56,489	20,207
Share-based payments		3,857,494	1,514,660
Interest income		(147,599)	(50,862)
Non-cash working capital items:			
Receivables and prepayments		(144,017)	38,829
Deposits		-	(20,636)
Accounts payable and accrued liabilities		20,096	238,560
Accounts payable to related parties		(23,029)	206,971
Deferred government assistance		(214,911)	928,480
		(4,975,229)	21,602
Investing activities			
Interest income received on cash equivalents		147,599	45,478
Maturity of short-term investment		1,009,164	198,911
Purchase of short-term investment		-	(1,000,000)
Deposits on property and equipment		(269,305)	(274,969)
Purchases of property and equipment, net		(495,539)	(635,018)
Payments for intangible assets	5	(4,893)	-
		387,026	(1,665,598)
Financing activities			
Issuance of common shares/units for cash		33,609,768	14,565,455
Share issue costs		(2,005,376)	(618,358)
Payments of lease liabilities	4	(137,369)	(126,835)
		31,467,023	13,820,262
Increase in cash and cash equivalents		26,878,820	12,176,266
Cash and cash equivalents, beginning of period		27,750,290	1,747,514
Cash and cash equivalents, end of period		54,629,110	13,923,780
Cash and cash equivalents comprise:			
Cash	10	54,629,110	9,804,591
Cash equivalents		-	4,119,189
Cash and cash equivalents, end of period		54,629,110	13,923,780
Supplemental cash flow information	9		

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 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	2,584,898	979,145	-	-	979,145
Re-allocated on exercise of stock options	-	783,197	(783,197)	-	-
Re-allocated on cancellation of stock options	-	-	(47,864)	47,864	-
Exercise of warrants	1,616,600	2,586,560	-	-	2,586,560
Re-allocated on exercise of warrants	-	195,865	(195,865)	-	-
Share-based payments	-	-	1,514,660	-	1,514,660
Loss and comprehensive for the period	-	-	-	(3,108,884)	(3,108,884)
September 30, 2020	80,956,300	34,713,654	3,932,258	(24,424,603)	14,221,309
December 31, 2020	88,237,538	50,733,826	4,726,488	(26,561,978)	28,898,336
Issue of common shares - prospectus financing	5,405,000	28,916,750	-	-	28,916,750
Share issue costs - cash	-	(2,005,376)	-	-	(2,005,376)
Share issue costs - non-cash	-	(641,100)	641,100	-	-
Exercise of stock options	369,125	436,995	-	-	436,995
Re-allocated on exercise of stock options	-	239,824	(239,824)	-	-
Re-allocated on cancellation of stock options	-	-	(55,702)	55,702	-
Exercise of warrants	1,421,490	4,256,023	-	-	4,256,023
Re-allocated on exercise of warrants	-	399,036	(399,036)	-	-
Share-based payments	-	-	3,857,494	-	3,857,494
Loss and comprehensive for the period	-	-	-	(8,860,832)	(8,860,832)
September 30, 2021	95,433,153	82,335,978	8,530,520	(35,367,108)	55,499,390

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 nine months ended September 30, 2021 and September 30, 2020

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. Effective June 8, 2021, the Company’s common shares commenced trading on the Toronto Stock Exchange (the “TSX”) under the symbol “NANO”. The Company’s common shares formerly traded 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 and progress towards commercialization. As of the date of these financial statements, the Company holds twenty (20) 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 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 September 30, 2021, the Company had working capital of \$54,043,265 (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.

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. Nonetheless, the Company has implemented prevention measures at its office and laboratory facilities including the facilitation of remote work programs. Overall, travel and other restrictions related to the COVID-19 pandemic have not had a significant impact on the Company’s operations and research efforts including staffing levels. The receipt of purchased equipment at times has been partially delayed due to the pandemic, and travel by executives and others has been limited, however, the Company continues to progress partnerships and research efforts without significant constraint.

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 September 30, 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 nine months ended September 30, 2021), and approximately \$241,000 (during the year ended December 31, 2020) from the Innovative Assistance Program (NRC-IRAP), both in relation to COVID-19 pandemic relief (Note 6).

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 which results in an increase in research expenses (recoveries), and a reduction to professional fees and salaries and benefits; and (ii) the inclusion of rent within general and administrative expenses.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES**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, 2021. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

During the nine months ended September 30, 2021, the Company expanded its significant accounting policy on "share-based payments" to include the following:

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

Upon settlement:

- a) If the Company elects to settle in cash, the cash payment is accounted for as the repurchase of an equity interest (i.e. as a deduction from equity), except as noted in (c) below.
- b) If the Company elects to settle by issuing common shares, the value of RSUs and DSUs initially recognized in reserves is reclassified to share capital, except as noted in (c) below.
- c) If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given (i.e. the difference between the cash paid and the fair value of common shares that would otherwise have been issued, or the difference between the fair value of the common shares and the amount of cash that would otherwise have been paid, whichever is applicable).

New accounting pronouncements

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2021. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

3. RECEIVABLES AND PREPAYMENTS, AND DEPOSITS

Receivables consist of the following:

	September 30, 2021	December 31, 2020
	\$	\$
Accrued Government assistance	-	4,986
Interest receivable	156	235
Prepaid expenses	83,172	41,950
Research cost recoveries	226,800	-
Sales tax recoverable	237,874	90,564
Subscriptions receivable	-	266,250
	548,002	403,985

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 nine months ended September 30, 2021, the Company recognized cost recoveries of \$79,379 (2020 - \$nil) in connection with this arrangement.

In May 2021, the Company entered into a Co-Development Agreement with CBMM, a niobium producer to co-develop niobium coated battery cathode materials with CBMM. During the nine months ended September 30, 2021, the Company recognized cost recoveries of \$226,800 in connection with this arrangement, which is included in receivables as at September 30, 2021, and was subsequently collected in full.

In aggregate, the Company recognized \$306,179 in research cost recoveries during the nine months ended September 30, 2021.

Deposits consist of the following:

	September 30, 2021	December 31, 2020
	\$	\$
Deposits on property and equipment	209,532	229,364
Security and other deposits	58,565	58,565
	268,097	287,929

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

4. PROPERTY AND EQUIPMENT

	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
Cost						
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
Accumulated depreciation						
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
Cost						
December 31, 2020	1,123,699	2,049,930	852,452	163,291	76,617	4,265,989
(1) Additions, net	363,653	24,527	205,300	49,993	204,057	847,530
September 30, 2021	1,487,352	2,074,457	1,057,752	213,284	280,674	5,113,519
Accumulated depreciation						
December 31, 2020	609,869	1,864,228	196,310	106,009	4,617	2,781,033
(2) Depreciation	204,214	81,463	124,398	25,112	44,477	479,664
September 30, 2021	814,083	1,945,691	320,708	131,121	49,094	3,260,697
Net book value						
December 31, 2020	513,830	185,702	656,142	57,282	72,000	1,484,956
September 30, 2021	673,269	128,766	737,044	82,163	231,580	1,852,822

- (1) Additions, net for the nine months ended September 30, 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 \$
Nine months ended September 30, 2021						
Deferred government assistance amortized	288,370	34,879	-	50,224	117,952	491,425
	Research and development equipment \$	Pilot plant \$	Right-of-use assets \$	Computer equipment and software \$	Leasehold improvements \$	Total \$
Year ended December 31, 2020						
Deferred government assistance amortized	689,715	252,969	-	32,752	227,168	1,202,604

- (2) Depreciation for the nine months ended September 30, 2021 and September 30, 2020 is allocated as follows:

	Depreciation expense \$	Research expenses, net \$	Total \$
September 30, 2020			
Research and development equipment	-	70,793	70,793
Pilot plant	-	49,899	49,899
Right-of-use assets	60,607	39,708	100,315
Corporate equipment and software	20,898	-	20,898
Leasehold improvements	-	11,190	11,190
	81,505	171,590	253,095
September 30, 2021			
Research and development equipment	-	204,214	204,214
Pilot plant	-	81,463	81,463
Right-of-use assets	61,502	62,896	124,398
Corporate equipment and software	25,112	-	25,112
Leasehold improvements	1,896	42,581	44,477
	88,510	391,154	479,664

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 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 September 30, 2021 including extensions
Burnaby, BC	Building	Corporate head office (main)	1.0 Years
Burnaby, BC	Building	Corporate head office (expansion)	2.7 Years
Burnaby, BC	Building	Laboratory and pilot plant	6.9 Years
Burnaby, BC	Building	Laboratory	6.9 Years

A reconciliation of the carrying amount of the lease liabilities as at September 30, 2021 and December 31, 2020 and changes during the period/year then ended is as follows:

	September 30, 2021 \$	December 31, 2020 \$
Lease liabilities		
Beginning of period/year	710,073	253,395
Additions	-	205,400
Lease extension	205,300	361,500
Lease payments	(137,369)	(137,594)
Lease interest (finance costs)	56,489	27,372
End of period/year	834,493	710,073
Current portion of lease liabilities	143,519	88,833
Non-current portion of lease liabilities	690,974	621,240
Maturity analysis - contractual undiscounted cash flows		
Less than one year	210,791	150,011
One to five years	608,894	476,866
More than five years	223,478	310,925
Total undiscounted lease liabilities	1,043,163	937,802

Short-term leases are leases with a lease term of twelve months or less. As at September 30, 2021, and December 31, 2020, the Company did not have any short-term leases. As at September 30, 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.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

5. INTANGIBLE ASSETS

Intangible assets include twenty (20) (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.

	Issued patents \$
<u>Cost</u>	
December 31, 2019 and December 31, 2020	25,514
<u>Accumulated amortization</u>	
December 31, 2019	1,235
Amortization	1,576
December 31, 2020	2,811
<u>Cost</u>	
December 31, 2020	25,514
Additions	4,893
September 30, 2021	30,407
<u>Accumulated amortization</u>	
December 31, 2020	2,811
Amortization	1,416
September 30, 2021	4,227
<u>Net book value</u>	
December 31, 2020	22,703
September 30, 2021	26,180

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

6. GOVERNMENT ASSISTANCE

The Company receives funding from the Government of Canada for its research activities through various programs. During the nine months ended September 30, 2021 and September 30, 2020 the following amounts were received:

	September 30, 2021	September 30, 2020
	\$	\$
Grant cash proceeds received:		
(1) Sustainable Development Technology Canada (SDTC)	1,915,359	3,055,202
(2) Innovation Assistance Program (IAP)	-	241,225
(2) Automotive Supplier's Innovation Program (ASIP)	-	217,446
(2) Industrial Research Assistance Program (NRC-IRAP)	16,932	164,167
(2) Other Grants	-	2,700
	1,932,291	3,680,740

- (1) See deferred government assistance below for allocation of SDTC for the nine months ended September 30, 2021.
(2) Proceeds are recorded within research expenses, net.

Deferred government assistance:

As at September 30, 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 September 30, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Deferred government assistance (SDTC Program #2)		
Beginning of period/year	821,256	676,373
Additions - receipt of SDTC grant proceeds	1,652,859	2,805,202
(1) Amortization	(1,867,770)	(2,660,319)
End of period/year	606,345	821,256

Effective May 31, 2021, the Company completed Milestone 2. As at September 30, 2021, the Company has received the Milestone 3 funds totalling \$1,652,859 representing the aggregate of SDTC and BC-ICE contributions.

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

	September 30, 2021	December 31, 2020
	\$	\$
Property and equipment (Note 4)	491,425	1,202,604
Professional fees, net	55,302	174,470
Salaries and benefits, net	183,492	151,461
Research expenses, net	1,137,551	1,131,784
	1,867,770	2,660,319

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 (\$5,944,376 received as of the date of these financial statements) which includes BC-ICE contributions (discussed below). 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 nine months ended September 30, 2021, respectively. In May 2020, the British Columbia Innovative Clean Energy (“BC-ICE”) fund confirmed it would contribute \$3,033,000 to the SDTC Program #2 (which is included in the \$8,545,500 discussed above). 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 nine months ended September 30, 2021, the Company received a total of \$1,915,359 (2020 - \$3,055,202) which includes \$262,500 in relation to COVID-19 pandemic relief as described above and \$1,652,859 in Milestone 3 funding between SDTC and BC-ICE in aggregate (2020 - \$2,802,202 in Milestone 2 funding between SDTC and BC-ICE in aggregate).

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

In aggregate, the Company received net proceeds form NRC-IRAP of \$16,932 (2020 - \$164,167) during the nine months ended September 30, 2021 as detailed below.

NRC-IRAP Program #5 (completed):

In 2018, the Company executed an agreement with NRC-IRAP which provided the Company with non-repayable contributions totalling \$325,255 over the course of the program, for the development of coatings for high durability lithium-ion battery cathodes. Under the terms of the agreement, NRC-IRAP reimbursed the Company for 80% of salaries paid to Company employees involved in this project. The NRC-IRAP Program #5 concluded in October 2020.

During the nine months ended September 30, 2021, the Company repaid \$3,408 to NRC-IRAP for an overclaim that occurred during the year ended December 31, 2020. Additionally, the Company reversed \$4,986 from government assistance income (within research expenses (recoveries) due to an over accrual during the year ended December 31, 2020.

Youth Internship Contribution Agreement

In May 2021, the Company entered into two Youth Internship Contribution Agreements with NRC-IRAP for up to an aggregate maximum reimbursement of \$72,000 of salaries through to January 31, 2022.

During the nine months ended September 30, 2021, the Company received \$20,340 from NRC-IRAP.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 non-repayable contributions totalling \$241,225 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.

The contributions of \$241,225 were received during the nine months ended September 30, 2020. 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 non-repayable contributions totalling \$1,950,952 in relation to the preparation, design, construction, optimization, and operation of its pilot plant. The ASIP program concluded in June 2020.

No amounts were received during the nine months ended September 30, 2021. During the nine months ended September 30, 2020, the Company received the final payment of \$217,446 in connection with this grant.

Other Grants:

During the nine months ended September 30, 2020, \$2,700 was received for training and employment grants.

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

	September 30, 2021	December 31, 2020
	\$	\$
Sustainable Development Technology Canada (SDTC)	8,025,672	6,110,313
Automotive Supplier's Innovation Program (ASIP)	1,950,952	1,950,952
Industrial Research Assistance Program (NRC-IRAP)	811,898	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
	11,208,467	9,276,176

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 nine months September 30, 2021:

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

An underwriters' cash commission totalling \$1,735,005 was paid upon closing of the offering, plus legal, filing and other fees of \$270,371. Additionally, the Company issued 324,999 finders' (underwriters') warrants exercisable at \$5.35 until April 1, 2022 having a fair value on issuance of \$641,100. These share issue costs were recorded as a reduction of share capital.

- b) Upon the exercise of stock options, 369,125 common shares were issued at prices between \$0.38 and \$2.81 per share, for proceeds of \$436,995. In addition, \$239,824 representing the fair value of the stock options granted and vested was re-allocated from reserves to share capital.
- c) Upon the exercise of warrants, 1,421,490 common shares were issued at prices between \$1.60 and \$3.55 per share, for proceeds of \$4,256,023. In addition, \$399,036 representing the fair value of certain of the warrants on initial issuance was re-allocated from reserves to share capital.

Transactions for the issuance of share capital during the nine months September 30, 2020:

- d) 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.

- e) Upon the exercise of stock options, 2,584,898 common shares were issued at prices between \$0.25 and \$1.57 per share, for proceeds of \$979,145. In addition, \$783,197 representing the fair value of the stock options granted and vested was re-allocated from reserves to share capital.
- f) Upon the exercise of warrants, 1,616,600 common shares were issued at \$1.60 per share, for proceeds of \$2,586,560. In addition, \$195,865 representing the fair value of certain of the warrants on initial issuance was re-allocated from reserves to share capital.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 September 30, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	Period ended September 30, 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	1,863,950	5.10	1,502,250	2.53
Exercised	(369,125)	1.18	(2,724,100)	0.42
Cancelled	(41,850)	2.84	(17,500)	1.25
Options outstanding, end of period/year	6,057,050	2.74	4,604,075	1.66

As at September 30, 2021, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
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
210,575	210,575	1.57	July 12, 2023
1,347,625	1,347,625	2.52	July 20, 2023
25,000	25,000	2.81	September 8, 2023
2,375,000	2,375,000	1.28	November 12, 2023
15,000	15,000	3.05	December 4, 2023
1,366,750	1,140,000	5.10	February 1, 2024
52,100	-	5.26	February 25, 2024
40,000	-	4.90	June 7, 2024
400,000	-	5.10	February 1, 2026
6,057,050	5,338,200		

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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

The following table summarizes the above information about the stock options outstanding as at September 30, 2021:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.70 - 1.57	2,810,575	2.0	1.29
2.52 - 3.05	1,387,625	1.8	2.53
4.90 - 5.26	1,858,850	2.8	5.10
	6,057,050	2.2	2.74

During the nine months ended September 30, 2021, the Company granted 1,863,950 (2020 – 1,487,250) stock options to Directors, Officers, employees, and consultants. The Company recorded the fair value of the stock 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:

	September 30, 2021
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	\$ 2.56

The total share-based payments expense for the nine months ended September 30, 2021 was \$3,857,494 (2020 - \$1,514,660), which is presented as an operating expense and represents stock options that vested during the period then ended, or an accrual for those that will vest during future fiscal quarters.

During the nine months ended September 30, 2021, 41,850 unvested stock options were cancelled upon certain employees leaving employment of the Company. As a result, the original share-based payments expense of \$55,702 (2020 - \$47,864) was reversed from reserves and credited to deficit.

During the nine months ended September 30, 2020, 77,500 stock options were cancelled upon termination of consulting contracts. As a result, the original share-based payments expense of \$47,864 was reversed from reserves and credited to deficit.

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 September 30, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	Period ended September 30, 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 - underwriters'/finders' warrants	324,299	5.35	890,372	2.13
Exercised	(1,421,490)	2.99	(3,396,494)	1.74
Expired	-	-	(33,000)	1.60
Warrants outstanding, end of period/year	4,464,137	2.58	5,561,328	2.52

As at September 30, 2021, the Company has warrants outstanding and exercisable as follows:

	Warrants #	Weighted average exercise price \$	Expiry Date	Weighted average remaining life (years)
	324,299	5.35	April 1, 2022	0.5
	31,316	2.72	October 29, 2022	1.1
(1)	1,602,350	3.55	October 29, 2022	1.1
(2)	2,429,379	1.60	February 21, 2023	1.4
	76,793	1.60	February 21, 2023	1.4
	4,464,137	2.58		1.2

(1) 1,750 of these warrants were exercised subsequent to September 30, 2021 (Note 13).

(2) 75,000 of these warrants were exercised subsequent to September 30, 2021 (Note 13).

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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):

	Transactions nine months ended September 30, 2021	Transactions nine months ended September 30, 2020	Balances outstanding September 30, 2021	Balances outstanding December 31, 2020
	\$	\$	\$	\$
Bedrock Capital	112,500	234,500	-	-
DBM CPA	93,175	65,000	8,400	7,875
Directors' fees	40,500	65,500	-	-
Management and Directors' fees	246,175	365,000	8,400	7,875
Officers - Salaries and benefits	954,675	703,750	-	2,696
Directors and Officers - Share-based payments	3,381,321	1,339,100	-	-
Patent Filing Specialists	119,029	99,128	17,895	38,753
	4,701,200	2,506,978	26,295	49,324

(a) Management and Directors' fees:

- Includes the services of Bedrock Capital Corp. ("Bedrock Capital") a company controlled by Paul Matysek the Chairman and a Director of the Company;
- Includes the services of Donaldson Brohman Martin, CPA Inc. ("DBM CPA"), a firm in which Dan Martino, CFO is a principal; and
- Includes Directors' fees paid to two of the Company's Directors (Joseph Guy, \$20,250 (2020 - \$32,750)) and (Lyle Brown, \$20,250 (2020 - \$32,750)).

(b) Professional fees:

- Includes the services of Patent Filing Specialists Inc. ("Patent Filing Specialists"), a company controlled by Joseph Guy, a Company Director. Transactions incurred during the nine months ended September 30, 2021 are included within both intangible assets and professional fees (2020 – professional fees only).

(c) Salaries and benefits (including allocations to research expenses (recoveries):

- Includes salaries and short-term variable cash-based compensation incentives paid to Dan Blondal, CEO (\$330,925 (2020 - \$312,500)), Stephen Campbell, CTO (\$202,500 (2020 - \$135,000)), John Lando, President (\$245,000 (2020 - \$256,250)), and Alex Holmes, COO (\$176,250 (2020 - \$nil)). Expense reimbursements outstanding as at December 31, 2020 related to Dan Blondal.

(d) Share-based payments:

- Includes amounts recognized on vesting of stock options granted to Directors and Officers. During the nine months ended September 30, 2021, 1,540,000 stock options were granted to Directors and Officers which are exercisable at \$5.10 each. 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. During the nine months ended September 30, 2020, 1,140,000 stock options were granted to Directors and Officers exercisable at \$2.52 each until July 20, 2023.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

9. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash investing and financing activities during the nine months ended September 30, 2021 and September 30, 2020 as follows:

	September 30, 2021 \$	September 30, 2020 \$
Non-cash investing activities:		
Property and equipment included in accounts payable and accrued liabilities	48,680	104,189
Deposits on property and equipment in accounts payable and accrued liabilities	35,347	-
Non-cash financing activities:		
Lease extension on right-of-use asset (Note 4)	205,300	-
Addition of right-of-use asset	-	294,800
Fair value of finders' warrants issued	641,100	281,300

During the nine months ended September 30, 2021 and September 30, 2020, no amounts were paid for interest or income taxes.

10. MANAGEMENT OF CAPITAL

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

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the nine months ended September 30, 2021.

The Company currently has no source of revenues, though it receives funding from government programs (Note 6), and certain research cost recoveries from strategic partners. Additionally, the Company has historically relied upon 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.

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

As at September 30, 2021, the Company had excess capital invested in HISAs which are accessible on demand and did not have any GIC or other short-term investment holdings. The primary source of interest income earned during the period then ended was from HISAs.

Nano One Materials Corp.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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

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.

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.

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

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 (HISAs), and a deposit held as collateral with a Canadian chartered bank on the Company's corporate credit cards. For the nine months ended September 30, 2021, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately \$302,000 (2020 – \$48,000).

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 September 30, 2021, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the September 30, 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).

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

Unaudited – Prepared by Management

For the nine months ended September 30, 2021 and September 30, 2020

13. SUBSEQUENT EVENTS

- (a) The Company granted 40,000 stock options to a new employee of the Company with an exercise price of \$3.62 until October 5, 2024 and vesting over 18 months through to April 5, 2023.
- (b) The Company issued 76,750 common shares upon the exercise of warrants between \$1.60 and \$3.55 each for proceeds of \$126,213.
- (c) In October 2021, at its Annual and Special Meeting of Shareholders, the Company received shareholder approval of its Omnibus Equity Incentive Plan (the "Equity Plan"). Accordingly, the Company granted 184,505 RSUs and 8,626 DSUs to various Officers and Directors of the Company, whereby one-third (64,377) of the RSUs and DSUs vest on August 27, 2022, one-third (64,377) vest on August 27, 2023, and the remaining one-third (64,377) vest on August 27, 2024. The value of the restricted share units is based on the fair value of the of the Company's common shares on the date of grant, which is the date which shareholder approval was obtained, on October 14, 2021.

The Company grants RSUs to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors at its discretion. At the election of the Board of Directors, upon each vesting date, participants receive (a) Common Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).