



Nano One Materials Corp.
Management's Discussion & Analysis
For the six months ended
June 30, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

The following Management's Discussion & Analysis ("MD&A") of Nano One® Materials Corp. ("Nano One", "we", "our", the "Company") for the six months ended June 30, 2025, should be read in conjunction with the condensed interim consolidated financial statements for the six months ended June 30, 2025, and the audited annual consolidated financial statements for the year ended December 31, 2024, (collectively, the "financial statements") and related notes thereto. The financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A are expressed in Canadian dollars, unless otherwise indicated. The information contained herein is presented as at **August 12, 2025** (the "MD&A Date"), unless otherwise indicated.

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of its common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The Board of Directors has approved the disclosure contained in this MD&A.

Continuous disclosure documents including the Company's most recent Annual Information Form ("AIF"), annual MD&A, and audited annual consolidated financial statements, are filed with Canadian securities regulatory authorities on SEDAR+ (www.sedarplus.ca) and on its website at www.nanoone.ca.

Abbreviations

AI	Artificial Intelligence	LNMO	Lithium Nickel Manganese Oxide
BESS	Battery Energy Storage Systems	M	Million or millions
CAM	Cathode Active Material	M2CAM	Metal to Cathode Active Material
ESS	Energy Storage Systems	NMC	Lithium Nickel Manganese Cobalt
EV	Electric Vehicle	OEM	Original Equipment Manufacturer
FEL	Front-End Loading	pCAM	Precursor Cathode Active Material
GHG	Greenhouse Gas Emissions	tpa	Tonnes Per Annum
ICFR	Internal Controls over Financial Reporting		
LFP	Lithium Iron Phosphate		

Forward-Looking Statements

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements"), within the meaning of applicable Canadian securities laws, which are based upon the Company's current internal expectations, estimates, projections, assumptions, and beliefs. All information, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Such statements can be identified using forward-looking terminology such as "believe", "expect", "plan", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", or "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may", "should" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, goals, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this MD&A and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: the performance of the Company's business and operations; shareholder value; the Company's ability to raise sufficient financing to continue its operations, and the related cost of capital; estimated future working capital; funds available; uses of fund; future capital expenditures and other expenses; the intention to grow the business; OEM collaboration and strategies; operations and potential activities of the Company; access to land and utilities; the anticipated demand of the industry and market acceptance of the Company's technology and products; the functions and intended benefits of the Company's technology and products; the commercial development of the Company's technology and products; facilities expansion and/or commercial production of CAM; entering into definitive agreements of any kind; the Company's piloting, demonstration, development projects, production trials, feasibility studies, and innovation activities; collaboration with materials producers; regulatory changes; the competitive conditions of the industry and the Company's competitive position in the industry; intellectual property protection; anticipated joint development programs; the Company's short- and long-term business objectives and milestones, and the events that must occur to accomplish them; prospective partnerships and the anticipated benefits of those partnerships; the

Company's marketing efforts and potential licensing, supply chain, and royalty arrangements; the purpose for expanding the Company's facilities; and the anticipated future sales, revenues; the imposition of tariffs, trade sanctions, quotas or other protectionist measures or the breakdown of trade relations; production and government tax incentives; collaboration with municipalities; the impact of public health crises; and profit margins of the Company's operations.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. There are risks, uncertainties, and other factors, some of which are beyond the Company's control, which could cause actual results, performance, or achievements of the Company, as applicable, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this MD&A and those factors identified in the section "Risks and Uncertainties" in this MD&A and in the section titled "Risk Factors" in the Company's most recently filed AIF on SEDAR+.

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BUSINESS OVERVIEW

Nano One's head office is located at Unit 101B, 8575 Government Street, Burnaby, British Columbia V3N 4V1, and the registered and records office is located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3. 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.

Nano One is a technology company specializing in cathode active materials for lithium-ion batteries. Its patented One-Pot™ technology vertically integrates pCAM and CAM processes, and reduces costs, permitting risk, energy intensity, environmental footprint, and reliance on foreign supply chains. The Company is helping to drive energy security, supply chain resilience, industrial competitiveness, and increased performance through process innovation. Scalability is proven and being piloted and demonstrated at Nano One's LFP production plant in Québec ("Candiac Facility") leveraging the only facility and expertise of its kind outside of Asia.

Strategic collaborations and partnerships with international companies like Sumitomo Metal Mining ("SMM"), Rio Tinto, and Worley Chemetics (a wholly owned Canadian subsidiary of Worley Limited) are supporting a "Design One, Build Many" licensing growth strategy delivering cost-competitive, easier-to-permit and faster-to-market battery materials production solutions world-wide.

Nano One's One-Pot technology produces CAM for a range of lithium-ion battery applications including BESS, AI data centers, defense, industrial, EVs, and portable electronics.. Nano One's Candiac Facility serves as a platform to (a) pilot and demonstrate commercial scale production; (b) sample product for the purposes of evaluation and future sales; and (c) optimize and launch the marketing and licensing of its CAM production facility packages. Nano One aims to create shareholder value by diversifying future revenue streams that include production plant licensing fees, equipment

procurement and sales from its Candiatic Facility. Nano One is focusing on LFP to leverage a global shift towards this battery chemistry and is investing in the capacity expansion of its demonstration plant and its engineering plans for licensing, while streamlining its operations for first commercial revenues. As such, its initiatives on other CAM chemistry formulations, such as NMC and LNMO, have slowed and focused on fundamental process technology development initiatives with its strategic partners, or been put on hold until market conditions allow for further investment.

Nano One began operating a 200 tpa One-Pot™ LFP pilot line (“demo plant” or “pilot line”) at its Candiatic Facility in Q4 2023 and has successfully de-risked the production of LFP with performance results consistent to lab scale. This advancement enabled commercial scale LFP samples to be sent to qualified customers starting in Q1 2024 for the purposes of evaluation, validation and entering into potential binding offtake agreements. As the market has evolved, so have LFP product specifications and as such, Nano One continues to work with its potential customers in a collaborative feedback loop to improve and qualify its LFP materials, initially for sale in the BESS, defense and heavy-duty industrial sectors, followed by licensing opportunities in the larger market sectors for AI data centers and mass market EVs.

Nano One has also de-risked production and quality in larger full-scale reactors at its Candiatic Facility and is now investing in the automation and integration of these reactors with its full scale dryers and kiln, to expand capacity and demonstrate commercial production and sales at 1,000 tpa or greater. The Company is also advancing the high priority aspects of an FEL3 study to be site agnostic and support its licensing, joint venture, and independent production initiatives (see “Licensing and Production Updates” below).

Nano One remains steadfast in its licensing strategy, together with its alliance partner Worley Chemetics (see below), and a “Design One, Build Many” growth strategy that is cost competitive, capital light, and globally significant. Nano One’s LFP know-how, demonstration plant and scale-up expertise in Candiatic are key differentiators that stand it apart from the competition. Further, the Company has a continuous improvement approach that will benefit its licensees with valuable process innovations that are cost competitive, differentiated, IP protected and supported with continual focus on its cost competitiveness, protecting its production know-how and training.

Technology and Intellectual Property

One-Pot Process and M2CAM® Technologies

Nano One’s patented technology is engineered to make cathode materials directly from non-sulfate forms of battery metals and aims to reduce cost, waste, logistics, energy intensity, carbon footprint and trade uncertainty in the lithium-ion battery supply chain.

The One-Pot technology is an aqueous process, using carbon neutral chemistry, that operates at room-temperature and atmospheric pressures. Reactants first nucleate in the One-Pot reactor to form an intermediate salt that readily fires in high efficiency kilns to form coated nanocrystal cathode powders. Its benefits for LFP are mainly attributed to the elimination of the iron and phosphate precursor steps (pCAM) by integrating them with the lithium addition step (CAM), high efficiency thermal processing, and the elimination of sodium sulfate wastewater. This has the additional benefit of making One-Pot enabled CAM production facilities easier to site, permit, construct, and operate while decoupling from foreign supply chains of concern. Furthermore, the process uses lithium feedstock in the form of carbonate rather than hydroxide (even in the case of high-nickel CAM) to further reduce cost, handling, logistics and safety issues.

Life Cycle Assessment (LCA)

In December 2023, Nano One announced the results of a third-party LCA report which showed that the One-Pot process could cut GHG emissions by up to 60% for NMC811 CAM, and up to 50% for LFP CAM, and significantly reduce water use for both CAMs when benchmarked against the complexity and energy intensity of conventional pCAM and CAM processes operating in various jurisdictions. These environmental improvements are augmented by the other benefits of the One-Pot process including reduced cost, complexity, and dependency on foreign supply chains of concern.

Intellectual Property

Nano One’s intellectual property (IP) was developed and is wholly owned by Nano One. The Company continues to expand patent coverage of its proprietary technology and has various patents which have been granted or approved across the globe. There are also many pending patent applications throughout the world. Announcements were made by the Company in February 2024 and December 2024, regarding the expansion of its patent portfolio, and the allowance and/or issuance of several new patents.

Patents, trade secrets, flowsheets, knowhow, plant design and people are at the core of what Nano One’s partners, shareholders, and prospective customers value. Not only are these intellectual property assets critical to Nano One’s leadership position, but they have also enabled the Company to pilot LFP using its technology and demonstrate at scales that are relevant to the automotive industry. When bundled with detailed engineering plans, innovative supply chains, and

performance targets, Nano One believes that its technology could be widely licensed for a new generation of sustainable and cost-effective CAM production that is cleaner, more easily permitted and securely established in North America, Europe, and the Indo-Pacific region.

2025 Catalysts

- **Finance** - Begin drawing down \$40 million in government funding to accelerate capacity expansion, production, scaling, and commercial LFP sales (approximately \$16,400,000 was received in 2025 to June 30, 2025, of which approximately \$3,600,000 was received during Q2 2025).
- **Increase Non-Dilutive Funding** - Add further working capital from government programs and other sources.
- **Capacity Expansion** - Complete Candiatic engineering and launching a minimum 1,000 tpa LFP capacity expansion project.
- **LFP sales** - Sampling and sales of initial Candiatic production volumes to support advancement towards multi-year contracts.
- **CAM Package** - Finalize 25,000 tpa LFP CAM plant engineering design with Worley Chemetics for licensing/joint venture.
- **Licensing** - Market LFP pre-sales and a detailed CAM Package to secure agreements for future revenue.
- **One-Pot Equipment** - Design reactor and kiln components with Worley Chemetics and develop partnerships with other equipment providers.
- **Supply Chain** - Diversify region-specific raw materials supply base to support licensee growth.
- **Innovation** - Advancing M2CAM across all chemistries with partners while expanding our IP patent portfolio, production know-how, and product specification.
- **Policy** - Engage on public policy and related matters that impact supply chain and trade development in key markets including America, Canada, European Union and the Indo-Pacific region.

Nano One has the goal of licensing its One-Pot LFP CAM packages, globally, to chemicals, materials and energy companies looking to produce CAM for battery applications for the EV and ESS markets. Shareholder value will be created with increased market penetration through the Company's partnership channels, low cost of capital from its licensees, and by diversifying revenue exposure via the Worley Chemetics alliance to include equipment procurement, further to licensing fees and revenues from its Candiatic Facility.

Key Business Developments

Sale and leaseback transaction

On February 28, 2025, the Company closed a transaction to sell and leaseback its Candiatic building and surrounding property at 280 Liberté Avenue, Candiatic, Québec ("Property"), which is the location of the Company's Candiatic Facility to Candiatic Industrial Properties (I) L.P. ("Purchaser") (the "Agreements"). This transaction significantly strengthened the Company's cash balance while ensuring long-term operational stability in the province of Québec through a 15-year lease agreement with renewal provisions for up to an additional 15 years.

The net proceeds received by the Company at closing were \$13,699,122, plus a \$2,000,000 loan receivable (deferred payment). The loan receivable is secured by an immovable hypothec, safeguarding Nano One's interests. The loan receivable 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.

Additionally, Nano One entered into a lease agreement for the Property for an initial term of 15 years, 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. This arrangement provides long-term stability for the Candiatic operations.

Selection to Join U.S. ALTA (Arkansas Lithium Technology Accelerator)

On July 15, 2025, the Company announced it had been selected to join ALTA, America's first lithium and battery supply chain accelerator. Participating in ALTA positions Nano One as a strategic contributor to lithium-ion battery supply chain independence and reinforces Nano One's position as a national strategic asset in lithium-ion battery production - fortifying a secure, localized supply chain for defense and commercial markets. It also highlights Nano One's continued relevance to energy growth and national security. Nano One is the only One Big Beautiful Bill (OBBB)-ready solution for LFP, linking upstream mineral extraction to downstream cell manufacturing.

Arkansas' supply chain goals align with Nano One's multi-jurisdictional strategy, leveraging the Candiatic Facility as a hub, accelerator and launchpad for validation, commercialization, and large-scale growth in the U.S., Canada and beyond.

Nano One is one of only three companies selected for ALTA's inaugural cohort, alongside innovators in lithium processing and geothermal deployment. The accelerator is backed by Standard Lithium, the Walton Family Foundation, and a network of Arkansas-based producers, academic institutions, and government partners. Participation in ALTA creates opportunities for partnerships and strategic visibility in the U.S., while enabling shared learnings with other innovative North American supply chain leaders of tomorrow and established players looking to support localization of the lithium-ion battery supply chain.

LICENSING AND PRODUCTION UPDATES

Timing, scope, and planned expenditures on the below initiatives are discretionary and flexible, enabling Nano One to adjust and align its strategy with the evolving battery market landscape and timelines. Nano One continues to execute on its plans and bring value to its shareholders by advancing its commercial scale production capabilities in Candiatic, by enhancing its pipeline of potential customers and licensees, by furthering its product and techno-economic evaluations, and by developing increasingly compelling business opportunities.

Alliance with Worley Chemetics

On December 4, 2024, the Company provided a progress update on its Worley Chemetics – Nano One Strategic Alliance ("Alliance"), including a jointly conducted cost comparison confirming the economic advantages of Nano One's One-Pot process for LFP. In addition, the preliminary design and full-scale layout of the modular "Design One, Build Many" plants is complete and being marketed with the cost comparison study to prospective clients.

The comparative analysis showed that the One-Pot process could enable at least 30% lower costs in total invested capital and up to 30% lower operational costs, using up to 80% less energy than the incumbent method. The One-Pot process also eliminates sodium sulfate wastewater and could use up to 80% less process water and reduce GHG emissions by up to 50% depending on energy sources and jurisdiction.

The Strategic Alliance has also completed a layout of the modular plant with operability and maintainability in mind and is accelerating engineering and qualification of vendor equipment to complete the LFP CAM Technology Package and support customer ambitions in this market.

The analysis estimated and compared the cost of two 25,000 tpa North American CAM production facilities that convert iron, phosphate and lithium sources into LFP, one enabled with One-Pot technology from Nano One, and the other using incumbent high-volume production technology from China. The operating and capital cost estimates of the incumbent technology were done to a Class 5 level in accordance with the Association for the Advancement of Cost Engineering (AACE) and included the treatment of sodium sulfate wastewater in North America. Nano One and Worley are confident with the cost estimates which are based on equipment quotes from various major vendors, installation factors, indirect costs, and best practices in engineering, procurement and construction management (EPCM).

Demo Plant - 200 tpa capacity

The Company commissioned its 200 tpa One-Pot LFP pilot line in Q4 2023 which is being used to facilitate demonstration, technology validation, sampling and evaluation while also informing FEL design studies and the LFP CAM package with Worley Chemetics. There are plans to further expand the capacity of the existing Candiatic Facility (see "Expansion" below), as demand for LFP takes hold, leveraging existing full-scale equipment and facility capacity with further automation (see discussion below).

Nano One had incurred approximately \$8,660,000 in building and commissioning the demo plant.

Expansion – minimum 1,000 tpa capacity

The Candiatic Facility remains the launch pad for Nano One's growth strategy and a clear path to first revenue and larger offtakes. The Candiatic Facility is equipped with commercial scale equipment that enable Nano One to demonstrate its technology and to complete the customer material validation process that requires production scale batches for sampling for OEM customers. The Candiatic Facility will support small scale offtakes and production for first revenues and large scale offtakes for licensees and a potential future 25,000 tpa Development Project (see below), and even larger scale offtakes for the technology licensing business in alliance with Worley Chemetics.

Through to June 30, 2025, Nano One has incurred approximately \$1,350,000 (\$820,000 incurred in 2025) in engineering and planning costs related to this expansion effort to a minimum of 1,000 tpa.

A Front End Engineering and Design (FEED) study is planned for completion in Q3 2025 which will result in pre-feasibility level costing and nameplate capacity estimation for the expansion. Together with the results of the study, the Company anticipates a final investment decision in 2025.

Existing capacity and future expansion, together with Nano One LFP know-how, plays a strategic and critically valuable role in driving potential revenues via small customer sales, validation, and qualification support with its licensee opportunities.

Commercial Plant (Development Project) - 25,000 tpa capacity

The Company's FEL2 pre-feasibility study, as reported in October 2023, modelled a 25,000 tpa LFP plant on the unused portion of its land in Candiac, Québec (which land was sold in September 2024). In February 2024, a FEL3 feasibility study was launched with consideration being given to lower-cost alternative sites that would better accommodate growth, utility requirements and future market needs. The Company reported that its FEL3 study to date was showing lower capital costs and operating expenses than its earlier FEL2 study. This further enhances the One-Pot value proposition and supports the Strategic Alliance with Worley Chemetics. Currently, the Company is focused on advancing the high priority aspects of the feasibility level engineering work for a One-Pot technology LFP production line, that is site agnostic, and will support its licensing strategy and a potential future Development Project.

For the abovementioned FEL3 study, \$1,900,000 had been incurred through to June 30, 2025 (\$10,000 incurred in 2025), in relation to the 25,000 tpa Development Project.

Nano One continues to consider its Development Project and various paths forward as part of its licensing strategy into a joint venture and would include the project becoming a separate stand-alone operating company. As such, Nano One would significantly reduce its capital needs and could earn a license fee for the use of its One-Pot process technology. This would be in addition to a development fee for its efforts on the 25,000 tpa Development Project which could be settled by either an equity interest in the operating company, cash, or a combination thereof. Nano One believes that this approach offers its partners and stakeholders significant value through licensing, technology, know-how, customer engagements and project finance solutions while minimizing equity dilution. The FEL3 study will also support the "Design One, Build Many" growth strategy to develop, market, license and deploy CAM packages globally in partnership with Worley Chemetics.

The Development Project leverages Nano One's existing Candiac Facility together with target customer engagements and project finance initiatives. A financial decision to apply significant resources to the Development Project will require further progress on agreements for customer offtake, feedstock supply, and government support, as well as final site selection.

With regards to site selection for the Development Project, Nano One is evaluating the evolving market needs in North America and Europe with key considerations including automotive OEM timing, their LFP battery manufacturing and procurement strategies, government tariffs and production tax incentives, government incentives in the form of grants and forgivable loans, municipal collaboration, and access to low-cost land, sufficient utilities (power, water, natural gas), footprint for expansion to align with longer-term objectives and location preferences from collaborating stakeholders.

Market Conditions and Business Environment

Market Conditions

Bloomberg New Energy Finance (BNEF) in their 2024 CAM market report project global CAM demand to reach 5.9 TWh by 2035. LFP CAM is expected to capture 52% of market share-a threefold increase over BNEF's 2021 projections. Although China currently holds ~95% of global LFP production capacity, demand in the Rest of World (RoW) is expected to more than double that of China by 2035. RoW demand for LFP is projected to grow fivefold, driven primarily by EV and BESS. At the same time, governments are streamlining policies to incentivize localization of supply chains and investment in critical mineral refining and processing to meet projected growth. According to Rho Motion, the U.S. and EU have emerged as the second fastest-growing markets for ESS, supported by expanding grid infrastructure. (Refer to Company news release on July 8, 2025 for sources).

Under Canada's 2025 G7 presidency, leaders adopted the *Global Critical Minerals Action Plan*, pledging to "catalyze public and private investment in minerals, including through innovation and licensing" and to build "responsible critical mineral processing" capacity across jurisdictions. The plan also emphasized "defense, clean energy, and digital technologies" as key sectors shaping demand and strategic priorities. At the 2025 Canada-EU Summit, both parties signed joint commitments to co-invest in critical mineral infrastructure, with an emphasis on defense and AI infrastructure localization to enhance resilience and reduce strategic dependencies. (Refer to Company news release on July 8, 2025 for sources).

In July 2025, China put export restrictions on its processing technologies for lithium, iron-phosphate pCAM and LFP CAM production, to protect its LFP leadership position, competitive advantage, and control of LFP supply chain and its iron sulphate inputs.

The International Energy Agency's (IEA) Global Critical Minerals Outlook 2025 also highlighted that "iron sulphate is a by-product of titanium dioxide production where China is the leading producer." As a result, key material inputs are available in China at very low cost, which is difficult to replicate in other parts of the world. China supplies 95% of high-purity manganese sulphate and 75% of battery-grade PPA (purified phosphoric acid) and securing these materials from alternative sources is currently challenging and often comes at a higher cost. These cost premiums will remain unless there are significant efforts to build diversified supply sources for these materials.

The IEA Outlook 2025 named Nano One among a select group of companies developing "alternative methods of producing LFP" to "reduce dependency on Chinese supply chains."

Business Environment and Opportunities

Nano One views a tremendous market opportunity in LFP, and its patented One-Pot process is designed to simplify production and address market issues relating to cost, supply chain bottlenecks, permitting, localization, and scale, so to enable secure sources of raw material inputs, and accelerate the adoption of LFP for stationary ESS, defense, AI data center and EV applications in North America and other jurisdictions.

The One-Pot process eliminates wastewater and dependence on China's iron sulphate, laying a sustainable foundation for easy-to-permit LFP plants that could unlock industrial growth potential in the West. Nano One has vertically integrated precursor and cathode production to position it competitively on the world stage and Nano One's, "Design One, Build Many" licensing strategy is intended to drive widescale adoption, economies of scale, and much needed supply chain diversification. This positions Nano One favorably, with an easier-permit and competitively differentiated production process, to meet the emerging demand for LFP in North America, Europe, and the Indo-Pacific region. NMC remains important for applications in long range, energy dense batteries and Nano One will keep modest efforts on its One-Pot process NMC program to support collaborators and stakeholders in developing sustainable process solutions for the future.

With a diverse set of emerging clients that serve Europe, the Indo-Pacific, and the U.S., Nano One can elect where it sells its LFP and licenses its technology, enabling the Company to navigate emerging markets, and trade uncertainty with agility. This flexibility is bolstered by strong government support, strategic partners, and clearly defined near-, mid-, and long-term revenue pathways through production and licensing.

REVIEW OF FINANCIAL RESULTS

The financial statements include disclosure based on the Company's two operating segments. The CAM manufacturing business is organized into two operating segments: a research and innovation operation; and a demonstration and pre-commercialization operation. Segment performance is evaluated based on various measures including assets and liabilities, operating expenses, and cash flows. Refer to Note 17 to the financial statements for details.

The Company restructured during Q3 2024 reducing its workforce by approximately 20% which is expected to result in a reduction to personnel costs for fiscal 2025 of approximately \$2,100,000 to \$2,500,000, before considering cash-based short-term incentive bonuses which are subject to variability.

Q2 2025 compared to Q1 2025

Three months ended	June 30, 2025 \$	March 31, 2025 \$	Increase (decrease) \$
Expenses			
Amortization	1,217	996	221
Business development and investor relations	118,142	101,009	17,133
Depreciation	58,382	60,219	(1,837)
Finance costs	558,799	167,173	391,626
General and administrative expenses	748,226	603,516	144,710
Professional and consulting	332,111	424,014	(91,903)
Research and operational expenses, net	1,702,190	1,713,016	(10,826)
Share-based payments	538,263	1,374,054	(835,791)
Wages, benefits and fees	4,274,403	3,624,587	649,816
Loss from operating expenses	(8,331,733)	(8,068,584)	263,149
Gain (loss) on disposal of property, plant and equipment	18,470	1,305,777	(1,287,307)
Government grants and other income	5,602,418	9,397,050	(3,794,632)
Interest income	43,631	38,677	4,954
Other expenses	(126,304)	-	126,304
Income (loss) and comprehensive income (loss)	(2,793,518)	2,672,920	(5,466,438)

- Finance costs have increased primarily due to the additional lease liability and accretion pursuant to the sale and leaseback transaction that closed in Q1 2025, as well as the interest expense accrued, and accretion recognized on the IQ loan.
- Share-based payments decreased in Q2 2025 as the preceding Q1 2025 quarter included the grants of stock options, RSUs, and PSUs. The vesting of PSUs are contingent on both market and non-market performance targets being met. The recognition of expense over time for PSUs are based on the grant date fair values of the PSUs which incorporate certain estimates regarding the likelihood of achieving performance targets, amongst other assumptions.
- Wages and benefits increased as a result of annual wage adjustments and variances in payroll related costs further to variances in actual STI compensation compared to accruals.
- Government grants and other income for Q2 2025 includes approximately \$1,848,000 in accrued refundable tax credits.
- Other expense which is initially presented in Q2 2025 includes the costs of dismantling equipment as well as the amortization of a prepaid administration fee in connection with a specific government grant.
- The gain on disposal of property, plant and equipment in Q1 2025 was driven by the sale and leaseback transaction giving effect to the excess of the fair market value transferred to the buyer-lessor over the Company's net book value of the land, building and other assets included in the transaction.

Q2 2025 compared to Q2 2024

Three months ended	June 30, 2025 \$	June 30, 2024 \$	Increase (decrease) \$
Expenses			
Amortization	1,217	909	308
Business development and investor relations	118,142	237,878	(119,736)
Depreciation	58,382	67,909	(9,527)
Finance costs	558,799	47,838	510,961
General and administrative expenses	748,226	644,861	103,365
Professional and consulting	332,111	604,601	(272,490)
Research and operational expenses, net	1,702,190	2,446,718	(744,528)
Share-based payments	538,263	403,093	135,170
Wages, benefits and fees, net	4,274,403	4,164,090	110,313
Loss from operating expenses	(8,331,733)	(8,617,897)	(286,164)
Gain (loss) on disposal of property, plant and equipment	18,470	-	18,470
Government grants and other income	5,602,418	34,006	5,568,412
Interest income	43,631	214,111	(170,480)
Other expenses	(126,304)	-	126,304
Income (loss) and comprehensive income (loss)	(2,793,518)	(8,369,780)	(5,576,262)

Refer to the discussion above for the Q2 2025 compared to Q1 2025 variances as certain business drivers discussed above are also relevant to the Q2 2025 compared to Q2 2024. Additional factors unique to the year over year comparison are as follows:

- Business development and investor relations activities were reduced as the Company modified strategies resulting in an overall cost reduction and variances in timing of certain programs.
- Professional and consulting fees decreased as a significant external information technology contract was paused alongside a significant reduction in advisory and market fee costs as the Company reduced the level of contractor engagements as a cost reduction effort. Moreover, audit and accounting fees were higher as the Company began in Q1 2025, the process of accruing the estimated annual audit fee incrementally on a quarterly basis instead of in Q4 alone. Legal and patent filing fees also decreased due to reduced non-routine transaction matters.
- Research and operational expenses has decreased as a result of restructured activities at the Company's innovation hub in Burnaby as engineering and related studies/engagements were reduced to focus on LFP. An outlier for Q1 2024 and Q2 2024 was increased engineering and related studies including the FEL3 feasibility study on the 25,000 tpa Development Project at the Candiatic Facility.

Six months ended 2025 compared to 2024

Six months ended	June 30, 2025 \$	June 30, 2024 \$	Increase (decrease) \$
Expenses			
Amortization	2,213	1,727	486
Business development and investor relations	219,151	335,896	(116,745)
Depreciation	118,601	134,054	(15,453)
Finance costs	725,972	98,036	627,936
General and administrative expenses	1,351,742	1,338,483	13,259
Professional and consulting	756,125	1,187,196	(431,071)
Research and operational expenses, net	3,415,206	5,066,812	(1,651,606)
Share-based payments	1,912,317	1,668,806	243,511
Wages, benefits and fees, net	7,898,990	9,175,894	(1,276,904)
Loss from operating expenses	(16,400,317)	(19,006,904)	(2,606,587)
Gain (loss) on disposal of property, plant and equipment	1,324,247	(25,603)	(1,349,850)
Government grants and other income	14,999,468	76,989	14,922,479
Interest income	82,308	559,748	(477,440)
Other expenses	(126,304)	-	126,304
Loss and comprehensive loss	(120,598)	(18,395,770)	(18,275,172)

The direction of the variances for the six months ended June 30, 2025 compared to June 30, 2024, relative to the variances for the three months ended June 30, 2025 compared to June 30, 2024, are largely aligned which is due to the same key business drivers contributing to fluctuations in the results of operations for the respective periods.

A notable exception relates to the decrease in wages which is a result of the restructuring which occurred subsequent to the comparative Q2 2024 period, during Q3 2024. Accordingly, the Company's headcount and wage expense are lower in the current 2025 period relative to the 2024 comparative.

REVIEW OF FINANCIAL CONDITION

Summary Financial Position and Key Metrics

	June 30, 2025 \$	December 31, 2024 \$	December 31, 2023 \$	2025 to 2024 Change \$	2024 to 2023 Change \$
Cash and cash equivalents	23,043,584	7,160,529	31,868,882	15,883,055	(24,708,353)
Restricted cash	-	-	575,000	-	(575,000)
Current assets (all others)	3,966,105	1,692,612	1,835,321	2,273,493	(142,709)
Non-current assets	17,747,496	16,814,120	18,695,565	933,376	(1,881,445)
Total assets	44,757,185	25,667,261	52,974,768	19,089,924	(27,307,507)
Current liabilities	4,163,667	3,344,367	4,143,968	819,300	(799,601)
Non-current liabilities (lease liabilities)	17,373,166	894,261	1,344,144	16,478,905	(449,883)
Total liabilities	21,536,833	4,238,628	5,488,112	17,298,205	(1,249,484)
Total shareholders' equity	23,220,352	21,428,633	47,486,656	1,791,719	(26,058,023)
Key Financial Metrics:					
Working capital¹	22,846,022	5,508,774	30,135,235	17,337,248	(24,626,461)
Liquid working capital²	21,100,160	4,218,656	28,691,624	16,881,504	(24,472,968)

¹ Represents current assets (including cash and cash equivalents and restricted cash) minus current liabilities.

² Represents working capital minus prepaid expenses and inventory.

For all periods presented, total assets are substantially comprised of cash and cash equivalents, and property, plant and equipment ("PP&E").

Total assets:

In 2025 compared to 2024, other components of current assets increased mainly as a result of the accrual of refundable tax credits in 2025 amounting to approximately \$1,800,000. The remaining net increase is driven by routine fluctuations in prepaid expenses, sales tax recoverable, and inventory (particularly packaging materials). Additionally, PP&E decreased due to the net effect of transferring control of the land and building as part of the sale and leaseback transaction (Q1 2025) and the subsequent recognition of a right of use asset representing the leaseback of the land and building. This alone resulted in a net reduction of approximately \$1,200,000 in PP&E. Further, there were modest capital expenditures on PP&E which were more than offset by depreciation recognized during 2025. Deposits and other assets increased as the Company has a six month security deposit of approximately \$632,000 in relation to the leaseback of its land and building. The sale and leaseback transaction also involved a deferred payment component from the vendor recognized as a loan receivable which contributed to the increase in non-current assets by approximately \$2,000,000 in 2025.

In 2024 compared to 2023, the reduction of all components of current assets in addition to the net reduction in the carrying value of PP&E were drivers of the decrease in total assets further to the use of cash and cash equivalents. Cash and cash equivalents were used in operating activities including technology innovation and advancements, inventory levels were reduced as raw materials were consumed in production trials and not replenished to the same previous extent. There were also write-downs to the cost of certain raw materials to market prices. Offsetting these variances was an increase in prepaid expenses due to increases in insurance premiums which policies were renewed in Q4 2024. Sales tax recoverable decreased slightly in correlation with reduced operating activity levels and normal course timing variances, and purchases and inventory levels of spare parts (non-current) related to production machinery increased. Further, PP&E had decreased due to the disposal of land and unused machinery, coupled with depreciation which exceeded capital expenditures in 2024.

Total liabilities:

In 2025 compared to 2024, payables increased due to normal course timing of payments and operating fluctuations. Deferred liabilities of \$500,000 (initially recognized in Q1 2025) represents a deferred portion of the Technoclimat government grant pursuant to future planned capital expenditures on the Candiac capacity expansion. Moreover, having sold and subsequently leased back its land and building, the Company's current and non-current portions of lease liabilities increased. The initial recognition of the leased back land and building was approximately \$13,800,000. Further, the Company recognized current and non-current portions of a financial liability (Q2 2025) in relation to partially financing the acquisition of equipment. Lastly, the Company received government funding in the form of a loan from Investissement Québec (IQ) of approximately \$7,500,000 (Q1 2025) to which approximately \$4,700,000 was measured on initial recognition as a grant representing the below-market rate of interest (interest-free) component of the loan and recognized in government grants and other income, leaving approximately \$3,100,000 within non-current liabilities which includes accretion as well as accrued interest to give effect to the default provision on the loan which 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 2024 compared to 2023, payables were lower due to reduced operating levels and cost containment efforts in 2024.

Review of Cash Inflows

	Three months ended June 30, 2025 \$	Three months ended March 31, 2025 \$	Six months ended June 30, 2025 \$	Six months ended June 30, 2024 \$
(Amounts are rounded)				
Primary sources of cash and cash equivalents:				
Government grants and loans (operating and financing activities)	3,686,000	12,757,000	16,443,000	87,000
Interest income (investing activities)	44,000	39,000	82,000	560,000
Sale and leaseback of land and building (investing activities)	-	13,699,000	13,699,000	-
	3,730,000	26,495,000	30,224,000	647,000

Government grants and loans: The Company received proceeds from various government programs during the six months ended June 30, 2025 and June 30, 2024 as follows:

	June 30, 2025 \$	June 30, 2024 \$
Department of Defense (DoD)	4,453,000	-
Investissement Québec (IQ)	7,503,000	-
Next Generation Manufacturing Canada (NGen)	833,000	-
Industrial Research Assistance Program (NRC-IRAP) including SDTC	1,454,000	18,000
Other Grants	-	69,000
Technoclimat	2,200,000	-
	16,443,000	87,000

Summary of Cash Flows

Q2 2025 compared to Q1 2025

	June 30, 2025 \$	March 31, 2025 \$	Increase (decrease) \$
Three months ended			
Operating activities			
Income (loss) for the period	(2,793,518)	2,672,920	(5,466,438)
Adjustments for non-cash items	1,512,935	(3,939,228)	(5,452,163)
Interest income (reclassified to investing activities below)	(43,631)	(38,677)	4,954
Net change in non-cash working capital items	(2,823,658)	1,123,055	(3,946,713)
	(4,147,872)	(181,930)	3,965,942
Investing activities			
Interest income	43,631	38,677	4,954
Capital expenditures, net ¹	(182,683)	(148,469)	34,214
Proceeds from sale and leaseback, net	-	13,699,122	(13,699,122)
	(139,052)	13,589,330	(13,659,954)
Financing activities			
Payments of financial and lease liabilities	(481,623)	(259,111)	222,512
Proceeds from government loan	-	7,503,313	(7,503,313)
	(481,623)	7,244,202	(7,280,801)
Change in cash and cash equivalents	(4,768,547)	20,651,602	
Cash and cash equivalents, beginning	27,812,131	7,160,529	
Cash and cash equivalents, ending	23,043,584	27,812,131	(4,768,547)

¹ Capital expenditures, net includes equipment purchases, deposits, payments for intangible assets, and proceeds from disposals. Engineering costs and FEL studies are included within operating activities.

	June 30, 2025 \$	March 31, 2025 \$
Allocation of cash inflows from government grants and loans		
Three months ended		
Operating activities	3,685,385	5,254,109
Financing activities	-	7,503,313
	3,685,385	12,757,422

Capital expenditures continue to be modest and primarily in relation to capacity expansion which is further to engineering and related services which are recognized within expenses, as well as purchases of equipment for innovation in Burnaby.

Payments of financial and lease liabilities increased due to the recognition and first time payments towards a financial liability in Q2 2025 which relates to the partial financing of equipment acquired, further to the increased payments on leased facilities driven by the sale and leaseback transaction (Q1 2025). The Investissement Québec (IQ) loan of approximately \$7,500,000 represents the government loan proceeds received in Q1 2025.

Six months ended 2025 compared to 2024

	June 30, 2025	June 30, 2024	Increase (decrease)
	\$	\$	\$
Six months ended			
Operating activities			
Loss for the period	(120,598)	(18,395,770)	(18,275,172)
Adjustments for non-cash items	(2,426,293)	2,540,690	(4,966,983)
Interest income (to investing activities)	(82,308)	(559,748)	(477,440)
Net change in non-cash working capital items	(1,700,603)	822,720	(2,523,323)
	(4,329,802)	(15,592,108)	(11,262,306)
Investing activities			
Interest income	82,308	559,748	(477,440)
Capital expenditures, net ¹	(331,152)	(1,432,143)	(1,100,991)
Proceeds from sale and leaseback, net	13,699,122	-	13,699,122
	13,450,278	(872,395)	(14,322,673)
Financing activities			
Payments for financial and lease liabilities	(740,734)	(261,536)	479,198
Proceeds from government loan	7,503,313	-	7,503,313
	6,762,579	(261,536)	(7,024,115)
Change in cash and cash equivalents	15,883,055	(16,726,039)	
Cash and cash equivalents, beginning	7,160,529	31,868,882	
Cash and cash equivalents, ending	23,043,584	15,142,843	7,900,741

¹ Capital expenditures, net includes equipment purchases, deposits, payments for intangible assets, and proceeds from disposals. Engineering costs and FEL studies are included within operating activities.

	June 30, 2025	June 30, 2024
	\$	\$
Allocation of cash inflows from government grants and loans		
Six months ended		
Operating activities	8,939,494	86,751
Financing activities	7,503,313	-
	16,442,807	86,751

Capital management

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

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the six months ended June 30, 2025.

Capital Sources

Nano One continues to dialogue with government agencies in Canada and Québec who are aligned with growing a domestic, environmentally focused, and economically viable battery ecosystem, and with project finance lenders and strategic partners to secure funding for growth activities, the Development Project (see "Licensing and Production Updates")

above), and ongoing innovations. The Company continues to evaluate funding programs, structures, and government incentives to bolster and complement its treasury and continue advancing the commercialization of its LFP One-Pot process and CAM product.

Sale and leaseback: The sale and leaseback transaction which closed on February 28, 2025, for the Company's Candiac Facility generated net proceeds of \$13,699,122 (plus a \$2,000,000 loan receivable).

Sale of land: The Company also sold land in Q3 2024 generating net proceeds of approximately \$4,800,000

Government funding: The Company announced in 2024 milestone funding arrangements with various programs that are set to provide funding over several years. During 2025, the Company has received approximately \$16,443,000 in funding from these programs so far (see "Review of Cash Inflows" above).

Base Shelf Prospectus (no financing yet): In April 2024, Nano One filed a short form base shelf prospectus ("Shelf Prospectus") which permits it to make offerings of various financial securities, up to an aggregate total of \$175,000,000 (none offered as at the MD&A Date) at its discretion, at any time during the 25-month period (to May 2026 (Q2 2026)) that the Shelf Prospectus remains valid.

During the 25-month period that the Shelf Prospectus remains valid, the nature, size and timing of any financings would be dependent on Nano One's assessment of requirements for funding and general market conditions. At the time any securities covered by the Shelf Prospectus are offered for sale, a prospectus supplement containing specific information regarding the terms of the securities being offered would be provided.

As described in "Licensing and Production Updates" above, the Development Project in support of the Company's licensing and joint venture strategy will require significantly less capital than previously anticipated when Nano One was planning to fund the development and construction of the 25,000 tpa LFP Development Project as the sole shareholder. Accordingly, the capital requirements of Nano One are significantly less than those permitted under the Shelf Prospectus.

Shareholders' Equity

The authorized share capital of the Company consists of unlimited common shares without par value. All issued common shares are fully paid. All stock options, and RSUs/DSUs outstanding are each convertible into one common share of the Company. As at the MD&A Date, the Company's capital structure was as follows:

As at the MD&A Date		
	#	Weighted average exercise price \$
Common shares issued and outstanding	111,496,151	n/a
Stock options outstanding	4,263,528	1.74
RSUs/DSUs outstanding	3,000,188	n/a
PSUs outstanding	1,754,470	n/a
Fully diluted	120,514,337	

Equity Awards:

During 2025 through to the MD&A Date, the following grants, exercises, and forfeitures/expiries/cancellations of equity awards occurred:

From January 1, 2025 to the MD&A Date			
	Granted #	Exercised #	Forfeited / Expired / Cancelled #
Stock options	2,379,977	-	7,327
RSUs/DSUs	1,284,753	85,129	87,872
PSUs	1,754,470	-	-
Total	5,419,200	85,129	95,199

Issuance of common shares:

The exercise of RSUs illustrated in the table above resulted in the same number of common shares being issued by the Company for \$nil proceeds.

CONTRACTUAL OBLIGATIONS

	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-5 years \$	More than 5 years \$
As at June 30, 2025					
Accounts payable and accrued liabilities	2,975,574	2,975,574	2,975,574	-	-
Financial liability	125,013	144,645	49,593	95,053	-
Lease liabilities	14,855,351	25,276,335	1,818,834	6,549,245	16,908,256
Government loan	3,080,895	7,503,313	-	-	7,503,313
Total	21,036,833	35,899,867	4,844,001	6,644,298	24,411,569

The Government loan is from Investissement Québec (IQ) whereby 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. However, until such time the Company executes a definitive agreement to construct a One-Pot Commercial Plant in Québec the Company considers the loan repayable in full.

SUMMARY OF QUARTERLY RESULTS

The following table shows the results for the last eight fiscal quarters as prepared in accordance with IFRS and presented in Canadian dollars, the functional currency of Nano One and its subsidiaries:

	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	-	-	-	-	-	-	-	-
Operating expenses	(8,331,733)	(8,068,584)	(6,373,235)	(8,320,807)	(8,617,897)	(10,389,007)	(9,013,580)	(7,581,520)
Adjusted operating expenses ¹	(6,836,112)	(6,151,450)	(5,586,928)	(7,487,367)	(8,145,986)	(9,056,331)	(8,261,110)	(7,119,319)
Cash used in operating activities	(4,147,872)	(181,930)	(5,903,166)	(6,828,633)	(7,038,387)	(8,553,721)	(9,036,487)	(6,921,232)
Cash provided by (used in) investing activities	(139,052)	13,589,330	(253,406)	5,301,042	(781,142)	(91,253)	(1,919,234)	(1,720,180)
Cash (used in) provided by financing activities	(481,623)	7,244,202	(149,910)	(148,241)	(130,961)	(130,575)	16,822,700	240,178
Change in cash and cash equivalents	(4,768,547)	20,651,602	(6,306,482)	(1,675,832)	(7,950,490)	(8,775,549)	5,866,979	(8,401,234)
Cash from government grants and loans ²	3,685,385	12,757,422	-	338,903	38,125	48,626	13,666	884,300
Cash, net from disposals of PP&E	18,703	13,699,122	-	4,834,550	-	-	-	-
Cash and cash equivalents	23,043,584	27,812,131	7,160,529	13,467,011	15,142,843	23,093,333	31,868,882	26,001,903
Working capital	22,846,022	24,848,404	5,508,774	10,857,360	13,229,972	21,218,588	30,135,235	22,067,827

¹ Operating expenses less amortization, depreciation (inclusive of amounts within research and operational), and share-based payments expense is adjusted operating expenses.

² Cash from government grants and loans is allocated between operating, investing, and financing activities within the financial statements.

There are no significant seasonal variations in quarterly results as Nano One is not subject to significant seasonality in its operations. Historically, its cash and working capital positions have been supported by private placements, equity exercises, and government grants and loans. Specific drivers for the variances presented above and discussed below are detailed within the "Review of Financial Results" section above.

For Q4 2024 and prior quarters, proceeds from government grants and loans are a contributing factor to quarter over quarter fluctuations in operating expenses as a portion of the proceeds are recognized as a credit towards certain expenses. Variances in capital expenditures (investing activities) in 2023 and prior are also subject to fluctuations for government proceeds for the same reason. Fluctuations are expected to continue for future fiscal quarters through 2027 relating to government funding from NGen, The U.S. Department of Defense (DoD), Government of Québec, and NRC (formerly SDTC).

Operating expenses:

Fiscal 2025

Operating expenses increased in Q1 2025 compared to Q4 2024 due to the Q1 2025 grant of equity awards, and increased research and operational expenses.

Operating expenses increased in Q2 2025 compared to Q1 2025 despite the reduction in share-based payments expense as 2025 equity awards were granted in Q1 2025 which inflated the expense during that quarter. A key contributor was the increase in finance costs given Q2 2025 was the first full fiscal quarter with lease payments (inclusive of finance interest) on the leased Candiac Facility. There were no government grant amounts recognized as reductions to any components of operating expenses during 2025 as all amounts are presented as standalone within government grants and other income or on the statement of financial position.

Fiscal 2024

Operating expenses decreased quarter over quarter for both Q4 2024 from Q3 2024 and from Q2 2024, as business development, professional and consulting, and research and operational expenses decreased, which were partially offset by an increase in personnel costs during Q3 2024 and Q2 2024. Conversely, the reduction in operating expenses from Q4 2024 is reflective of reduced personnel costs going forward demonstrating the effect of the organizational restructuring from August 2024 (mid-Q3 2024).

Operating expenses decreased in Q2 2024 compared to Q1 2024 as share-based payments expense in Q1 2024 included a one-time \$678,000 amount relating to stock options granted that had immediately vested. Despite increases in business development and investor relations, and professional and consulting, these were more than offset by the decreases in share-based payments expense, research and operational expenses, and personnel costs.

Increased operating expenses in Q1 2024 compared to Q4 2023 are attributable to the normal course increasing overheads as well as the commencement of the FEL3 study during Q1 2024 which costs are captured as operating expenses. Notably, a grant of stock options in Q1 2024 which vested immediately increased share-based payments expense and consequently operating expenses but from a non-cash perspective.

Cash used in operating and investing activities:

Variations occur in operating cash flows due to the amounts and timing of grants from government programs that are recognized through operating (burn rate) and/or investing activities.

Fiscal 2025

In Q1 2025, investing activities generated cash flows from the sale and leaseback transaction of approximately \$13,700,000. This, and the Q1 2025 government loan from IQ (financing activity, discussed below), were the primary contributing factors to the positive net cash flows for 2025 year to date. Government grants received in Q2 2025 were recognized entirely within operating activities and amounted to approximately \$3,700,000. The quarterly burn rate is subject to variation quarter to quarter and remains below \$8,000,000 with Q2 2025 incurring approximately \$8,000,000 after removing government grants, and in Q1 2025 the burn rate was approximately \$5,500,000 after removing government grants.

Fiscal 2024 and 2023

The burn rate trended lower in each fiscal quarter for 2024 (from nearly \$9,000,000 down to less than \$6,000,000) which is reflective of cost containment efforts during 2024. This trend continued in Q1 2025 after adjusting for government funding within operating activities as discussed in "Summary of Cash Flows" above.

The most notable cash flow during Q3 2024 was the proceeds received on the disposal of land (approximately \$4,800,000, net within investing activities). Otherwise investing activities are presented as capital expenditures on the Candiac Facility conversion and expansion, the purchase of equipment, machinery, leasehold improvements, informational technology, and patent issuance costs (intangible assets), partially offset by interest income. Notably, engineering costs and studies including FEL2 and FEL3 costs are presented as a component of operating cash flows as amounts are expensed through research and operational expenses. Capital expenditures have fluctuated during 2024 totalling between approximately \$300,000 and \$200,000 for Q4 2024 and Q3 2024, respectively, \$1,000,000 for Q2 2024, and \$400,000 for Q1 2024.

Payments of amounts payable as at December 31, 2023 largely account for relatively higher spend particularly in Q2 2024. Capital expenditures are normally subject to fluctuation based on various timing and planning factors.

Q4 2023 and Q3 2023 were particularly characterized by the conversion and commissioning of Nano One's 200 tpa LFP demo plant within investing activities.

Cash provided by financing activities:

Q1 2025 cash flows from financing activities represented the government loan from IQ with a partial offset for lease payments. There were no cash inflows for financing activities in Q2 2025 with the Company only making payments towards financial and lease liabilities during the quarter.

In Q4 2023, proceeds were received from a private placement with Sumitomo Metal Mining (SMM), and stock option exercises throughout 2023. No proceeds were received in 2025 or fiscal 2024 from the issuance or exercise of equity securities. Financing activities in all quarters are partially offset by monthly payments for leased facilities which have increased due to the leaseback transaction in Q1 2025, and as additional facilities were added/renewed in 2023.

The SMM equity financing in Q4 2023 largely accounts for the variance in the change in cash and cash equivalents between Q1 2024 and Q4 2023 given the proceeds from the SMM financing of approximately \$17,000,000. When removing the SMM proceeds Q4 2023 would have presented a use of cash of approximately \$11,000,000.

TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

The following transactions involved key management (gross amounts):

	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.

Refer to the financial statements for specifics on transactions with related parties. The Company transacted with the following individuals or entities considered to be related parties to the Company at any point during 2025 and 2024:

- 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;
- Leanne Swanson, Corporate Secretary (from January 15, 2024);
- Pamela Kinsman, former Corporate Secretary (until January 15, 2024);

- Paul Matysek, former Executive Chairman and a Director of the Company (controls Bedrock Capital Corp.) until Mr. Matysek's resignation effective October 1, 2024;
- Dan Martino, former CFO (until January 15, 2024) (has significant influence over Donaldson Brohman Martin, CPA Inc.)
- Patent Filing Specialists Inc. ("PFS"), controlled by Company Director, Joseph Guy;
- Non-executive directors: Anthony Tse, Carla Matheson, Gord Kukec, Joseph Guy, Lisa Skakun, and Lyle Brown,

Refer to "Shareholders' Equity" above for grants of stock options, RSUs, DSUs, and PSUs, to which certain grants were made to related parties of the Company.

ACCOUNTING ESTIMATES, JUDGMENTS AND STANDARDS

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 at the date of the financial statements and reported amounts of income 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.

Of the accounting policies included within the material accounting policy information detailed in Note 2 to the financial statements for the year ended December 31, 2024, the Company considers the following policies to be the most critical to the reader's full understanding and evaluation of the Company's reported financial position and operating results.

Key Estimates and Judgments

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 *Leases* ("IFRS 16") and IFRS 15 *Contracts with Customers* ("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.

Fair value of equity incentives (stock options, restricted share units, deferred share units, performance share units) and compensatory warrants

Determining the fair value of stock options, and compensatory warrants for services or in relation to financings, requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the fair value of the Company's common shares, the expected forfeiture rate, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

Research and operational expenses

The determination of whether expenditures on research and development activities meet the criteria for capitalization as internally generated intangible assets is subject to estimation and uncertainty. The Company has determined that until such time that it has a plant in the condition and location necessary to commence commercial production, or until such time that it has jointly developed with Worley Chemetics, and licensed a process engineering design package for the production of CAM materials, that it will remain in a pre-commercial phase and accordingly expenditures will be expensed within the Company's results of operations.

The Company has determined that its pre-commercial and development activities do not meet the criteria within IAS 38 *Intangible Assets* as development phase costs which would otherwise require capitalization of certain costs to the statements of financial position. Accordingly, the Company recognizes and presents such costs as research and operational expenses on the statements of loss and comprehensive loss.

New accounting policies

Certain pronouncements have been issued by the IASB that are effective for the Company's accounting period beginning on January 1, 2025. The Company has reviewed all other updates and determined that many of these updates are not applicable or consequential to the Company.

Except as described below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in the 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. If the transfer of the asset or group of assets qualify as a sale under 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-lessee and is recognized in profit or loss during the period in which the sale occurred.

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.

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.

The Canadian Sustainability Standards Board ("CSSB") was established to set and maintain sustainability disclosure standards for Canadian entities. The CSSB has developed the Exposure Drafts, "Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information*." And "Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, *Climate-related Disclosures*."

CSDS 1 and CSDS 2 are proposed to be effective for annual periods beginning on or after January 1, 2025.

The Company will monitor the continued development of mandating these standards and the requisite disclosure requirements. The CSSB's standards are expected to be finalized and issued in December 2024. Upon release, the CSDSs will be voluntary initially as the CSSB continues its dialogue with governments and regulatory bodies on mandating the CSSB's standards in Canada.

IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1 *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about

financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

CHANGE IN EXECUTIVE OFFICERS AND DIRECTORS

There were no changes to the Company's Executive Officers and Directors during the six months ended June 30, 2025, and to the MD&A Date.

RISKS AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. An investment in Nano One's common shares involves risk.

Investors should carefully consider the risks and uncertainties described below in connection with the Company's AIF for the fiscal year ended December 31, 2024, for a more comprehensive list of risk factors. Additional risks and uncertainties, including those unknown by Nano One at this time, or are currently considered immaterial, may exist, and other risks may apply.

Funding and Global Economy Risk

The volatility of global capital markets has generally made the raising of capital by equity or debt financing more difficult. While the Company is successfully accessing strategic pools of capital with government programs and industrial interests, it may also become dependent upon capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained, or appropriate financing is unavailable. The Company seeks to manage its liquidity risk through a rigorous planning, budgeting and forecasting process to help determine the funding requirements to support its current operations, development and expansion plans. However, the factors described above may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If these levels of volatility persist or if there is a further economic slowdown, the Company's operations, the Company's ability to raise capital and the trading price of the Company's securities could be adversely impacted. As the Company's operations expand and reliance on global supply chains increases, the impact of tariffs and other trade barriers, pandemics (such as COVID-19), significant geopolitical risk and conflict globally may have a sizeable and unpredictable impact on the Company's business, financial condition and operations. The United States recently introduced broad tariffs against Canada, Mexico and China and has threatened to do so against other countries, resulting in retaliatory tariffs or the threat of retaliatory tariffs. Further, support for protectionism and rising anti-globalization sentiment in Canada, the United States and other countries may slow global growth. In particular, a protracted and wide-ranging trade conflict between the United States and various other countries, including Canada, Mexico and China, could adversely affect global economic growth. The ongoing conflicts between Russia and Ukraine and in the Middle East, including the global response to such conflicts as it relates to sanctions, trade embargos, export controls, military support and any restrictive actions in response thereto, have resulted in significant uncertainty as well as economic and supply chain disruptions, changes in commodity prices and implications in the financial markets. Should another significant variant of COVID-19 develop or the conflicts between Russia and Ukraine or in the Middle East go on for an extended period of time or expand territorially, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects to the Company.

Risk Management

The ability to advance Nano One's strategic objectives depends on its ability to understand and appropriately respond to the uncertainties or business risks that may prevent it from achieving its objectives. To achieve this, the Company maintains a framework that permits it to manage risk effectively and integrate a process for managing risk into all of its important decision-making processes so that it can reduce the effect of uncertainty on achieving its objectives and maintain the oversight of relevant committees of the Board of Directors on the effectiveness of its risk management processes.

Climate Change Legislation

Global governments are increasingly addressing climate change by focusing on reducing greenhouse gases ("GHGs"). Climate change policies are rapidly developing at various levels, and political and economic developments could significantly influence these measures. The implementation of GHG reduction strategies by governments, either to meet international targets or other objectives, may materially affect the operations and finances the Company. The evolving regulatory landscape regarding climate change and GHG emissions presents uncertainties for the Company's operational and financial planning, especially in capital raising. Moreover, the potential adoption of climate change legislation could introduce operating restrictions or additional compliance costs, directly influencing the Company's production processes and market strategies.

DISCLOSURE CONTROLS AND PROCEDURES AND ICFR

In accordance with National Instrument 52-109 of the Canadian Securities Administrators (CSA), the Company has filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that report on the design and effectiveness of disclosure controls and procedures ("DC&P") and the design and effectiveness of internal controls over financial reporting.

The Company's DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO, particularly during the period in which the interim filings are being prepared, and information required to be disclosed by the Company in its annual and interim filings under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation.

Additionally, the Company has designed internal controls over financial reporting or caused it to be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the six months ended June 30, 2025 and the year ended December 31, 2024, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A and the financial statements is the responsibility of management. In the preparation of the financial statements, estimates and judgments are sometimes necessary to determine the carrying value for certain assets or liabilities, the recognition of items within profit or loss or within shareholders' equity, or in respect of the accounting treatment for non-routine transactions. Management believes the estimates and judgments made within the financial statements have been based on careful considerations and are properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Nano One does not utilize off-balance sheet arrangements. There are no proposed transactions as at the MD&A Date.