Nano One Materials Corp.

Condensed Interim Consolidated Financial Statements

For the six months ended

June 30, 2025

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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

The accompanying condensed interim consolidated financial statements of Nano One Materials Corp. (“the Company”) as at and for the six months ended June 30, 2025, 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 consolidated 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 condensed interim financial statements by an entity’s auditor.

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

As at June 30, 2025 and December 31, 2024

	Note	**June 30, 2025 $**	December 31, 2024 $
Assets			
Current assets			
Cash and cash equivalents	13	23,043,584	7,160,529
Receivables and prepayments	3	3,355,274	1,354,360
Inventory	4	610,831	338,252
		27,009,689	8,853,141
Non-current assets			
Deposits and other assets	3	1,048,269	415,057
Loan receivable	5	2,026,740	-
Property, plant and equipment	6	14,617,418	16,349,166
Intangible assets - patents	7	55,069	49,897
		17,747,496	16,814,120
Total assets		**44,757,185**	25,667,261
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	2,975,574	2,894,482
Deferred liabilities	8	500,000	-
Financial liability - current portion	6	38,840	-
Lease liabilities - current portion	6	649,253	449,885
		4,163,667	3,344,367
Non-current liabilities			
Financial liability	6	86,173	-
Lease liabilities	6	14,206,098	894,261
Government loan	9	3,080,895	-
		17,373,166	894,261
Total liabilities		**21,536,833**	4,238,628
Shareholders' equity			
Share capital	10	125,791,138	125,582,347
Reserves	10	7,418,848	5,738,196
Deficit		(109,989,634)	(109,891,910)
Total shareholders' equity		**23,220,352**	21,428,633
Total liabilities and shareholders' equity		**44,757,185**	25,667,261
Nature of operations and going concern	1		
Subsequent event	10		

Approved on behalf of the Board of Directors on August 12, 2025:

"Carla Matheson"	*"Anthony Tse"*
Director	**Director**

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

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2025 and June 30, 2024

		Three months ended		Six months ended	
	Note	**June 30, 2025 $**	June 30, 2024 $	**June 30, 2025 $**	June 30, 2024 $
Expenses					
Amortization	7	1,217	909	2,213	1,727
Business development and investor relations		118,142	237,878	219,151	335,896
Depreciation	6	58,382	67,909	118,601	134,054
Finance costs	16	558,799	47,838	725,972	98,036
General and administrative expenses		748,226	644,861	1,351,742	1,338,483
Professional and consulting	11	332,111	604,601	756,125	1,187,196
Research and operational expenses, net		1,702,190	2,446,718	3,415,206	5,066,812
Share-based payments	10,11	538,263	403,093	1,912,317	1,668,806
Wages, benefits and fees, net	11	4,274,403	4,164,090	7,898,990	9,175,894
Loss from operating expenses		**(8,331,733)**	(8,617,897)	**(16,400,317)**	(19,006,904)
Gain (loss) on disposal of property, plant and equipment	16	18,470	-	1,324,247	(25,603)
Government grants and other income	16	5,602,418	34,006	14,999,468	76,989
Interest income		43,631	214,111	82,308	559,748
Other expenses	16	(126,304)	-	(126,304)	-
Loss and comprehensive loss for the period		**(2,793,518)**	(8,369,780)	**(120,598)**	(18,395,770)
Loss per share					
Weighted average number of common shares outstanding					
- basic		**111,492,838**	111,288,901	**111,459,161**	111,277,718
- diluted		**111,492,838**	111,288,901	**111,459,161**	111,277,718
Basic loss per common share		**(0.03)**	(0.08)	**(0.00)**	(0.17)
Diluted loss per common share		**(0.03)**	(0.08)	**(0.00)**	(0.17)

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

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2025 and June 30, 2024

	Note	**June 30, 2025 $**	June 30, 2024 $
Operating activities			
Loss for the period		(120,598)	(18,395,770)
Adjustments for:			
Amortization	7	2,213	1,727
Depreciation	6	956,141	746,518
Finance costs		725,972	98,036
Foreign exchange on financial liability	6	366	-
Government grant (below-market interest rate benefit)	16	(4,717,758)	-
Share-based payments		1,912,317	1,668,806
Interest income		(82,308)	(559,748)
(Gain) loss on disposal of property, plant and equipment	16	(1,305,544)	25,603
Net change in non-cash working capital items	13	(1,700,603)	822,720
		(4,329,802)	(15,592,108)
Investing activities			
Interest income		82,308	559,748
Deposits		(1,200)	-
Disposals of property, plant and equipment	16	18,703	-
Purchases of property, plant and equipment, net		(341,270)	(1,425,184)
Proceeds from sale and leaseback, net	6	13,699,122	-
Payments for intangible assets	7	(7,385)	(6,959)
		13,450,278	(872,395)
Financing activities			
Payments of financial liability	6	(4,120)	-
Payments of lease liabilities	6	(736,614)	(261,536)
Proceeds from government loan	9	7,503,313	-
		6,762,579	(261,536)
Change in cash and cash equivalents		**15,883,055**	(16,726,039)
Cash and cash equivalents, beginning of period		**7,160,529**	31,868,882
Cash and cash equivalents, end of period		**23,043,584**	15,142,843
Supplemental cash flow information	13		

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

(Expressed in Canadian Dollars)

For the six months ended June 30, 2025 and June 30, 2024

	Number of common shares	Share capital $	Reserves $	Deficit $	Total $
December 31, 2023	111,266,777	125,042,258	7,171,841	(84,727,443)	47,486,656
Exercise of RSUs	25,205	78,515	(78,515)	-	-
Re-allocated on cancellation/expiry of stock options	-	-	(3,474,381)	3,474,381	-
Re-allocated on cancellation of RSUs	-	-	(13,367)	13,367	-
Share-based payments	-	-	1,668,806	-	1,668,806
Loss and comprehensive loss for the period	-	-	-	(18,395,770)	(18,395,770)
June 30, 2024	111,291,982	125,120,773	5,274,384	(99,635,465)	30,759,692
December 31, 2024	111,411,022	125,582,347	5,738,196	(109,891,910)	21,428,633
Exercise of RSUs	85,129	208,791	(208,791)	-	-
Re-allocated on cancellation of stock options	-	-	(11,299)	11,299	-
Re-allocated on cancellation of RSUs	-	-	(11,575)	11,575	-
Share-based payments	-	-	1,912,317	-	1,912,317
Loss and comprehensive loss for the period	-	-	-	(120,598)	(120,598)
June 30, 2025	**111,496,151**	**125,791,138**	**7,418,848**	**(109,989,634)**	**23,220,352**

1. NATURE OF OPERATIONS AND GOING CONCERN

Nano One® Materials Corp. (the "Company") was incorporated under the laws of the Province of Alberta on November 5, 1987 and continued under the laws of the Province of British Columbia. The Company's head office is located at Unit 101B - 8575 Government Street, Burnaby, BC, V3N 4V1, Canada. Its records office is located at Suite 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3, Canada. The Company's common shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "NANO" and commenced trading on the U.S. OTCQB under the symbol "NNOMF" on July 14, 2025.

The Company has patented (Note 7) and scaled-up an innovative "One-Pot™ process" for the production of cathode active materials (CAM) for lithium-ion battery applications in electric vehicles, energy storage systems, and consumer electronics.

These condensed interim consolidated financial statements (the "financial statements") have been prepared on a going concern basis which contemplates that the Company will be able to continue its operations for at least twelve months from June 30, 2025, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of June 30, 2025, the Company had cash and cash equivalents of $23,043,584 (December 31, 2024 - $7,160,529) and working capital of $22,846,022 (December 31, 2024 - $5,508,774), which is calculated as current assets minus current liabilities. For the six months ended June 30, 2025, the Company used cash in operating activities of $4,329,802 (2024 - $15,592,108).

The Company has not historically generated revenue. The Company's operations to date have been financed by the issuance of common shares, government grants and loans, and disposals of property, plant and equipment including amongst other disposals the sale of land (September 2024), and the sale and leaseback of land and building (February 2025). The continuing operations of the Company are dependent upon its ability to continue receiving grants and loans from contracted and future government programs, raise financing from capital markets, maintain sufficient working capital, and generate future revenue and operating cash flows from licensing its technology and/or production by executing customer offtakes. As at June 30, 2025, management has assessed that the Company will sufficiently be able to cover operating and non-discretionary expenditures over the next twelve months from June 30, 2025.

These financial statements do not give effect to any adjustments to the carrying values of the assets and liabilities, the reported expenses, and the statements of financial position classifications used that would be necessary should the Company be unable to continue as going concern. Such adjustments could be material.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policy information as detailed in the Company's audited annual consolidated financial statements for the year ended December 31, 2024, and do not include all the information required for full annual financial statements in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). It is suggested that these financial statements be read in conjunction with the audited annual consolidated financial statements.

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

Functional and presentation currency

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

Principles of consolidation

These financial statements include the financial information of the Company and its subsidiaries. The financial statements include the following entities:

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Principles of consolidation (continued)

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. Inter-company balances and transactions, and any unrealized profit or loss and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

Material accounting policies

Except as described below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent audited annual consolidated financial statements and are those the Company expects to adopt in its audited annual consolidated financial statements for the year ended December 31, 2025.

The Company has added the following to its material accounting policies:

Sale and leaseback

The Company accounts for sale and leaseback transactions in accordance with IFRS 16 *Leases* ("IFRS 16"). If the transfer of the asset or group of assets qualify as a sale under IFRS 15 *Contracts with Customers* ("IFRS 15"), the Company derecognizes the asset or group of assets and recognizes a right-of-use (ROU) asset and a lease liability. The ROU asset is measured at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. Any gain or loss is limited to the rights transferred to the buyer-lessor and is recognized in profit or loss during the period in which the sale occurred.

The following material accounting policy is integral to these financial statements:

Government assistance

Government grants

Government assistance from grant programs ("grants") are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants are recognized upon the receipt of funds and accounted for based on the nature and conditions attached to the specific grant amount, as follows:

- Amounts relating to expenditures planned for future periods (advance payments) are recognized within deferred liabilities on the statement of financial position and subsequently deducted against either the related expense or the related asset, as incurred, to match the amount on a systematic basis to the costs that it is intended to compensate, when received.
- Amounts relating to reimbursements of expenses or asset costs incurred in prior periods are recorded as government grants and other income when received.
- Amounts specific to reimbursements for wages or other, are accrued and/or recognized as a deduction against the applicable accounts within operating expenses when received.

Refundable tax credits

Government assistance in the form of refundable tax credits due from the Government of Canada or Revenu Québec relating to reimbursements of costs incurred in prior fiscal periods are accrued and recorded as government grants and other income upon filing of the Company's annual corporate income tax return and related schedules.

Material accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and reported amounts of profit or loss and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Except as described below, the information about significant areas of estimation uncertainty considered by management in preparing these financial statements are consistent with those of the most recent audited annual consolidated financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting estimates and judgments (continued)

Determination of the sale requirements being met under a sale and leaseback transaction

The Company assesses whether the transfer of its assets under a sale and leaseback transaction should be accounted for as a sale of those assets, applying relevant guidance of IFRS 16 and IFRS 15. This involves the determination of when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset has occurred. The Company distinguishes the right to control an asset (as conveyed in a lease agreement subsequent to a sale and leaseback transaction) from the transfer of control of an asset, and considers any rights to repurchase the assets, the lease term in relation to the economic life of the assets, the transfer of physical possession (legal title), and the ability to obtain substantially all the remaining benefits from the asset amongst other applicable factors specific to the transaction.

The Company has made the judgment that the requirements for a sale under IFRS 15 were met in relation to the sale and leaseback transaction involving its land and building (Note 6).

New accounting policies

Certain pronouncements have been issued by the IASB that were effective for the Company's accounting period beginning on January 1, 2025. The adoption of these standards has not had a material impact on disclosures or amounts reported in these financial statements.

Standards issued but not yet effective

In June 2023, the International Sustainability Standards Board ("ISSB") issued the following IFRS Sustainability Disclosure Standards: *General Requirements for Disclosure of Sustainability-related Information* ("IFRS S1"); and *Climate-related Disclosure* ("IFRS S2"), which are effective for accounting periods beginning on or after January 1, 2024 but are not currently mandated in Canada. IFRS S1 sets out general reporting requirements for disclosing sustainability-related financial information. IFRS S2 requires an entity to disclose information about climate-related risks and opportunities and the impact on an entity's financial position, performance, cash flows, strategy, and business model.

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

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

(Expressed in Canadian Dollars)

3. RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	June 30, 2025 $	December 31, 2024 $
Accrued government assistance (Note 12)	-	59,805
Accrued refundable tax credits (Note 12,16)	1,848,285	-
Prepaid expenses	1,135,031	951,866
Sales tax recoverable and other	371,958	342,689
	3,355,274	1,354,360

Deposits and other assets

Deposits and other assets consist of the following:

	June 30, 2025 $	December 31, 2024 $
Spare parts and deposits on property, plant and equipment	218,391	222,484
Security and other deposits	829,878	192,573
	1,048,269	415,057

4. INVENTORY

Inventory is comprised of the following:

	June 30, 2025 $	December 31, 2024 $
Raw materials	402,860	317,299
Packaging	194,315	6,663
Inventory - work in progress	13,656	14,290
	610,831	338,252

5. LOAN RECEIVABLE

Pursuant to the sale and leaseback transaction which closed on February 28, 2025 (Note 6), $2,000,000 of the consideration received was in the form of a loan (deferred payment) to the Purchaser which bears interest at 4% per annum and is due $1,000,000 plus interest in February 2028, and $1,000,000 plus interest in February 2031. The loan is secured by an immovable hypothec.

A reconciliation of the carrying amount of the loan receivable as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	June 30, 2025 $	December 31, 2024 $
Beginning of period/year	-	-
Issuance	2,000,000	-
Accrued interest receivable	26,740	-
End of period/year	**2,026,740**	-

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Production and research equipment	Building[(1)]	Land[(1)]	Right-of-use assets	Leasehold improvements	Information technology equipment	Total
	$	$	$	$	$	$	$
Cost							
December 31, 2023	10,112,282	4,874,961	3,263,658	2,425,890	844,327	607,137	22,128,255
Additions, net	912,878	-	-	-	152,211	27,011	1,092,100
Disposal	(41,064)	-	(1,259,127)	-	-	-	(1,300,191)
December 31, 2024	10,984,096	4,874,961	2,004,531	2,425,890	996,538	634,148	21,920,164
Accumulated depreciation							
December 31, 2023	1,985,942	226,416	-	905,971	311,049	336,622	3,766,000
Depreciation	720,851	194,998	-	457,806	338,113	96,284	1,808,052
Disposal	(3,054)	-	-	-	-	-	(3,054)
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
Cost							
December 31, 2024	10,984,096	4,874,961	2,004,531	2,425,890	996,538	634,148	21,920,164
Additions, net	338,584	-	-	5,260,207	97,007	-	5,695,798
Disposals	(39,792)	(4,874,961)	(2,004,531)	-	-	-	(6,919,284)
June 30, 2025	**11,282,888**	**-**	**-**	**7,686,097**	**1,093,545**	**634,148**	**20,696,678**
Accumulated depreciation							
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
(2) Depreciation	397,598	16,250	-	345,815	157,576	38,902	956,141
Disposals	(10,215)	(437,664)	-	-	-	-	(447,879)
June 30, 2025	**3,091,122**	**-**	**-**	**1,709,592**	**806,738**	**471,808**	**6,079,260**
Net book value							
December 31, 2024	8,280,357	4,453,547	2,004,531	1,062,113	347,376	201,242	16,349,166
June 30, 2025	**8,191,766**	**-**	**-**	**5,976,505**	**286,807**	**162,340**	**14,617,418**

(1) On February 28, 2025, the Company closed on a sale and leaseback of the land and building.

(2) Depreciation for the six months ended June 30, 2025 and June 30, 2024, is allocated as follows:

	Depreciation expense	Research and operational expenses, net	Total
	$	$	$
Production and research equipment	-	343,358	343,358
Building	-	97,499	97,499
Right-of-use assets	71,908	156,995	228,903
Leasehold improvements	16,441	14,612	31,053
Information technology equipment	45,705	-	45,705
June 30, 2024	134,054	612,464	746,518
Production and research equipment	-	397,598	397,598
Building	-	16,250	16,250
Right-of-use assets	71,927	273,888	345,815
Leasehold improvements	7,772	149,804	157,576
Information technology equipment	38,902	-	38,902
June 30, 2025	**118,601**	**837,540**	**956,141**

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Sale of land

On September 12, 2024, the Company completed the sale of a vacant parcel of its land in Candiac for $5,000,000 in gross proceeds ($4,834,550, net). At the time of sale, the net book value of the land was $1,259,127 resulting in a gain on disposal of $3,575,423 after incurring commission and closing costs during the year ended December 31, 2024.

Sale and leaseback of land and building

On February 28, 2025, the Company closed a transaction to sell and lease back its land and building at the Candiac Facility to Candiac Industrial Properties (I) L.P. ("Purchaser") for gross consideration of $17,000,000 ($15,000,000 in cash, and a $2,000,000 loan receivable (Note 5)). Terms also included consideration of $3,000,000 as a reserve pursuant to a capital investment agreement to fund potential capital improvements. The reserve was released to the Purchaser during the six months ended June 30, 2025, as the Purchaser determined that no capital improvements were required.

Net cash proceeds totaled $13,699,122 as follows:

- $15,000,000 cash; less
- $636,105 six month security deposit (included within security and other deposits in Note 3); less
- $664,773 closing costs.

Additionally, the Company entered into a lease agreement for the Property for an initial term of 15 years commencing on March 1, 2025, with three optional 5-year renewal periods. In addition, the Company has the right of first offer should the Purchaser decide to sell in the future. Basic rent for the first year of the lease to February 28, 2026, is $106,017 per month ($1,272,204 for the year).

A significant judgment was made by management (Note 2) whereby management determined that the sale and leaseback transaction met the requirements for a sale under IFRS 16 and IFRS 15 as it was determined that the criteria for the transfer of control of the assets to the Purchaser were met. This resulted in the recognition of a lease liability, a partial derecognition of the underlying assets representing the rights transferred to the Purchaser, the recognition of a right of use asset, and a gain on disposal.

Right-of-use assets and lease liabilities

The Company has agreements to lease certain facilities. The Company has determined that its lease contracts are leases as defined under IFRS 16. In analyzing the identified contracts, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities have been calculated at initial recognition with a discount rate ranging between 8% to 12%.

The Company has identified the following leases:

Location	Asset	Type	Terms of leases as at June 30, 2025 (years)
Burnaby, BC	Four (4) Buildings	Research and innovation offices and facilities	0.3 to 3.2
Candiac, QC	Building and Land	Demonstration and pre-commercialization facility and offices	14.6

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2025 and December 31, 2024, the Company did not have any short-term leases. As at June 30, 2025, there were no leases with residual value guarantees.

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

A reconciliation of the carrying amount of the lease liabilities as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

Lease liabilities	June 30, 2025 $	December 31, 2024 $
Beginning of period/year	1,344,146	1,718,386
Additions	13,818,253	-
Lease payments	(736,614)	(559,687)
Lease interest (finance costs) (Note 16)	429,566	185,447
End of period/year	**14,855,351**	1,344,146
Current portion of lease liabilities	**649,253**	**449,885**
Non-current portion of lease liabilities	**14,206,098**	**894,261**
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,818,834	588,279
One to five years	6,549,245	1,053,089
More than five years	16,908,256	-
Total undiscounted lease liabilities	**25,276,335**	1,641,368

Financial liability

During the six months ended June 30, 2025, the Company partially financed an equipment purchase which resulted in the recognition of a financial liability. A reconciliation of the carrying amount of the financial liability as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

Financial liability	June 30, 2025 $	December 31, 2024 $
Beginning of period/year	-	-
Additions	127,701	-
Payments	(4,120)	-
Interest expense (Note 16)	1,066	-
Foreign exchange	366	
End of period/year	**125,013**	-
Current portion of financial liability	**38,840**	**-**
Non-current portion of financial liability	**86,173**	**-**

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS - PATENTS

As at June 30, 2025, intangible assets included various patents that were approved for issuance, or have issued, associated with the Company's technology. These patents were issued by various jurisdictions including Canada, China, India, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between ten (10) to nineteen (19) years from the patent issuance date.

The amount capitalized as intangible assets represents only the patent issue costs. Application, renewal, and other costs are expensed to professional and consulting, as incurred. The Company has other pending patent applications in which all associated costs have been expensed.

	Issued patents $
Cost	
December 31, 2023	48,015
Additions	15,981
December 31, 2024	63,996
Accumulated amortization	
December 31, 2023	10,116
Amortization	3,983
December 31, 2024	14,099
Cost	
December 31, 2024	63,996
Additions	7,385
June 30, 2025	**71,381**
Accumulated amortization	
December 31, 2024	14,099
Amortization	2,213
June 30, 2025	**16,312**
Net book value	
December 31, 2024	49,897
June 30, 2025	**55,069**

8. DEFERRED LIABILITIES

As at June 30, 2025, deferred liabilities included amounts received from the Technoclimat grant (Note 12) relating to expenditures planned for future periods which will be subsequently deducted against the related costs as incurred.

A reconciliation of the carrying amount of deferred liabilities as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended are as follows:

	June 30, 2025 $	December 31, 2024 $
Beginning of period/year	-	-
Additions - proceeds received (Technoclimat)	500,000	-
End of period/year	**500,000**	-

(Expressed in Canadian Dollars)

9. GOVERNMENT LOAN

On December 11, 2024, Nano Candiac executed an interest-free loan agreement (the "Loan") with Investissement Québec ("IQ") for funding up to $15,000,000, based on the terms and conditions of the Loan. The Loan is available solely for the purpose of converting the Company's Candiac Facility to reach a production capacity of between 1,000 and 2,000 tonnes per year (tpa) of lithium-iron-phosphate (LFP) cathode active materials (CAM) using its One-Pot process (the "Project"). The Project includes adding and modifying equipment, testing the facility, expanding capacity, developing a commercial product, and maintaining operations and employees at the Candiac plant. The Project time period is from January 1, 2023, to December 31, 2026.

Repayment terms:

A portion of the Loan, up to a maximum amount equal to the lesser of (i) $10,000,000, and (ii) 66.67% of the amount disbursed, may be forgivable provided that the conditions of forgiveness set for the Loan are met to IQ's full satisfaction. Loan forgiveness is contingent on completing the Project and constructing a One-Pot Commercial Plant in Québec (alone or through a joint venture), which must reach at least 75% of its production capacity (based on a 25,000 tpa maximum). If no such plant is built in Québec and one is instead built outside the province, all amounts disbursed will become immediately payable, plus 10% interest from the first disbursement date.

Nano Candiac will benefit from a moratorium of five years (60 months) from March 17, 2025, (the date of the first Loan disbursement) before it must pay the non-forgivable capital on the Loan totaling $5,000,000 commencing in March 2030. At the end of the moratorium period, the capital on the Loan is due to be repaid in 60 monthly and consecutive payments for a total of $5,000,000 (approximately $83,333 each).

Default, interest and security:

In the event of any default by the Company as defined within the agreement, any amount owing by the Company to IQ will bear interest at Prime plus 5.00% (9.95% as at June 30, 2025) from the date of the first disbursement of the loan (March 17, 2025) up to and including the date on which the amount owing to IQ is repaid in full. The Company has accrued interest expense (within finance costs in addition to accretion expense) of $214,769 (Note 16) in relation to this default provision during the six months ended June 30, 2025. The accrual is on the basis that until such time the Company executes a definitive agreement to construct a One-Pot Commercial Plant in Québec (see specifics above) the loan is repayable in full.

In order for Nano Candiac to secure its present and future obligations to IQ, it has granted IQ security interests (hypothec) on certain of its present and future tangible and intangible assets as well as a solidary guarantee from the Company. Certain prepayment provisions also apply to the Loan.

A reconciliation of the carrying amount of the government loan as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended are as follows:

	June 30, 2025 $	December 31, 2024 $
Beginning of period/year	-	-
Additions - proceeds received	7,503,313	-
Below-market interest rate benefit (government grant) (Note 16)	(4,717,758)	-
Finance costs - interest and accretion (Note 16)	295,340	-
End of period/year	**3,080,895**	-

The below-market interest rate benefit was calculated based the face value of the loan ($7,503,313) using a discount rate of 9.95% (representing prime plus 5.00% as stated within the agreement). The interest rate benefit is accounted for as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* and was recognized within government grant as the funds received were reimbursements of costs incurred in prior fiscal periods (2023 and 2024).

10. SHARE CAPITAL AND RESERVES

The authorized share capital of the Company consists of unlimited common shares without par value. All issued common shares are fully paid.

Share capital

Transactions for the issuance of share capital during the six months ended June 30, 2025:

(a) Upon the exercise of RSUs, a total of 85,129 common shares were issued for $nil proceeds. Additionally, $208,791 representing the fair value initially recognized, was re-allocated from reserves to share capital.

Transactions for the issuance of share capital during the six months ended June 30, 2024:

(b) Upon the exercise of RSUs, 25,205 common shares were issued for $nil proceeds. In addition, $78,515 representing the fair value initially recognized, was re-allocated from reserves to share capital.

Reserves

The Company has an Omnibus Equity Incentive Plan which was approved by shareholders in 2021 (the “Equity Plan”). The Equity Plan provides for the grant of stock options, restricted share units (“RSUs”), deferred share units (“DSUs”), performance share units (“PSUs”) and other share-based awards subject to TSX approval. Under the Equity Plan, the maximum number of equity-based awards issued cannot exceed 10% of the Company’s currently issued and outstanding common shares. Additionally, RSUs are required to be settled by December 31 in the third year following the year of grant (“Expiry date”), whereas DSUs are settled once the recipient retires or departs.

The total share-based payments expense for the six months ended June 30, 2025, was $1,912,317 (2024 - $1,668,806), of which $1,065,888 (2024 – $1,042,441) was attributable to stock options, $624,938 (2024 – $626,365) to RSUs, and $221,491 (2024 – $nil) to PSUs for vesting during the period then ended.

<u>Stock options</u>

In accordance with the Equity Plan, the exercise price of each stock option shall not be less than the market price of the Company's common shares as calculated at the close of the trading session on the date immediately prior to the date of grant. Stock options can be granted for a maximum term of ten years, and vest at the discretion of the Board of Directors. Stock options outstanding under the Company’s former stock option plan are governed by the Equity Plan unless the former stock option plan is more beneficial, in which case the terms of the stock option plan will apply for the benefit of the option holder. The Company’s Equity Plan permits the holder of stock options to exercise cashless (net exercise) by surrendering a portion of the underlying stock option shares to pay for the exercise cost.

<u>RSUs, DSUs, PSUs (collectively, “Share Units”)</u>

In accordance with the Equity Plan, Share Units are granted to directors, officers, employees, and consultants as part of long-term incentive compensation. The number of Equity Incentives awarded, and underlying vesting conditions are determined by the Company. Additionally, at the Company’s sole discretion, upon each vesting date participants receive (a) common shares equal to the number of Equity Incentives that vested; (b) a cash payment equal to the number of vested Equity Incentives multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).

On the grant date of Share Units, 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 Share Units are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the Company has a past practice or a stated policy of settling in cash or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, Share Units are accounted for as equity settled share-based payments and are valued using the share price of the common shares on the grant date.

Since the Company controls the settlement, the Share Units outstanding are considered equity settled. Additionally, upon vesting of RSUs and PSUs, the Company has a commitment to settle vested RSUs and PSUs in the form of issuing common shares to the holders in equity settled arrangements.

Pursuant to the underlying agreements, all Share Units granted to the date of approval of these financial statements are expected to be equity settled in the form of common shares.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Warrants

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

There were no warrants issued and outstanding as at June 30, 2025 and December 31, 2024.

Stock options

A summary of the status of the Company's stock options as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended June 30, 2025		Year ended December 31, 2024	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of period/year	1,890,878	2.96	2,688,565	4.48
Granted	2,379,977	0.78	943,948	1.92
Forfeited/cancelled	(7,327)	3.16	(1,741,635)	4.74
Options outstanding, end of period/year	**4,263,528**	**1.74**	1,890,878	2.96

As at June 30, 2025, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
400,000	400,000	5.10	February 1, 2026
121,319	121,319	2.88	February 4, 2027
9,100	9,100	2.88	June 13, 2027
409,184	272,789	3.28	March 17, 2028
200,000	66,667	1.94	January 19, 2029
743,948	581,316	1.91	January 23, 2031
797,233	797,233	0.79	January 23, 2032
818,511	-	0.79	January 23, 2032
277,483	277,483	0.79	January 23, 2032
300,000	300,000	0.79	January 23, 2032
125,000	-	0.70	May 13, 2028
61,750	-	0.70	May 13, 2032
4,263,528	**2,825,907**	**1.74**	

The following table summarizes the above information about the stock options outstanding as at June 30, 2025:

Exercise prices $	Options #	Weighted average remaining life (years)	Weighted average exercise price $
0.70 - 0.79	2,379,977	6.4	0.78
1.91 - 2.88	1,074,367	4.7	2.03
3.28	409,184	2.7	3.28
5.10	400,000	0.6	5.10
	4,263,528	**5.1**	**1.74**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company recorded the fair value of the stock options granted during the six months ended June 30, 2025 and June 30, 2024, 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, 2025	June 30, 2024
Risk-free interest rate	3.2%	3.5%
Expected life of stock options (years)	6.8	6.6
Historical volatility	75.1%	74.0%
Dividend rate	0.0%	0.0%
Weighted average fair value per stock option granted	$ 0.55	$ 1.33

During the six months ended June 30, 2025, 7,327 stock options were forfeited/cancelled upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of $11,299 was reversed from reserves and credited to deficit.

During the year ended December 31, 2024, 1,741,635 stock options were forfeited/cancelled upon certain individuals leaving employment of the Company or expired unexercised. As a result, the original share-based payments expense of $3,986,513 was reversed from reserves and credited to deficit.

RSUs and DSUs

A summary of the status of the Company's RSUs and DSUs as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended June 30, 2025	Year ended December 31, 2024
	RSUs and DSUs #	RSUs and DSUs #
RSUs/DSUs outstanding, beginning of period/year	1,888,436	667,774
Granted - RSUs	1,284,753	972,038
Granted - DSUs	-	466,632
Exercised	(85,129)	(144,245)
Cancelled	(55,741)	(73,763)
RSUs/DSUs outstanding, end of period/year	**3,032,319**	1,888,436

The value of the RSUs granted during the six months ended June 30, 2025, was based on the closing market price of the Company's common shares on the date preceding the date of grant which was a fair value of $0.79 each for a total value of $1,014,954. The expense is recognized within share-based payment expense over the vesting periods.

The value of the Equity Incentives granted during the year ended December 31, 2024, was based on the closing market price of the Company's common shares on the date preceding the date of grant which was a fair value of $1.49 each for a total value of $2,140,746. The expense is recognized within share-based payment expense over the vesting periods.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

RSUs and DSUs (continued)

As at June 30, 2025, the Company has RSUs and DSUs outstanding as follows:

	RSUs outstanding #	RSUs exercisable #	DSUs outstanding #	Weighted average grant date fair value per RSU/DSU	Final vesting date	Expiry date
	-	-	8,626	4.17	August 27, 2024	n/a
	98,343	98,343	-	2.88	February 4, 2025	December 31, 2025
	190,552	115,283	-	3.28	March 17, 2026	December 31, 2026
	-	-	85,976	3.28	March 17, 2026	n/a
	7,534	-	-	2.92	October 10, 2026	December 31, 2026
	-	-	96,574	2.92	October 10, 2023	n/a
	332,508	89,382	-	1.95	January 22, 2027	December 31, 2027
(1)	160,352	43,395	-	1.91	January 23, 2027	December 31, 2027
	43,478	-	-	1.15	August 1, 2027	December 31, 2027
	-	-	326,086	1.15	August 1, 2024	n/a
	300,000	100,000	-	1.15	October 1, 2027	December 31, 2027
	-	-	108,696	1.15	October 1, 2024	n/a
	-	-	31,850	1.02	October 10, 2025	n/a
	3,881	-	-	1.02	October 23, 2026	December 31, 2027
(1)	1,237,863	-	-	0.79	January 23, 2028	December 31, 2028
	2,374,511	**446,403**	**657,808**	**1.52**		

(1) An aggregate of 32,131 RSUs were subsequently cancelled.

Activity during the six months ended June 30, 2025:

- On January 23, 2025, the Company granted 1,284,753 RSUs to officers, employees, and consultants of the Company which vest in three annual instalments through to January 23, 2028.
- 55,741 RSUs were cancelled upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of $11,575 was reversed from reserves and credited to deficit.

Activity during the year ended December 31, 2024:

- On January 22, 2024, the Company granted 447,303 RSUs to employees and consultants of the Company which vest in three annual instalments through to January 22, 2027.
- On January 23, 2024, the Company granted 175,435 RSUs to officers of the Company which vest in three annual instalments to January 23, 2027.
- On August 1, 2024, the Company granted 369,564 RSUs and DSUs in aggregate to Directors of the Company following the results of the Annual General and Special Meeting held on August 1, 2024. The 326,086 DSUs vested immediately on grant, and the 43,478 RSUs vest in three annual instalments to August 1, 2027.
- On October 1, 2024, the Company granted 300,000 RSUs, and 108,696 DSUs upon appointing a new Chairman. The 108,696 DSUs vested immediately on grant, and the 300,000 RSUs vest one-third 100,000 immediately on grant and the remaining two-thirds annually to October 1, 2026.
- On October 23, 2024, the Company granted 5,822 RSUs and 31,850 DSUs in aggregate to Directors of the Company. The 31,850 DSUs vested immediately on grant, and the 5,822 RSUs vest one-third immediately on grant and the remaining two-thirds annually to October 23, 2026.
- 73,763 RSUs were cancelled upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of $69,042 was reversed from reserves and credited to deficit.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

PSUs

A summary of the status of the Company's PSUs as at June 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended June 30, 2025	Year ended December 31, 2024
	PSUs #	PSUs #
PSUs outstanding, beginning of period/year	-	-
Granted	1,754,470	-
PSUs outstanding, end of period/year	**1,754,470**	-

Activity during the six months ended June 30, 2025:

- On January 23, 2025, the Company granted an aggregate of 1,733,255 PSUs to officers of the Company which vest upon certain performance goals being achieved within a three-year period from the date of grant by January 23, 2028.
- On May 13, 2025, the Company granted an aggregate of 21,215 PSUs to an officer of the Company which vest under the same terms as the PSUs granted on January 23, 2025 but with an expiry date of May 13, 2028.

Valuation of PSUs:

The Company recorded the fair value of the PSUs granted during the six months ended June 30, 2025 using a combination of the barrier option valuation model, a weighted probability analysis, and a Monte Carlo Simulation depending on the Tranche. The vesting conditions (performance goals) for each tranche are as follows:

- Tranches 1 and 2: The Company's traded share price on the TSX meeting or exceeding specific targets; and
- Tranches 3 to 5: The Company meeting certain operating and commercialization targets by the Expiry Date.

The following assumptions were used on the grant date:

		June 30, 2025
Share price	$	0.79
Volatility		73%
Dividend yield		0.0%
Risk-free rate		2.94%
Time to expiry (years)		3.00

The valuation of each Tranche and the expense recognized during the six months ended June 30, 2025, were as follows:

Tranche	**Valuation per PSU** $	**June 30, 2025** $
1	0.64	39,063
2	0.51	31,128
3	0.71	89,784
4	0.46	19,382
5	0.75	42,134
		221,491

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing, and controlling the activities of the Company and includes both executive and non-executive directors, and entities which key management controls or has significant influence. The Company considers all directors and officers of the Company to be key management.

The following transactions involved key management:

	Transactions six months ended June 30, 2025	Transactions six months ended June 30, 2024	**Balances outstanding June 30, 2025**	Balances outstanding December 31, 2024
	$	$	**$**	$
Bedrock Capital	-	75,000	-	-
DBM CPA	-	7,500	-	-
Directors' fees	185,820	161,250	-	-
Management and directors' fees (within wages, benefits and fees)	185,820	243,750	-	-
Expense reimbursements (officers)	-	-	791	428
Wages, benefits and fees (officers) (1)	1,347,500	1,347,798	359,350	359,350
Share-based payments (directors and officers)	1,172,526	1,222,042	-	-
PFS (professional and consulting; and intangible assets)	188,939	125,162	16,260	11,528
	2,894,785	2,938,752	**376,401**	371,306

(1) As at June 30, 2025, $307,150 was accrued as short-term incentive compensation to key management relating to 2025 performance (December 31, 2024 - $359,350 relating to 2024 performance). Short-term incentive compensation is payable in cash or equity annually.

During the six months ended June 30, 2025, no short-term incentive amounts were paid to key management in relation to the year ended December 31, 2024. No amounts were paid for short-term incentive compensation in relation to 2023 during the six months ended June 30, 2024.

(a) Professional and consulting:

- Includes the services of Patent Filing Specialists Inc. ("PFS"), a company controlled by Joseph Guy, a Company Director. Transactions are included within both intangible assets (for capitalized patent issue costs) and professional and consulting for patent filings, maintenance and related.

(b) Wages, benefits and fees, net:

- Includes salaries and short-term incentive cash-based compensation paid to Dan Blondal, CEO; Stephen Campbell, CTO (retired June 30, 2025); Alex Holmes, COO; Carlo Valente, CFO (from January 15, 2024); Denis Geoffroy, Chief Commercialization Officer (CCO); Adam Johnson, Senior Vice-President of External Affairs; Kelli Forster, Senior Vice-President of People & Culture; and Leanne Swanson, Corporate Secretary (from January 15, 2024, formerly Pamela Kinsman who is now Director of Sustainability)
- Includes the services of Anthony Tse, the Chairman (non-Executive) of the Company effective October 1, 2024. Amounts also include Bedrock Capital Corp. ("Bedrock Capital") a company controlled by Paul Matysek the former Executive Chairman and a Director of the Company until Mr. Matysek's resignation effective October 1, 2024. The Company had an arrangement with Paul Matysek, former Executive Chairman and Director (until his resignation effective October 1, 2024) for a monthly consulting fee of $12,500 ($150,000 annually), payable to Bedrock Capital Corporation. Effective October 1, 2024, the Company entered into an Advisory Agreement with Bedrock Capital for a term of six months to March 31, 2025, at the same monthly fee of $12,500 ($75,000 over the term of the agreement).
- Includes compensation to non-executive directors of the Company and committee chairpersons.
- Includes the services of Donaldson Brohman Martin, CPA Inc. ("DBM CPA") until January 15, 2024, a firm in which Dan Martino, former CFO, is a principal and has significant influence.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the six months ended June 30, 2025, the Company granted 1,695,547 stock options to Company officers (2024 – 943,948). See Note 10 for vesting terms.
- During the six months ended June 30, 2025, the Company did not grant any RSUs to Company directors and officers (2024 – 175,435 RSUs granted). See Note 10 for vesting terms.
- During the six months ended June 30, 2025, the Company granted 1,754,470 PSUs to Company directors and officers (2024 – nil). See Note 10 for vesting terms.

12. GOVERNMENT PROGRAMS

The cumulative amounts of government assistance received by the Company since 2014 are as follows:

	Jurisdiction	**June 30, 2025 $**	December 31, 2024 $
Government grants:			
Department of Defense (DoD)[1]	USA	4,452,595	-
Investissement Québec (IQ)	Canada	7,503,313	-
Next Generation Manufacturing Canada (NGen)	Canada	846,032	13,024
Industrial Research Assistance Program (NRC-IRAP) including SDTC	Canada	16,950,536	15,496,645
Other Grants	Canada	2,177,293	2,177,293
Technoclimat	Canada	2,200,000	-
Refundable tax credits:			
SR&ED	Canada	409,540	409,540
		34,539,309	18,096,502

[1] US$3,196,236 received.

During the six months ended June 30, 2025 and June 30, 2024, the following proceeds for government assistance were received and allocated within the financial statements as follows:

Proceeds received:	**June 30, 2025 $**	June 30, 2024 $
Department of Defense (DoD)	4,452,595	-
Investissement Québec (IQ)	7,503,313	-
Next Generation Manufacturing Canada (NGen)	833,008	-
Industrial Research Assistance Program (NRC-IRAP) including SDTC	1,453,891	18,334
Other Grants	-	68,417
Technoclimat	2,200,000	-
	16,442,807	86,751
Allocation of proceeds received:		
Deferred liabilities	500,000	-
Research and operational expenses, net	-	86,751
Government grants and other income (Note 16)	13,097,447	-
Government loan	2,785,555	-
	16,383,002	86,751
Prior period other income and receivable (Note 3)	59,805	-
	16,442,807	86,751

In addition to the amounts presented above for the six months ended June 30, 2025, $1,848,285 (Note 3, 16) was accrued for refundable tax credits receivable as at June 30, 2025.

12. GOVERNMENT PROGRAMS (continued)

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

On September 25, 2024, the Company executed a Technology Investment Agreement for an award of US$12,879,426 from the DoD (approximately $17,800,000 equivalent as of the date of the agreement execution) in support of capacity expansion at its Candiac and Burnaby facilities through the Defense Production Act Investments (DPAI) office's Title III program. The program time period is from July 1, 2024 to December 31, 2026.

IQ (Investissement Québec)

On December 11, 2024, Nano Candiac executed an interest-free loan agreement with IQ for funding up to $15,000,000, based on the terms and conditions of the loan (Note 9). The project time period is from January 1, 2023, to December 31, 2026.

NGen (Next Generation Manufacturing Canada)

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

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

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

Sustainable Development Technology Canada ("SDTC"):

In February 2025, the SDTC program transitioned to the National Research Council (the "NRC"), and assignment of the February 2023 funding agreement (see below) and any and all amendments thereto was concurrently completed.

IRAP Novated Project Funding Agreement (formerly, SDTC Pre-Commercial Trial and Multi Cathode Piloting Hub Project) (active):

On November 6, 2024, the Company executed a First Modification (the "amendment") which superseded the Project Funding Agreement signed with SDTC on February 13, 2023. NRC will provide the Company with staged funding up to $6,735,987 ($4,738,398 received as at June 30, 2025, leaving $1,997,589 remaining). The revised funding amount is due to the modification and reduction to the project's scope in accordance with the amendment.

The funds from NRC will be paid to the Company in the form of three (3) Milestone instalments plus the release of a final 10% hold-back upon satisfactory review and approval of the project by NRC (Two (2) Milestone payments have been received as at June 30, 2025). The funds are non-dilutive, and non-repayable and are intended to support pre-commercial activities in Candiac. The project time period is from January 1, 2023 to October 31, 2025.

In January 2025, the Company recognized the Milestone 2 payment upon the receipt of funds. As at December 31, 2024, no receivable amounts were accrued as management had determined that there was still collection uncertainty due to SDTC still undergoing a transition to NRC and the Company not having received indications from NRC regarding acceptance of the requirements submitted by the Company relating to Milestone 2.

Technoclimat

Nano Candiac was awarded a grant of up to $3,000,000 ($2,200,000 received as at June 30, 2025, $500,000 of which is recognized as deferred liabilities (Note 8)) from the Government of Quebec's Ministry of the Environment, the Fight against Climate Change, Wildlife and Parks (MELCCFP), through its Technoclimat program (the "Grant"). The Grant partially related to a reimbursement for eligible expenditures incurred at the Candiac plant, subject to compliance with the terms and conditions of the agreement, and partially for planned future expenditures on expansion activities.

(Expressed in Canadian Dollars)

12. GOVERNMENT PROGRAMS (continued)

Refundable tax credits:

SR&ED (Scientific Research and Experimental Development):

During the six months ended June 30, 2025, the Company accrued $266,108 (Note 3) in refundable SR&ED amounts in relation to 2024 claimed by Nano Candiac.

During the year ended December 31, 2024, the Company claimed refundable SR&ED amounts in relation to 2023 and a stub period during 2022 by Nano Candiac.

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

C3I Investment and Innovative (“C3i”)

During the six months ended June 30, 2025, the Company accrued $1,582,178 (Note 3) in refundable amounts for the years ended December 31, 2024 and December 31, 2023.

C3i claims are subject to review, and potential adjustment, by tax authorities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital during the six months ended June 30, 2025 and June 30, 2024, were comprised of the following:

	June 30, 2025	June 30, 2024
	$	$
Receivables and prepayments	(2,027,654)	(376,498)
Inventory	(272,579)	294,842
Accounts payable and accrued liabilities	99,630	904,376
Deferred liabilities	500,000	-
Net change	**(1,700,603)**	822,720

The Company incurred non-cash investing and financing activities during the six months ended June 30, 2025 and June 30, 2024, as follows:

	June 30, 2025	June 30, 2024
	$	$
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	20,047	96,658
Non-cash financing activities:		
Equipment addition/financial liability recognition (Note 6)	127,701	-

During the six months ended June 30, 2025 and June 30, 2024, no amounts were paid for interest or income taxes.

Cash and cash equivalents consist of the following:

	June 30, 2025	December 31, 2024
	$	$
Cash	19,525,311	1,887,115
Cash equivalents	3,518,273	5,273,414
Cash and cash equivalents, end of period/year	**23,043,584**	7,160,529

14. MANAGEMENT OF CAPITAL

The Company considers its capital structure to consist of its components of shareholders' equity. When managing capital, the Company's objective is to ensure that it continues as a going concern, to ensure it has sufficient capital to deploy on new and existing projects including its commercialization objectives, as well as generating returns on excess funds while maintaining liquidity/accessibility to such funds. To facilitate the management of its capital requirements, the Company prepares annual operating and capital expenditure budgets that are monitored for variances and updated regularly depending on various factors, including but not limited to: business development and commercial arrangements, capital deployment, personnel planning, service contracts with vendors, access to financing, government program applications, and general capital market or industry conditions. The Board of Directors relies on the expertise of the Company's management to sustain future development of the business towards licensing and production. 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 six months ended June 30, 2025.

The Company currently has no source of revenues, though it receives funding from government programs (Note 12) and has historically relied upon equity financing (strategic partners and capital markets) to fund its activities and will continue to spend its existing working capital to fund ongoing activities until additional capital sources are required.

The Company may invest excess capital in high-interest savings accounts ("HISAs") and/or HISA funds which bear interest at variable rates (cash equivalents), as well as in guaranteed investment certificates ("GICs") bearing fixed rates of interest that are liquid and redeemable on demand (cash equivalents) and have original terms not exceeding 12 months.

15. FINANCIAL INSTRUMENTS

Financial instruments - fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Financial instruments – classification

Financial assets:	Classification and measurement:
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Deposits	Amortized cost
Loan receivable	Amortized cost

Financial liabilities:	Classification and measurement:
Accounts payable and accrued liabilities	Amortized cost
Financial liability	Amortized cost
Deferred liabilities	Amortized cost
Lease liabilities	Amortized cost
Government loan	Amortized cost

The Company's financial instruments measured at amortized cost approximate their fair values. The carrying value of lease liabilities approximates fair value due to being discounted with a rate of interest that approximates market rates.

Financial instruments – risk

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

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments – risk (continued)

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company has historically relied upon government assistance programs, equity financings, and the exercise of convertible equity securities (options and warrants), to satisfy its capital requirements and will continue to depend upon these and other possible sources of capital to finance its activities until such time that the Company generates profitability and positive operating cash flows.

b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. The Company is exposed to variable interest rates on cash and cash equivalents held in accounts bearing variable rates, GIC deposits held as collateral with a Canadian chartered bank on the Company's corporate credit cards, and its government loan.

For the six months ended June 30, 2025, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately $81,000 (2024 – $101,000).

c) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents, certain of its receivables, and deposits.

The Company minimizes its credit risk on its cash and cash equivalents by holding treasury with high-credit quality Canadian chartered banks. Holdings are liquid (accessible on demand or cashable). Management believes that the Company's credit risk attributable to its various components of receivables is low.

The Company is exposed to credit risk relating to its deposits (security deposits on facilities and other collateral), in which management believes the risk to be low. The Company's deposits are subject to the expected credit loss model for impairment testing. The Company applies the IFRS 9 *Financial Instruments* simplified approach to the deposits to measure expected credit loss which uses a lifetime expected loss allowance. The deposits have been assessed based on debtor circumstances and are considered to be low risk. The Company believes its exposure to credit risk is low with respect to accrued government assistance, and sales tax recoverable as these amounts are due from the Government of Canada.

d) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain equity financing, or the ability of holders of convertible equity securities (options and warrants) to exercise their securities, which affects proceeds to the Company on such exercises, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

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

e) Currency risk

Currency risk is the risk of fluctuation in profit or loss that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company is exposed to currency risk as it incurs certain transactions in United States dollar, the Euro, and the British Pound. Additionally, as at June 30, 2025, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the June 30, 2025 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would impact loss and comprehensive loss for the period by approximately $66,000 (2024 - $26,000).

(Expressed in Canadian Dollars)

16. SUPPLEMENTAL LOSS AND COMPREHENSIVE LOSS INFORMATION

Certain amounts in loss and comprehensive loss are comprised of the following for the three and six months ended June 30, 2025:

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Finance costs	**$**	$	**$**	$
Lease liabilities (Note 6)	301,660	47,838	429,566	98,036
Government loan - interest accrued (Note 9)	186,133	-	214,769	-
Government loan - accretion (Note 9)	69,940	-	80,571	-
Financial liability - interest expense (Note 6)	1,066	-	1,066	-
Total	**558,799**	47,838	**725,972**	98,036

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Government grants and other income	**$**	$	**$**	$
Government grants	3,685,385	-	8,379,689	-
Government grant (below-market interest rate benefit) (Note 9)	-	-	4,717,758	-
Government grants - cash (Note 12)	**3,685,385**	**-**	**13,097,447**	-
Other income	68,747	34,006	53,735	76,989
Refundable tax credits - accrued (Note 3,12)	1,848,286	-	1,848,286	-
Total	**5,602,418**	34,006	**14,999,468**	76,989

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Gain (loss) on disposal of property, plant and equipment	**$**	$	**$**	$
Gain on sale and leaseback transaction	-	-	1,305,777	-
Other disposals - cash	18,703	-	18,703	-
Other disposals - non-cash	(233)	-	(233)	(25,603)
Total	**18,470**	-	**1,324,247**	(25,603)

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Other expenses	**$**	$	**$**	$
Equipment dismantling	46,189	-	46,189	-
Amortization of administration fee on government grant	80,115	-	80,115	-
Total	**126,304**	-	**126,304**	**-**

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION

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

The Company's non-current assets are located in Canada with the exception of certain patents (intangible assets) issued from patent regulators in foreign jurisdictions (Note 7) carried at a net book value as at June 30, 2025, of $52,234 (December 31, 2024 - $46,935). Segment performance is evaluated based on various measures including assets and liabilities, operating expenses, and cash flows. Certain costs are managed on a consolidated basis and are therefore not reflected in segment profit or loss. Activities within Corporate and other include administrative, technical, financial (including government funding), and other support activities to the Company's operating segments.

	Corporate and other	**Research and innovation**	**Demonstration and pre-commercialization**	**Total**
As at and for the period ended	**June 30, 2025 $**	**June 30, 2025 $**	**June 30, 2025 $**	**June 30, 2025 $**
Current assets	23,722,239	91,385	3,196,065	27,009,689
Property, plant and equipment	-	2,658,363	11,959,055	14,617,418
Total assets	23,869,308	2,805,521	18,082,356	44,757,185
Current liabilities	859,350	1,453,420	1,850,897	4,163,667
Total liabilities	3,940,245	2,281,470	15,315,118	21,536,833
Income (loss) and comprehensive income (loss) - three months	5,465,142	(2,419,310)	(5,839,350)	(2,793,518)
Income (loss) and comprehensive income (loss) - six months	9,811,112	(4,453,056)	(5,478,654)	(120,598)
Cash provided by (used in) operating activities - six months	6,196,888	(3,622,166)	(6,904,524)	(4,329,802)
Cash provided by (used in) investing activities - six months	82,308	(154,828)	13,522,798	13,450,278
Cash provided by (used in) financing activities - six months	7,503,313	(303,942)	(436,792)	6,762,579

	Corporate and other	Research and innovation	Demonstration and pre-commercialization	Total
As at	December 31, 2024 $	December 31, 2024 $	December 31, 2024 $	December 31, 2024 $
Current assets	7,738,229	298,410	816,502	8,853,141
Property, plant and equipment	-	2,852,935	13,496,231	16,349,166
Total assets	7,880,126	3,205,918	14,581,217	25,667,261
Current liabilities	359,350	1,389,474	1,595,543	3,344,367
Total liabilities	359,350	2,283,735	1,595,543	4,238,628

	Corporate and other	Research and innovation	Demonstration and pre-commercialization	Total
As at and for the period months ended	June 30, 2024 $	June 30, 2024 $	June 30, 2024 $	June 30, 2024 $
Income (loss) and comprehensive income (loss) - three months	(1,651,322)	(2,588,196)	(4,130,262)	(8,369,780)
Income (loss) and comprehensive income (loss) - six months	(4,431,454)	(5,506,391)	(8,457,925)	(18,395,770)
Cash used in operating activities	(2,762,648)	(4,918,144)	(7,911,316)	(15,592,108)
Cash provided by (used in) investing activities	552,789	(158,998)	(1,266,186)	(872,395)
Cash used in financing activities	-	(261,536)	-	(261,536)