



Nano One Materials Corp.
Consolidated Financial Statements
December 31, 2025
(Expressed in Canadian dollars)



Independent auditor's report

To the Shareholders of Nano One Materials Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nano One Materials Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment indicators of property, plant and equipment (PP&E)</p> <p>Refer to note 2 – Material accounting policy information and note 6 – Property, plant and equipment to the consolidated financial statements.</p> <p>The carrying value of the Company's PP&E amounted to \$14.3 million as at December 31, 2025. Management reviews PP&E for indicators of impairment at the end of each reporting period. Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as the results and outcome of research and scale-up testing activities, customer expectations regarding testing and validation efforts and the Company's market capitalization compared to its net assets.</p> <p>No impairment indicators were identified by management as at December 31, 2025.</p> <p>We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the judgments made by management in assessing whether there was an indicator of impairment, which led to subjectivity in performing procedures to test management's assessment.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated the reasonableness of management's assessment of impairment indicators, which included the following:<ul style="list-style-type: none">– Assessed the completeness of external or internal factors that could be considered as indicators of impairment on the Company's PP&E.– Assessed the reasonableness of factors such as the results and outcome of research and scale-up testing activities and customer expectations regarding testing and validation efforts by considering evidence obtained in other areas of the audit, and other external market factors.– Recalculated the Company's market capitalization and compared it to the net assets as at December 31, 2025.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2024 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on March 25, 2025.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ranbir Gill.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

March 25, 2026

Nano One Materials Corp.**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

As at December 31, 2025 and December 31, 2024

	Note	December 31, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash and cash equivalents	13	23,597,749	7,160,529
Receivables and prepayments	3	2,827,246	1,354,360
Inventory	4	484,691	338,252
		26,909,686	8,853,141
Non-current assets			
Deposits and other assets	3	1,177,036	415,057
Loan receivable	5	2,067,069	-
Property, plant and equipment	6	14,264,006	16,349,166
Intangible assets - patents	7	57,249	49,897
		17,565,360	16,814,120
Total assets		44,475,046	25,667,261
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	3,254,820	2,894,482
Deferred income	8	500,000	-
Equipment finance liability - current portion	6	40,987	-
Lease liabilities - current portion	6	779,949	449,885
		4,575,756	3,344,367
Non-current liabilities			
Equipment finance liability	6	65,517	-
Lease liabilities	6	14,330,613	894,261
Government loan	9	3,012,925	-
		17,409,055	894,261
Total liabilities		21,984,811	4,238,628
Shareholders' equity			
Share capital	10	134,541,746	125,582,347
Reserves	10	8,793,247	5,738,196
Deficit		(120,844,758)	(109,891,910)
Total shareholders' equity		22,490,235	21,428,633
Total liabilities and shareholders' equity		44,475,046	25,667,261
Nature of operations and liquidity risk	1		
Subsequent events	19		

Approved on behalf of the Board of Directors on March 25, 2026:

"Carla Matheson"
Director

"Anthony Tse"
Director

Nano One Materials Corp.**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

		December 31,	December 31,
		2025	2024
	Note	\$	\$
Expenses			
Amortization	7	4,718	3,983
Business development and investor relations		421,419	556,367
Depreciation	6	239,713	258,352
Finance costs	16	1,265,505	185,447
General and administrative expenses		3,076,681	2,608,191
Impairment of equipment	6	381,633	-
Professional and consulting	11	1,930,496	2,308,114
Research and operational expenses, net		6,293,183	7,908,652
Share-based payments	10,11	3,599,444	3,161,999
Wages, benefits and fees	11	14,579,809	16,709,841
Other expenses (income)	16	71,774	(186,932)
Loss from operating expenses		(31,864,375)	(33,514,014)
Gain on disposal of property, plant and equipment	16	1,324,247	3,537,531
Government grant income	12,16	19,149,964	-
Interest income		250,321	756,461
Loss and comprehensive loss for the year		(11,139,843)	(29,220,022)
Loss per share			
Weighted average number of common shares outstanding			
- basic		112,148,703	111,303,413
- diluted		112,148,703	111,303,413
Basic loss per common share		(0.10)	(0.26)
Diluted loss per common share		(0.10)	(0.26)

Nano One Materials Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

	Note	December 31, 2025 \$	December 31, 2024 \$
Operating activities			
Loss for the year		(11,139,844)	(29,220,022)
Adjustments for:			
Amortization		4,718	3,983
Depreciation	6	1,958,777	1,808,052
Finance costs		1,265,505	185,447
Foreign exchange on financial liability	6	1,054	-
Government grant (below-market interest rate benefit)	16	(4,717,758)	-
Share-based payments	10	3,275,866	3,161,999
Interest income		(250,321)	(756,461)
Gain on disposal of property, plant and equipment (non-cash)	16	(1,079,832)	(3,537,531)
Impairment of equipment	6	155,921	-
Net change in non-cash working capital items	13	(988,863)	30,626
Interest paid on lease liabilities	6	(1,031,100)	(185,447)
		(12,545,877)	(28,509,354)
Investing activities			
Interest income		250,321	756,461
Disposals of property, plant and equipment	16	18,703	-
Purchases of property, plant and equipment		(898,407)	(1,974,789)
Proceeds from sale and leaseback, net	6	13,699,122	-
Disposal of land, net	6	-	4,834,550
Payments for intangible assets	7	(12,070)	(15,981)
Short term investment (standby letter of credit)	13	-	575,000
		13,057,669	4,175,241
Financing activities			
Issuance of common shares for cash		9,907,614	-
Share issue costs		(793,268)	-
Payments of equipment finance liability	6	(29,286)	-
Principal paid on lease liabilities	6	(662,945)	(374,240)
Proceeds from government loan	9	7,503,313	-
		15,925,428	(374,240)
Change in cash and cash equivalents		16,437,220	(24,708,353)
Cash and cash equivalents, beginning of year		7,160,529	31,868,882
Cash and cash equivalents, end of year		23,597,749	7,160,529
Supplemental cash flow information	13		

Nano One Materials Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

	Note	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		144,245	540,089	(540,089)	-	-
Re-allocated on cancellation/forfeiture and expiry of stock options		-	-	(3,986,513)	3,986,513	-
Re-allocated on cancellation/forfeiture of RSUs		-	-	(69,042)	69,042	-
Share-based payments	10	-	-	3,161,999	-	3,161,999
Loss and comprehensive loss for the year		-	-	-	(29,220,022)	(29,220,022)
December 31, 2024		111,411,022	125,582,347	5,738,196	(109,891,910)	21,428,633
December 31, 2024		111,411,022	125,582,347	5,738,196	(109,891,910)	21,428,633
Issue of shares - ATM financing	10	1,889,700	2,948,914	-	-	2,948,914
Issue of units - Overnight marketed offering	10	4,970,500	6,585,912	372,788	-	6,958,700
Share issue costs - cash		-	(982,034)	-	-	(982,034)
Share issue costs - non-cash		-	(124,300)	124,300	-	-
Exercise of RSUs		201,248	495,949	(561,069)	31,175	(33,945)
Exercise of PSUs		168,176	34,958	(75,094)	-	(40,136)
Re-allocated on forfeiture of stock options		-	-	(68,412)	68,412	-
Re-allocated on forfeiture of RSUs		-	-	(87,409)	87,409	-
Share-based payments	10	-	-	3,349,947	-	3,349,947
Loss and comprehensive loss for the year		-	-	-	(11,139,844)	(11,139,844)
December 31, 2025		118,640,646	134,541,746	8,793,247	(120,844,758)	22,490,235

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

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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 annual 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 December 31, 2025, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2025, the Company had working capital of \$22,333,930 (December 31, 2024 - \$5,508,774), which is calculated as current assets minus current liabilities.

The Company has not historically generated revenue. The Company’s operations to date have been financed by the issuance of common shares/units, 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 Company’s long-term plans and activities 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 December 31, 2025, management has assessed that the Company will be able to realize its assets and discharge its liabilities for at least the next twelve months from the statement of financial position date. The Company continues to seek additional financing alternatives to support its future plans, however, in the event additional funding is not secured, certain planned expenditures could be curtailed or postponed in order for the Company to sufficiently cover all non-discretionary expenditures over the next twelve months.

Subsequent to December 31, 2025, the Company received \$7,616,675 in funding as described in Note 19, Subsequent Events

Basis of preparation

These financial statements have been prepared in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

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 in 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

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 income (loss) and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION

Material accounting estimates

Estimates

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.

The information about significant areas of estimation uncertainty considered by management in preparing these financial statements are as follows:

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

Determining the fair value of equity incentives, 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, and other estimates prepared by management. 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.

Judgments

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).

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.

Impairment and useful lives of property, plant and equipment

The Company reviews property, plant and equipment for indicators of impairment at the end of each reporting period which involves judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors. Internal factors include the results and outcome of research and scale-up testing activities, capital budgets, and the projected near-term usage of larger items of equipment. External factors may include costs to finance acquisitions of alternative machinery and equipment, customer expectations regarding testing and validation efforts and comparing the Company's market capitalization to its net assets. The estimated useful lives of property, plant and equipment are reviewed by management and adjusted if necessary. In doing so, management may use its past experience, review engineering estimates and industry practices for similar items of property, plant and equipment to assist in its determination of useful life. No impairment indicators were identified by management as at December 31, 2025.

The information about significant areas of judgment considered by management in preparing these financial statements is as follows:

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 judgment. The Company has determined that until such time that it has a commercial-scale plant in the condition and location necessary to commence commercial production, that it will remain in the research phase and accordingly expenditures will be recognized within expenses on the consolidated statements of loss and comprehensive loss.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventory

Inventory is valued at the lower of cost and net realizable value which is based on quoted market prices for same or similar items. Cost of raw materials, and packaging and parts is comprised of initial third-party acquisition costs. As at December 31, 2025, costs of work in progress are comprised only of raw materials costs within production equipment. Raw materials, packaging, and consumable parts, are initially valued at cost and subsequently at the lower of cost and net realizable value.

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 income 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 Revenue 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.

Research and development

Expenditures on research and development (operational) activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss (research and operational expenses, net) as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred. Capitalized development expenditures will be measured at cost less accumulated amortization and impairment losses.

For the years presented, expenditures on research and operational expenses are presented on the statements of loss and comprehensive loss. Additionally, no development costs have been capitalized to the reporting date of these financial statements.

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, as share issue costs. Common shares issued for consideration other than cash, are valued based on their fair value on the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to units in private placement and prospectus offerings (collectively, "equity offerings"). The residual value method first allocates value to the more reliably measurable component based on fair value and then the residual value, if any, to the less reliably measurable component. The Company considers the fair value of common shares issued in equity offerings to be the more reliably measurable component. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded within reserves and such value is reversed and credited within shareholders' equity upon the exercise or expiry of warrants.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are high-interest savings accounts (see details on the management of capital in Note 14), and short-term (maturities with three months or less), interest bearing, redeemable instruments such as guaranteed investment certificates ("GICs") that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in values.

Share-based payments

The Company has an Omnibus Equity Incentive Plan that provides for the granting of stock options, restricted share units, deferred share units, and performance share units to directors, officers, employees, and consultants to acquire common shares of the Company as part of long-term incentive compensation.

Stock options

The fair value of the stock options are measured on grant date and is recognized as an expense with a corresponding increase in reserves as the stock options vest. Stock options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model considering the terms and conditions upon which the stock options were granted. The amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Stock options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an expense and as reserves. When stock options are exercised, the consideration received is recorded as share capital and the related share-based payments originally recorded as reserves are transferred to share capital. When stock options are cancelled or expire, the initial recorded value is reversed from reserves and credited to deficit.

Restricted share units

Restricted share units ("RSUs") are granted to eligible directors, employees, and consultants of the Company. RSUs are classified as equity-settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion.

As such, the Company measures the share-based payment expense based on the closing quoted market price of the Company's common shares on the date preceding the date of grant and recognizes the expense over the vesting period, with a corresponding increase in reserves. When RSUs are exercised (settled), the initial recorded value is reversed from reserves and credited to share capital. Any portion that is settled in cash is recorded to share-based payments expense.

Deferred share units

Deferred share units ("DSUs") are granted to directors of the Company. DSUs are classified as equity-settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a settlement event. As such, the Company measures the share-based payment expense based on the quoted market price of the Company's common shares on the grant date and recognizes the expense over vesting period, if any, with a corresponding increase in reserves. When DSUs are exercised (settled), the initial recorded value is reversed from reserves and credited to share capital. DSUs vest immediately unless otherwise determined by the Company.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share-based payments (continued)

Preferred share units

Preferred share units ("PSUs") are granted to eligible officers of the Company. PSUs are classified as equity-settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a settlement event.

The fair value of PSUs is determined on the grant date through the selection of a valuation model that given the unique underlying aspects of the performance targets and related management estimates and probabilities underlying the vesting conditions of the PSUs which also include the satisfaction of a service period. The selection of a valuation model depends on whether the vesting conditions are based on market conditions or non-market performance conditions.

Market performance conditions: Subsequent measurement and recognition of share-based payment expense over the vesting period for as determined on the grant date market-based performance conditions is not subsequently adjusted regardless of whether the performance condition is met earlier, or later than expected.

Non-market performance conditions: The vesting period for non-market performance conditions may be subsequently adjusted under the modified grant-date method based on changes to the estimated timing of achieving the non-market performance condition under a variable vesting period scenario. No subsequent adjustments are made for the likelihood of not meeting any non-market performance conditions. If the non-market performance condition is not met, forfeiture accounting applies whereby the share-based payment expense previously recognized is reversed to deficit.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and if applicable, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized over the following terms, intended to depreciate the cost of property, plant and equipment, less its residual values, if any, over its estimated useful lives:

Production and research equipment:

• Plant and machinery	10 to 14 years straight-line
• Production and research equipment	5 to 10 years straight-line
Building	25 years straight-line
Land	N/A
Right-of-use assets	Over the terms of the leases
Leasehold improvements	Over the terms of the leases
Information technology equipment	3 to 5 years straight-line

Cost includes expenditures that are directly attributable to the acquisition of the related property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Critical replacement parts to be used for repairs and replacements within items of property, plant and equipment are classified as non-current other assets (deposits and other assets). Repairs and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of property, plant and equipment is recognized in profit or loss. Amounts received from selling items produced while preparing the asset for its intended use are recognized as revenue along with their associated cost in profit or loss.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Government loans

Loans are initially recorded at fair value, net of transaction costs and subsequently measured at amortized cost, calculated using the effective interest rate method. The benefit of a government loan at a below-market rate of interest is treated as a government grant which is recognized and measured in accordance with IFRS 9, *Financial Instruments*. The benefit of the below-market rate of interest is the difference between the initial carrying value of the loan, discounted over the term of the loan using the incremental borrowing rate for the Company and the proceeds received.

Impairment of non-financial assets

The Company's non-financial assets are reviewed indicators of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

The Company leases facilities which are included within property, plant and equipment. Under IFRS 16, the Company assesses whether a contract to lease facilities is, or contains, a lease. For contracts that are, or contain leases, the Company recognizes a right-of-use asset (within property, plant and equipment) and a lease liability at the commencement date of the contract.

Pursuant to the IFRS 16 lessee accounting model, right-of-use assets are initially measured at cost, which includes the initial amount of the liabilities adjusted for any lease payments made at or before the commencement date of the contract, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid as of the commencement date of the contract, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments: Fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date; amounts expected to be payable under any residual value guarantees; and; exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized cost using the effective interest method.

Lease liabilities are remeasured in the following circumstances: If there is a change in the future lease payments resulting from a change in index or rate; if there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and if the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate the lease contract.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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-lessor and is recognized in profit or loss during the period in which the sale occurred.

Financial instruments

All financial instruments are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The classification of the Company's financial assets and financial liabilities are detailed in Note 15.

Classification and measurement of financial assets and liabilities

The Company classifies its financial instruments based on the purpose for which they were acquired, in one of the following categories: amortized cost; fair value through other comprehensive income (loss) ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured at FVTPL (an irrevocable election at the time of recognition). Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest expense (finance costs) is recorded to profit or loss. For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss). The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Impairment of financial assets

An 'expected credit loss' ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model are shown in Note 15. The Company has no history of default on receivables.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting year, applicable to the year of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

New accounting policies

Certain pronouncements have been issued by the International Accounting Standards Board ("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

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 with retrospective application required to comparative information.

Management is currently assessing the impact of these amendments on its financial statements.

In May 2024, the IASB issued amendments to the classification and measurement of financial instruments to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 7, *Financial Instruments: Disclosures*. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs and amended disclosures relating to equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026. The Company has determined that the impact of these amendments will have an immaterial effect on the Company's financial statements.

3. RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Accrued government assistance (Note 12)	-	59,805
Accrued refundable tax credits (Note 12,16)	1,848,285	-
Prepaid expenses	721,777	951,866
Sales tax recoverable and other	257,184	342,689
	2,827,246	1,354,360

Deposits and other assets

Deposits and other assets consist of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Spare parts and deposits on property, plant and equipment	380,132	222,484
Security and other deposits	796,904	192,573
	1,177,036	415,057

Nano One Materials Corp.**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

4. INVENTORY

Inventory is comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Raw materials	291,353	317,299
Packaging	190,599	6,663
Inventory - work in progress	2,739	14,290
	484,691	338,252

5. LOAN RECEIVABLE

Pursuant to the sale and leaseback transaction (Note 6) which closed on February 28, 2025, \$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 December 31, 2025, and changes during the year then ended is as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Beginning of year	-	-
Issuance	2,000,000	-
Accrued interest receivable	67,069	-
End of year	2,067,069	-

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

6. PROPERTY, PLANT AND EQUIPMENT

	Production and research equipment \$	Building \$	Land \$	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	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 and impairment							
December 31, 2023	1,985,942	226,416	-	905,971	311,049	336,622	3,766,000
(1) 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	757,561	-	-	5,871,316	97,007	771	6,726,655
Disposals	(322,774)	(4,874,961)	(2,004,531)	-	-	-	(7,202,266)
Impairment	(319,423)	-	-	-	-	-	(319,423)
December 31, 2025	11,099,460	-	-	8,297,206	1,093,545	634,919	21,125,130
Accumulated depreciation and impairment							
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
(1) Depreciation	794,825	16,250	-	756,776	313,745	77,181	1,958,777
Disposals	(67,485)	(437,664)	-	-	-	-	(505,149)
Impairment	(163,502)	-	-	-	-	-	(163,502)
December 31, 2025	3,267,577	-	-	2,120,553	962,907	510,087	6,861,124
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
December 31, 2025	7,831,883	-	-	6,176,653	130,638	124,832	14,264,006

(1) Depreciation for the years ended December 31, 2025 and December 31, 2024, is allocated as follows:

	Depreciation expense \$	Research and operational expenses, net \$	Total \$
Production and research equipment	-	720,851	720,851
Building	-	194,998	194,998
Right-of-use assets	143,816	313,990	457,806
Leasehold improvements	18,252	319,861	338,113
Information technology equipment	96,284	-	96,284
December 31, 2024	258,352	1,549,700	1,808,052
Production and research equipment	-	794,825	794,825
Building	-	16,250	16,250
Right-of-use assets	150,553	606,223	756,776
Leasehold improvements	11,979	301,766	313,745
Information technology equipment	77,181	-	77,181
December 31, 2025	239,713	1,719,064	1,958,777

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of equipment

During the year ended December 31, 2025, the Company recognized an impairment of \$381,633 representing the net book value of certain equipment decommissioned upon management determining that there would be no future economic benefits through their use.

Sale of land

On September 12, 2024, the Company completed the sale of a vacant parcel of its land in Candiac for gross proceeds of \$5,000,000 (\$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)).

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), which increases at a fixed rate of 3% per 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 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:

<u>Location</u>	<u>Asset</u>	<u>Type</u>	<u>Remaining lease term as at December 31, 2025</u>
Burnaby, BC	Four (4) Units	Research and innovation offices and facilities	2.7 to 3.1 years
Candiac, QC	Building and Land	Demonstration and pre-commercialization facility and offices	14.1 years

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

Nano One Materials Corp.**Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

6. PROPERTY, PLANT AND EQUIPMENT (continued)

A reconciliation of the carrying amount of the lease liabilities as at December 31, 2025 and December 31, 2024, and changes during the years then ended is as follows:

	December 31, 2025 \$	December 31, 2024 \$
Lease liabilities		
Beginning of year	1,344,146	1,718,386
Additions	14,429,361	-
Lease payments	(1,694,045)	(559,687)
Lease interest (finance costs) (Note 16)	1,031,100	185,447
End of year	15,110,562	1,344,146
Current portion of lease liabilities	779,949	449,885
Non-current portion of lease liabilities	14,330,613	894,261
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,953,435	588,279
One to five years	6,915,867	1,053,089
More than five years	16,148,716	-
Total undiscounted lease liabilities	25,018,018	1,641,368

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

7. INTANGIBLE ASSETS - PATENTS

As at December 31, 2025, intangible assets included various patents that were approved for issuance, or have been 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	12,070
December 31, 2025	76,066
Accumulated amortization	
December 31, 2024	14,099
Amortization	4,718
December 31, 2025	18,817
Net book value	
December 31, 2024	49,897
December 31, 2025	57,249

8. DEFERRED INCOME

As at December 31, 2025, deferred income 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 income as at December 31, 2025 and December 31, 2024, and changes during the years then ended are as follows:

	December 31, 2025 \$	December 31, 2024 \$
Beginning of year	-	-
Additions - proceeds received (Technoclimat)	500,000	-
End of year	500,000	-

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

9. GOVERNMENT LOAN

On December 11, 2024, Nano Cadiac 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 expanding the production capacity of the Company's Cadiac Facility for lithium-iron-phosphate (LFP) cathode active materials (CAM) using the One-Pot process (the "Project").

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 Cadiac 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 and security:

In the event of default by the Company, any amount owing by the Company to IQ will bear interest at Prime plus 5.00% from the date of the first disbursement of the loan (9.95% on March 17, 2025) up to and including the date on which the amount owing to IQ is repaid in full.

In order for Nano Cadiac to secure its present and future obligations to IQ, it has granted IQ security interests (hypotheque) 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 December 31, 2025 and December 31, 2024, and changes during the years then ended are as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Beginning of year	-	-
Additions - proceeds received	7,503,313	-
Below-market interest rate benefit (government grant) (Note 16)	(4,717,758)	-
Finance costs - accretion (Note 16)	227,370	-
End of year	3,012,925	-

On initial recognition during the year ended December 31, 2025, \$2,785,555 was initially recognized as a government loan, and \$4,717,758 was recognized as government grant income representing the below-market interest rate benefit (Note 12).

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, and at the time of executing, the agreement). The interest rate benefit is accounted for as government grant income under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* and was recognized as such on initial recognition with management having determined there to be reasonable assurance of compliance with the terms of the loan and in respect of the funds received being reimbursements of costs incurred in prior fiscal periods (2023 and 2024).

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 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 year ended December 31, 2025:

- (a) Upon the exercise of 223,880 RSUs, a total of 201,248 common shares were issued, and \$33,945 was paid in cash to officers of the Company. No proceeds were received from the exercise of the RSUs. Additionally, \$561,069 representing the fair value initially recognized, was re-allocated from reserves to share capital (\$495,949), deficit (\$31,175), and cash as described above, representing a pro rata allocation of the initial fair value between common shares and cash. The cash portion of the settlement involves a credit to deficit for the vesting and recognition of expense recognized in previous years, less the cash paid on the settlement.
- (b) Upon the exercise of 361,268 PSUs, a total of 168,176 common shares were issued, and \$289,633 was paid in cash to officers of the Company. No proceeds were received from the exercise of the PSUs. Additionally, \$75,094 representing the fair value initially recognized, was re-allocated from reserves to share capital (\$34,958) and a reduction to share-based payments expenses (\$40,136) to re-allocate the expense recognized during the year. The excess of the award value on exercise over the cumulative amount recognized to share-based payments expense is recorded as an increase to share-based payments expense totaling \$249,497. The settlement of this exercise partially in cash was a one-time event. Management has no present expectations to partially settle the future exercise of any equity incentives in cash.
- (c) On September 5, 2025, the Company entered into an equity distribution agreement with Canaccord Genuity Corp. and Roth Canada Inc. (the "agents") to establish an at-the-market equity issuance program (the "ATM program"). Pursuant to this program, the Company may distribute up to \$15,000,000 of common shares through the agents. From September 8, 2025 to December 31, 2025, the Company raised gross proceeds of \$2,948,914 in connection with the ATM program from the issuance of 1,889,700 common shares at a weighted average price of \$1.56 per share. The Company incurred broker's commissions of \$88,467 (representing 3% of the proceeds raised).

Subsequent to December 31, 2025, the Company raised gross proceeds of \$185,396 in connection with the ATM program from the issuance of 166,000 common shares at an average price of \$1.10 per share (Note 19).

- (d) On December 10, 2025, the Company closed an overnight marketed unit offering underwritten by Canaccord Genuity Corp., Roth Canada Inc., and Coremark Securities Inc., resulting in the issuance of 4,970,500 units at a price of \$1.40 per unit for gross proceeds of \$6,958,700. Each unit consisted of one common share and one-half of a share purchase warrant exercisable at \$1.75 each for two years until December 10, 2027. The residual value of the warrants attached to the units was determined to be \$372,788 and was recorded to reserves. Additionally, the Company issued 295,230 compensatory warrants to the underwriters exercisable on the same terms as the warrants attached to the units which were recognized as share issue costs at a fair value of \$124,300 and recorded as a reduction to share capital. See below for fair value information.
- (e) The Company incurred \$982,034 in brokers' commissions, legal, filing, and exchange fees in connection with the ATM program and the overnight marketed offering.

Transactions for the issuance of share capital during the year ended December 31, 2024:

- (a) Upon the exercise of RSUs, 144,245 common shares were issued. No proceeds were received from the exercise of the RSUs. Additionally, \$540,089 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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

10. SHARE CAPITAL AND RESERVES (continued)

Reserves (continued)

The following provides a reconciliation of share-based payments expense for the years ended December 31, 2025 and December 31, 2024:

	December 31, 2025 \$	December 31, 2024 \$
Share-based payments - non-cash vesting expensed		
Share-based payments - stock options vesting	1,366,529	1,329,453
Share-based payments - RSUs/DSUs vesting	1,556,156	1,832,546
Share-based payments - PSUs vesting	427,262	-
Share-based payments added to reserves	3,349,947	3,161,999
Share-based payments - PSUs exercised (share settlement portion)	249,497	-
Share-based payments expensed	3,599,444	3,161,999
Cash paid on settlement of RSUs and PSUs	(323,578)	-
Non-cash portion of share-based payments	3,275,866	3,161,999

Stock options

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.

RSUs, DSUs, PSUs (collectively, "Share Units")

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. The partial cash settlement that occurred during the year ended December 31, 2025, was a one-time event determined by the Company. There is presently no expectation that future settlements will occur in the form of cash. The form of future settlements is based on the Company's determination.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

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. Compensatory warrants may be issued to finders, brokers, or underwriters, as equity financing share issue costs or for other services and are valued using the Black-Scholes option pricing model.

Stock options

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

	Year ended December 31, 2025		Year ended December 31, 2024	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	\$	#	\$
Options outstanding, beginning of year	1,890,878	2.96	2,688,565	4.48
Granted	2,379,977	0.78	943,948	1.92
Forfeited/cancelled	(49,632)	2.39	(1,741,635)	4.74
Options outstanding, end of year	4,221,223	1.74	1,890,878	2.96

As at December 31, 2025, the Company has stock options outstanding and exercisable as follows:

	Options outstanding ⁽¹⁾ #	Options exercisable #	Exercise price \$	Expiry date
(1)	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
(2)	384,184	256,123	3.28	March 17, 2028
	200,000	66,667	1.94	January 19, 2029
	743,948	581,316	1.91	January 23, 2031
(2)	797,233	797,233	0.79	January 23, 2032
	801,206	-	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	62,500	0.70	May 13, 2028
	61,750	-	0.70	May 13, 2032
	4,221,223	2,871,741	1.74	

⁽¹⁾ These options subsequently expired unexercised.

⁽²⁾ 30,656 options were subsequently forfeited.

The following table summarizes the above information about the stock options outstanding as at December 31, 2025:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.70 - 0.79	2,362,672	5.9	0.78
1.91 - 2.88	1,074,367	4.2	2.03
3.28 - 5.10	784,184	1.1	4.21
	4,221,223	4.6	1.74

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company recorded the fair value of the stock options granted during the years ended December 31, 2025 and December 31, 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:

	December 31, 2025	December 31, 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 year ended December 31, 2025, 49,632 stock options were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$68,412 was reversed from reserves and credited to deficit.

During the year ended December 31, 2024, 1,741,635 stock options were either forfeited upon certain individuals leaving employment of the Company or cancelled upon the Company's personnel restructuring in August 2024, and expired unexercised. As a result, \$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 December 31, 2025 and December 31, 2024, and changes during the years then ended is as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
	RSUs and DSUs #	RSUs and DSUs #
RSUs/DSUs outstanding, beginning of year	1,888,436	667,774
Granted - RSUs	1,362,878	972,038
Granted - DSUs	351,563	466,632
Exercised	(223,880)	(144,245)
Forfeited/cancelled	(142,062)	(73,763)
RSUs/DSUs outstanding, end of year	3,236,935	1,888,436

The value of the RSUs granted during the year ended December 31, 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 \$0.85 each for a total value of \$1,448,939. 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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

10. SHARE CAPITAL AND RESERVES (continued)

RSUs and DSUs (continued)

As at December 31, 2025, the Company has RSUs and DSUs outstanding as follows:

RSUs outstanding ⁽¹⁾⁽²⁾ #	RSUs exercisable ⁽¹⁾ #	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
190,552	115,283	-	3.28	March 17, 2026	December 31, 2026
-	-	85,976	3.28	March 17, 2026	n/a
3,767	-	-	2.92	October 10, 2026	December 31, 2026
-	-	96,574	2.92	October 10, 2023	n/a
297,642	73,904	-	1.95	January 22, 2027	December 31, 2027
157,342	42,393	-	1.91	January 23, 2027	December 31, 2027
28,985	-	-	1.15	August 1, 2027	December 31, 2027
-	-	326,086	1.15	August 1, 2024	n/a
300,000	200,000	-	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
1,940	-	-	1.02	October 23, 2026	December 31, 2027
1,169,211	-	-	0.79	January 23, 2028	December 31, 2028
78,125	-	-	1.01	August 12, 2028	December 31, 2028
-	-	351,563	1.01	August 12, 2025	n/a
2,227,564	431,580	1,009,371	1.46		

⁽¹⁾ 867,172 RSUs were subsequently exercised.

⁽²⁾ 76,586 RSUs were subsequently forfeited.

Activity during the year ended December 31, 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.
- On August 12, 2025, the Company granted 78,125 RSUs and 351,563 DSUs in aggregate to directors of the Company. The 351,563 DSUs vested immediately on grant, and the 78,125 RSUs vest in three annual instalments through to August 12, 2028.
- 142,062 RSUs were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$87,409 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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

10. SHARE CAPITAL AND RESERVES (continued)

RSUs and DSUs (continued)

Activity during the year ended December 31, 2024 (continued):

- 73,763 RSUs were either forfeited upon certain individuals leaving employment of the Company or cancelled upon the Company's personnel restructuring in August 2024. As a result, the original share-based payments expense of \$69,042 was reversed from reserves and credited to deficit.

PSUs

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

	Year ended December 31, 2025	Year ended December 31, 2024
	PSUs #	PSUs #
PSUs outstanding, beginning of year	-	-
Granted	1,760,470	-
Exercised	(361,268)	-
Cancelled	(40,131)	-
PSUs outstanding, end of year	1,359,071	-

Activity during the year ended December 31, 2025:

- On January 23, 2025, the Company granted an aggregate of 1,733,255 PSUs to officers of the Company and one employee 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.
- On August 12, 2025, the Company granted an aggregate of 6,000 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 August 12, 2028.
- On November 27, 2025, 361,268 PSUs vested upon the Tranche 1 (see below) performance target being met. Accordingly, the value of the settlement was \$539,130 which was settled partially in shares (\$249,497) and partially in cash (\$289,633) (see above, "Share Capital" "Transactions for the issuance of shares").
- During the year ended December 31, 2025, 40,131 unvested PSUs were forfeited upon the resignation of an officer (Corporate Secretary, Note 11).

Valuation of PSUs:

The Company recorded the fair value of the PSUs granted during the year ended December 31, 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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

10. SHARE CAPITAL AND RESERVES (continued)

PSUs (continued)

The following assumptions were used on the grant date:

	December 31, 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 year ended December 31, 2025, were as follows:

Tranche	Valuation per PSU \$	December 31, 2025 \$
1	0.64	75,095
2	0.51	59,514
3	0.71	174,104
4	0.46	36,941
5	0.75	81,608
		427,262

Warrants

A summary of the Company's common share purchase warrants as at December 31, 2025 and December 31, 2024, and changes during the years then ended is as follows:

	Year ended December 31, 2025		Year ended December 31, 2024	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	-	-	-	-
Issued	2,780,480	1.75	-	-
Warrants outstanding, end of year	2,780,480	1.75	-	-

As at December 31, 2025, the Company has warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price \$	Expiry date	Weighted average remaining life (years)
2,780,480	1.75	December 10, 2027	1.90

During the year ended December 31, 2025, the Company issued 295,230 compensatory warrants to the underwriters in connection with the overnight marketed unit offering completed on December 10, 2025. The Company recorded the fair value of these warrants issued using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair value was determined using the following weighted average assumptions:

	December 31, 2025
Risk-free interest rate	2.6%
Expected life of warrants (years)	2.0
Historical volatility	77.9%
Dividend rate	0.0%
Weighted average fair value per warrant issued	\$ 0.42

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2025 and December 31, 2024

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 year ended December 31, 2025 \$	Transactions year ended December 31, 2024 \$	Balances outstanding December 31, 2025 \$	Balances outstanding December 31, 2024 \$
Bedrock Capital	-	112,500	-	-
DBMCPA	-	7,500	-	-
Directors' fees	328,320	327,500	-	-
Amounts within wages, benefits and fees	328,320	447,500	-	-
Expense reimbursements (officers)	-	-	2,320	428
Wages, benefits and fees (officers) ⁽¹⁾	2,213,561	2,280,342	390,011	359,350
Share-based payments (directors and officers)	2,361,394	2,380,744	-	-
PFS (professional and consulting; and intangible assets)	270,445	266,065	15,734	11,528
	5,173,720	5,374,651	408,065	371,306

⁽¹⁾ As at December 31, 2025, \$390,011 was accrued as short-term incentive (STI) compensation to key management relating to 2025 performance (December 31, 2024 - \$359,350 relating to 2024 performance).

During the years ended December 31, 2025 and December 31, 2024, stock options were granted to key management (as disclosed in (c) below) in lieu of cash in settling STI compensation accrued during the years ended December 31, 2024 and December 31, 2023.

In accordance with executive employment agreements the Company has in place with certain of its executive officers, in case of termination by the Company without cause, they are entitled to six (6) weeks' base pay (or notice) for every year of service to a maximum of twenty-four (24) months. In the case of resignation after a Change of Control and for 'Good Reason', they are entitled to twenty-four (24) months' base salary.

(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 which the Company incurs at market rates.

(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 (subsequent title change effective February 17, 2026 to President and Chief Strategy Officer); Carlo Valente, CFO (from January 15, 2024); Denis Geoffroy, Chief Commercialization Officer (CCO) (subsequent title change effective February 17, 2026 to COO); 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 to resigning on effective October 1, 2025). Pamela Kinsman who is now Director of Sustainability was formerly Corporate Secretary to January 15, 2024).
- Includes the services of Anthony Tse, the Chairman (non-Executive) of the Company from 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) 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 (expired), at the same monthly fee of \$12,500 (\$75,000 over the term of the agreement). Fees paid to Bedrock Capital are disclosed as related party transactions through to October 1, 2024, at which time Bedrock Capital was no longer considered a related party.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

11. RELATED PARTY TRANSACTIONS (continued)

(c) Wages, benefits and fees (continued):

- 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.

(d) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the year ended December 31, 2025, the Company granted 1,695,547 stock options to Company officers (2024 – 943,948) in lieu of cash STI compensation. See Note 10 for vesting terms.
- During the year ended December 31, 2025, the Company granted 429,688 RSUs and DSUs to Company directors (2024 – 984,712 RSUs and DSUs granted). See Note 10 for vesting terms.
- During the year ended December 31, 2025, the Company granted 1,686,381 PSUs to Company officers (2024 – nil). See Note 10 for vesting terms.

12. GOVERNMENT PROGRAMS

During the years ended December 31, 2025 and December 31, 2024, the following proceeds from government assistance were received and allocated within the financial statements as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Proceeds received:		
Department of Defense (DoD)	8,424,757	-
Investissement Québec (IQ)	7,503,313	-
Next Generation Manufacturing Canada (NGen)	1,065,078	13,024
Industrial Research Assistance Program (NRC-IRAP) including SDTC	1,453,891	18,334
Other Grants	-	83,417
Scientific Research and Experimental Development (SR&ED)	-	310,879
Technoclimat	2,200,000	-
	20,647,039	425,654
Allocation of proceeds received:		
Deferred liabilities	500,000	-
Recovery of operating expenses	-	425,654
Government grant income (Note 16)	17,301,679	-
Government loan (Note 9)	2,785,555	-
	20,587,234	425,654
Prior period Government grant income accrual (Note 3)	59,805	-
Total proceeds received	20,647,039	425,654

In addition to the amounts presented above for the year ended December 31, 2025, \$1,848,285 (Note 3, 16) was accrued for refundable tax credits receivable as at December 31, 2025.

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 Candiatic 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 Candiatic 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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2025 and December 31, 2024

12. GOVERNMENT PROGRAMS (continued)

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 December 31, 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 December 31, 2025). The funds are non-dilutive, and non-repayable and are intended to support pre-commercial activities in Candiatic.

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 having not received indications from NRC regarding acceptance of the requirements submitted by the Company relating to Milestone 2.

Technoclimat

Pursuant to a December 2024 agreement, Nano Candiatic was awarded a grant of up to \$3,000,000 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"). Of this Grant, \$2,200,000 was received during the year ended December 31, 2025, with \$500,000 of which included within deferred income (Note 8)) as at December 31, 2025.

The Grant partially related to a reimbursement for eligible expenditures incurred at the Candiatic plant (\$1,700,000), and partially for planned future expenditures on expansion activities (\$500,000). Amounts under the program may be subject to adjustment or repayment in full by the Company to Technoclimat in the event of non-compliance with the terms of the agreement. The agreement has a duration through to 2031.

NRCan (Natural Resources Canada, Energy Innovation Program)

On October 29, 2025, the Company announced an award of \$5,000,000 in a non-repayable contribution from NRCan under the Energy Innovation Program for expansion of the Candiatic Facility, scale production of One-Pot LFP CAM, and advance commercialization. The funding covers a period through to March 31, 2027. Subsequent to December 31, 2025, the Company received \$2,127,264 from NRCan (Note 19) and announced an amendment to the program agreement to increase the award to \$9,310,000 (an increase of \$4,310,000).

On March 3, 2026, the Company announced a \$3,000,000 award from NRCan to support ongoing process optimization, supply chain diversification and enhanced commercial offerings for the One-Pot production of lithium iron phosphate (LFP) cathode active materials. The program time period runs to March 31, 2028 (Note 19).

Nano One Materials Corp.

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(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

12. GOVERNMENT PROGRAMS (continued)

Refundable tax credits

SR&ED (Scientific Research and Experimental Development):

During the year ended December 31, 2025, the Company accrued \$266,108 (Note 3) in refundable SR&ED amounts in relation to 2024 claimed by Nano Candiatic. During the year ended December 31, 2024, the Company claimed refundable SR&ED amounts totaling \$310,879 in relation to 2023 and a stub period during 2022 by Nano Candiatic.

SR&ED claims are subject to review, and potential adjustment, by tax authorities. The amount accrued for the year ended December 31, 2025, remains under review by the tax authorities.

C3I Investment and Innovative ("C3i")

During the year ended December 31, 2025, the Company accrued \$1,582,177 (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. The amount accrued for the year ended December 31, 2025, remains under review by the tax authorities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital during the years ended December 31, 2025 and December 31, 2024, were comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Receivables and prepayments	(1,539,955)	(224,317)
Inventory	(146,439)	367,026
Accounts payable and accrued liabilities	197,531	(112,083)
Deferred liabilities	500,000	-
Net change	(988,863)	30,626

The Company incurred non-cash investing and financing activities during the years ended December 31, 2025 and December 31, 2024, as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	(12,625)	38,587
Extension of facility lease (right-of-use assets)	(611,109)	-
Non-cash financing activities:		
Equipment finance liability recognized on equipment addition (Note 6)	(127,701)	-
Fair value of compensation warrants issued	(124,300)	-
Share issue costs included in accounts payable and accrued liabilities	(188,766)	-

During the years ended December 31, 2025 and December 31, 2024, no amounts were paid for interest or income taxes.

Cash and cash equivalents consist of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Cash	23,597,749	1,887,115
Cash equivalents	-	5,273,414
Cash and cash equivalents	23,597,749	7,160,529

Nano One Materials Corp.

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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 year ended December 31, 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 90 days.

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
Equipment finance liability	Amortized cost
Deferred income	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.

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2025 and December 31, 2024

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 various sources of capital as described in Note 1 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.

As at December 31, 2025	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-5 years \$	More than 5 years \$
Accounts payable and accrued liabilities	3,254,820	3,254,820	3,254,820	-	-
Equipment finance liability	106,504	120,331	49,792	70,539	-
Lease liabilities	15,110,562	25,018,048	1,953,435	6,915,867	16,148,746
Government loan	3,012,925	7,503,313	-	-	7,503,313
Total	21,484,811	35,896,512	5,258,047	6,986,406	23,652,059

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 year ended December 31, 2025, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the year by approximately \$207,000 (2024 – \$176,000).

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, deposits, and loan receivable.

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. Additionally, management believes the risk to be low on its loan receivable due to the counterparty being of strong creditworthiness. The Company's deposits and loan receivable 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 and loan receivable 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.

Nano One Materials Corp.**Notes to the Consolidated Financial Statements**

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15. FINANCIAL INSTRUMENTS (continued)**Financial instruments – risk** (continued)**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 December 31, 2025, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the December 31, 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 year by approximately \$399,000 (2024 - \$1,000).

16. SUPPLEMENTAL LOSS AND COMPREHENSIVE LOSS INFORMATION

Certain amounts in loss and comprehensive loss are comprised of the following for the years ended December 31, 2025 and December 31, 2024:

	December 31, 2025	December 31, 2024
	\$	\$
Finance costs		
Lease liabilities - interest paid (Note 6)	1,031,100	185,447
Government loan - accretion (Note 9)	227,370	-
Financial liability - interest paid (Note 6)	7,035	-
Total	1,265,505	185,447

	December 31, 2025	December 31, 2024
	\$	\$
Gain (loss) on disposal of property, plant and equipment		
Gain on sale and leaseback transaction - non-cash	1,305,777	-
Gain on sale and of vacant land - cash	-	3,575,423
Other disposals - cash	18,703	-
Other disposals - non-cash	(233)	(37,892)
Total	1,324,247	3,537,531

	December 31, 2025	December 31, 2024
	\$	\$
Government grant income		
Grants received - cash	12,583,921	-
Grants received - cash (below-market interest on loan) (Note 9)	4,717,758	-
Cash received (Note 12)	17,301,679	-
Refundable tax credits - accrued (Note 3,12)	1,848,285	-
Total	19,149,964	-

	December 31, 2025	December 31, 2024
	\$	\$
Other income (expenses)		
Amortization of administration fee on government grants	(102,091)	-
Equipment dismantling	(46,189)	-
Other income	76,506	186,932
Total	(71,774)	186,932

Nano One Materials Corp.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2025 and December 31, 2024

17. SEGMENTED INFORMATION

The Company operates in a single operating segment being the research, piloting, and pre-production demonstration of a patented process to produce LFP CAM for lithium-ion battery applications. 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).

The Company formerly disclosed additional operating segments within its interim and annual financial statements for the six months ended June 30, 2024, through the nine months ended September 30, 2025. These segments were disclosed as (i) corporate and other; (ii) research and innovation; and (iii) demonstration and pre-commercialization. Management has determined that the Company's operating segments meet the IFRS 8, *Operating Segments* criteria for aggregation into a single operating segment.

18. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2025, and December 31, 2024, is as follows:

	December 31, 2025 \$	December 31, 2024 \$
Loss for the year	(11,139,844)	(29,220,022)
Expected income tax (recovery)	(3,008,000)	(7,889,000)
Change in tax resulting from:		
Permanent differences	448,000	393,000
Change in recognized deductible temporary differences and other	2,825,000	7,496,000
Share issue costs	(265,000)	-
Total income tax expense (recovery)	-	-

The Company's unused temporary differences, unused tax credits, and unused tax losses that have not been included on the statements of financial position as at December 31, 2025 and December 31, 2024, are as follows:

	December 31, 2025 \$	Expiry Date Range	December 31, 2024 \$	Expiry Date Range
Property, plant and equipment	13,188,000	No expiry	11,217,000	No expiry
Right-of-use asset / lease liability	8,934,000	No expiry	282,000	No expiry
Share issue costs	807,000	2044 to 2048	565,000	2044 to 2047
Investment tax credits (SR&ED)	1,376,000	No expiry	1,230,000	No expiry
Investment tax credits (SR&ED) - Federal	322,000	2036 to 2044	322,000	2036 to 2043
Non-capital loss carry forwards	112,440,000	2026 to 2045	100,434,000	2026 to 2044

Tax attributes are subject to review, and potential adjustment, by tax authorities.

Nano One Materials Corp.**Notes to the Consolidated Financial Statements**

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For the years ended December 31, 2025 and December 31, 2024

19. SUBSEQUENT EVENTS

In February 2026, the Company recognized the \$500,000 deferred income (Note 8) as government grant income when the conditions attached to the Technoclimat grant were satisfied.

In March 2026, the Company announced an additional \$3,000,000 government funding award from Natural Resources Canada (NRCan), further to an amendment to the program agreement from October 2025 to increase the award to \$9,310,000 (an increase of \$4,310,000) (Note 12).

Between January and March 2026, the Company received \$7,616,675 in proceeds from government grants and loans involving NRCan (\$2,127,264 (Note 12)), DoD (\$1,913,420), Technoclimat (\$450,000), and IQ (\$3,125,991).

Between January and March 2026, the Company raised gross proceeds of \$185,396 in connection with the ATM program from the issuance of 166,000 common shares at an average price of \$1.10 per share (Note 10).

Between January and March 2026, 867,172 common shares were issued upon the exercise of an equivalent number of RSUs. No proceeds were received from the exercise of the RSUs (Note 10).