



Nano One Materials Corp.
Management's Discussion & Analysis
For the year ended
December 31, 2025

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

The following Management's Discussion & Analysis ("MD&A") of Nano One® Materials Corp. ("Nano One", "we", "our", the "Company") for the year ended December 31, 2025, should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2025 and December 31, 2024, that were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") (the "financial statements"). The financial statements and this MD&A are presented in Canadian dollars. The information contained in this MD&A is presented as at **March 25, 2026** (the "MD&A Date"), unless otherwise indicated. This MD&A also presents a summary of quarterly financial information for each of the eight most recently completed fiscal quarters with such quarterly information prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by IASB.

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

Additional information relating to the Company, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2025, is available on the Canadian Securities Administrators' SEDAR+ website at www.sedarplus.ca, and on the Company's website at www.nanoone.ca.

Abbreviations

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

Forward-Looking Statements

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

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: the performance of the Company's business and operations; shareholder value; the Company's ability to raise sufficient financing to continue its operations, and the related cost of capital; estimated future working capital and sources of capital; funds available; compliance with terms of loans and other financing arrangements; compliance with government programs relating to various government funding awards; use of funds; future capital expenditures and other expenses; receipt of the total amounts of announced anticipated government funding; the intention to grow the business; OEM collaboration and strategies; operations and potential activities of the Company; access to land and utilities; the anticipated acceleration and demand of the industry and market acceptance of the Company's technology and products; the functions and intended benefits of the Company's technology and products; the commercial development and strategies of the Company's technology and products; strategic objectives and catalysts; facilities expansion and/or commercial production of CAM; entering into definitive agreements of any

kind; the Company's pilot and demonstration lines, development projects, production trials, (pre-) feasibility studies, and innovation activities; plans for construction and operation of production facilities for acceptance of the Company's product and licensing packages; potential bundling of One-Pot with pre-qualified feedstocks and those related benefits to potential partners, licensees and customers; collaboration with materials producers; de-risking product supply chains for prospective licensees; general and global economic and regulatory changes; the competitive conditions of the industry and the Company's competitive position in the industry; intellectual property protection; anticipated joint development programs; the Company's short- and long-term business objectives and milestones, and the events that must occur to accomplish them; prospective partnerships and the anticipated benefits of those partnerships; the Company's marketing efforts and potential licensing, supply chain, and royalty arrangements; the purpose for expanding the Company's facilities and scalability of developed technology; and the anticipated future sales and revenue streams from product sales, technology licensing, joint ventures, and royalty arrangements; expected timing of commercialization milestones, including product qualification, initial sales, capacity expansion, and development project timelines; the imposition of tariffs, trade sanctions, quotas or other protectionist measures or the breakdown of trade relations; production and government tax incentives; collaboration with municipalities; the impact of public health crises; and profit margins of the Company's operations.

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

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BUSINESS OVERVIEW

Nano One's head office is located at Unit 101B, 8575 Government Street, Burnaby, British Columbia V3N 4V1, and the registered and records office is located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3. The Company's common shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "NANO" and commenced trading on the U.S. OTCQB under the symbol "NNOMF" on July 14, 2025.

Nano One is a process technology company changing how CAM is produced for lithium-ion batteries. Nano One's platform is built on a portfolio of patented processes, decades of manufacturing know-how and modular plant designs that enable scalable, cost-competitive and easier-to-permit CAM production with resilient supply chains. The technology eliminates wastewater and byproducts while enabling regionally sourced raw materials and reducing exposure to foreign supply chain volatility. Modular plants are designed with fewer steps to reduce capex, opex, energy and environmental intensity and to accelerate deployment, manufacturing and licensing. Product development and process optimization are based at Nano One's Innovation Centre in Burnaby, British Columbia while piloting, demonstration and commercial production are based in Candiac, Québec (the "Candiac Facility"), supported by a team with more than 15 years of commercial cathode manufacturing experience supplying global cell manufacturers. Strategic collaborations with global partners including Sumitomo Metal Mining ("SMM"), Rio Tinto and Worley support Nano One's Design-One-Build-Many growth strategy.

Nano One has received funding support from the Governments of Canada, the United States (U.S.), Québec and British Columbia.

Technology and Intellectual Property

One-Pot Process and M2CAM® Technologies

Nano One's patented One-Pot processing technology vertically integrates pCAM with CAM processing and is engineered to make cathode materials directly from non-sulfate forms of battery metals, reducing reliance on foreign controlled supply of metal sulphates and pCAM, while also eliminating wastewater discharge and by-products. This reduces operating and equipment costs, permitting risk, logistics, energy intensity, carbon footprint and enables the regionalization and diversification of raw material supply chains.

Life Cycle Assessment (LCA)

In December 2023, Nano One announced the results of a third-party LCA report which showed that the One-Pot process could cut GHG emissions for NMC811 CAM, and LFP CAM, and significantly reduce water use for both CAMs. These environmental improvements are augmented by the other benefits of the One-Pot process including reduced cost, complexity, and dependency on foreign supply chains of concern (refer to Company news release dated December 6, 2023).

Intellectual Property

Nano One's intellectual property (IP) was developed and is wholly owned by Nano One. The Company continues to expand patent coverage of its proprietary technology and has various patents which have been granted or approved across the globe. There are also many pending patent applications throughout the world. The Company most recently provided an update on August 20, 2025, regarding the expansion of its patent portfolio, and the allowance and/or issuance of several new patents.

COMMERCIALIZATION STRATEGY

Nano One aims to create shareholder value with a diversified portfolio of revenue streams, beginning with commercial sale of LFP produced at its Candiatic Facility, targeting customers with defence and energy-storage applications, whose qualification requirements, volumes and raw material sourcing strategies are aligned with Candiatic's capacity and supply chains. The Candiatic Facility also enables A, B, and C sample product qualification with large cell producers, as a pathway to higher volume production, project development and process technology licensing opportunities. In response to global shifts in demand, the Company's focus has shifted to LFP and away from prior initiatives on nickel, manganese and cobalt based CAM. As such the previously announced joint development agreements with BASF and Umicore on nickel-based chemistries have terminated. The Company continues to track market trends and explore opportunities with its current partners and collaborators on the full range of cathode active material chemistries.

Technology Solutions Licensing

Nano One is pursuing a licensing growth strategy to address the emerging global need for supply chain and processing alternatives that enable diversified LFP ecosystems, localization and resilience. The Company's One-Pot process is being marketed directly for license to existing CAM producers in emerging markets around the world who are looking for LFP CAM production technology solutions that offer a cost-competitive, scalable, easier-to-permit and diversified alternative to existing supply chains. Further, the Company has a continuous improvement approach that will benefit its licensees with valuable process innovations that are differentiated, IP protected and supported with continual focus on its cost competitiveness, protecting its production know-how and training.

Nano One is also developing a more complete technology offering, through its partnership with Worley Chemetics and their colleagues at Worley Comprimo. Worley representatives joined Nano One in Candiatic in January 2026 to collaborate on 2026 strategic planning.

A comparative analysis in collaboration with Worley, disclosed on December 4, 2024, showed that the One-Pot process could enable at least 30% lower costs in total invested capital and up to 30% lower operational costs, using up to 80% less energy than the incumbent method. The One-Pot process also eliminates sodium sulfate wastewater and could use up to 80% less process water and reduce GHG emissions by up to 50% depending on energy sources and jurisdiction.

During 2025, the Strategic Alliance also completed a layout of the modular plant with operability and maintainability in mind and is presently accelerating engineering and qualification of vendor equipment to complete the LFP CAM Technology Package and support customer ambitions in this market during 2026 and beyond.

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

Design-One-Build-Many

On February 18, 2026, the Company reiterated the continual advancement of its partnership with Worley, including an initial commercial-ready One-Pot LFP CAM Package that is targeted for completion and marketing in H1 2026. This provides an ISBL offering, which is essentially the "guts" of a One-Pot LFP production line, engineered to a class 3 cost estimate. It also includes a preliminary process design package and qualified vendor quotes for key equipment, providing enough definition to promote this technology stack to a global target-customer base.

Production

Nano One has successfully demonstrated LFP made with the One-Pot technology in existing full commercial scale reactors, at the Candiatic Facility, in a series of manually fed production runs. Results were announced on August 20, 2025, regarding the successful installation and commissioning of a custom-designed and proprietary agitator for the Company's existing and commercial-sized 20,000 litre One-Pot reactor. The new agitators demonstrated improved cost performance at scale for the purposes of commercialization production and its technology license offerings.

Nano One's Pilot and Demonstration lines enable a staged approach that is deliberate, lean and optimized for productivity. It aligns capital spending with real demand and allows for demonstration of performance to customers, as well as potential strategic and financial partners. As stated in the Company's February 18, 2026, corporate update news release, Nano One is targeting initial commercial LFP supply agreements for defence and energy-storage applications by the end of 2026.

Results from these operations have led to decisions and plans that are now in motion, to add automation, expand production capacity at the Candiatic Facility and address projected increases in customer demand. These plans are described below under "Expansion and FEED Study".

Pilot Line - 200 tpa capacity

The Pilot line has been operational since Q4 2023 having successfully de-risked the production of LFP with performance results consistent to lab scale. The Pilot Line is used for customer sampling, and continuous process and product improvement, with first commercial agreements targeted for end of 2026 (per February 18, 2026, news release). The Pilot Line is also used to inform FEL design studies and the LFP CAM package with Worley. See "Demonstration Line" below. Nano One had incurred expenses of approximately \$8,660,000 in building and commissioning the demo plant through to fiscal 2023.

Demonstration Line - ~800tpa (flexibility to reach 1,000+ tpa) and FEED Study

A Front End Engineering and Design (FEED) study was completed in year ended December 31, 2025, for capacity expansion at the Candiatic facility, and resulted in pre-feasibility level costing and nameplate capacity estimation. Through to December 31, 2025, Nano One has incurred approximately \$1,770,000 (\$1,240,000 incurred in 2025) in engineering and planning costs related to the FEED study, expansion, and commercial reactor optimization efforts.

The Demonstration Line is currently being operated manually in a full-scale reactor, with automation improvements underway to enable ~800 tpa of commissioned capacity targeted in the first half of 2027. This line will be focused on producing LFP cathode materials, growing commercial sales and demonstrating full-scale One-Pot reactors fully automated and integrated with material drying, calcining and packaging processes. The Demonstration Line also supports the volumes required for A-, B-, and C sample product qualification with large cell producers looking to secure future supply through offtake agreements from large scale LFP facilities enabled by Nano One's One-Pot technology.

The Company has the ability to further expand the Demonstration Line by boosting capacity to 1,000+ tpa, to be achieved largely through further investment in automation and integration with improved existing equipment. The Company may invest in this phase of expansion as customer demand grows, and such expansion would align with the existing government funding programs that support both capital expenditures and operating expenditures through to end of Q2 2027.

Commercial Plant (Development Project) and FEL3 Study

Nano One has also de-risked production and quality in larger full-scale reactors at its Candiatic Facility and is now investing in the automation and integration of these reactors with its full-scale dryers and kiln, to expand capacity and demonstrate commercial production for sales. The Company is also advancing the high priority aspects of an FEL3 study (launched in Q1 2024) to be site agnostic and support its licensing, joint venture, and independent production initiatives. The FEL3 study

was launched with consideration being given to lower-cost alternative sites that would better accommodate growth, utility requirements and future market needs. The Company reported that its FEL3 study was showing lower capital costs and operating expenses than its earlier FEL2 study. This further enhances the One-Pot value proposition and supports the technology licensing strategy and the Strategic Alliance with Worley (see above). Currently, the Company is focused on advancing the high priority aspects of the feasibility level engineering work for a One-Pot technology LFP production line, that is site agnostic, and will support its licensing strategy and a potential future Development Project. The FEL3 study will also support the Design-One-Build-Many growth strategy to develop, market and sell technology solutions and licenses.

For the abovementioned FEL3 study, \$1,900,000 had been incurred through to December 31, 2025, (\$10,000 incurred in 2025), in relation to the 25,000 tpa Development Project. A financial decision to apply significant resources to the Development Project will require further progress on agreements for customer offtake, feedstock supply, and government support, as well as final site selection.

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

STRATEGIC OBJECTIVES

The Company is entering 2026 having advanced the main catalysts set out in 2025 (see “2025 Catalysts” below) with the Candiatic Facility moving toward revenue, the CAM Package (Worley licensing) advancing towards a go-to market state, and Nano One’s financial position structured to support the next phase of execution.

2026 Strategic Objectives

- **Product Sales:** Advance customer qualifications at Candiatic toward initial commercial sales and multi-year purchase commitments, continue product and process improvements and report on scale-up and optimization of Candiatic production capabilities.
- **Technology Licensing:** Finalize and market the CAM Package as a ready-to-license One-Pot LFP ISBL design to strategic targets and continue customer engagements for technology license-only sales.

Update on 2025 Catalysts

- **Finance:** drawing down \$40 million in government funding to accelerate capacity expansion, production, scaling, and commercial LFP sales (approximately \$20,600,000 was received in 2025, of which \$4,100,000 was received during Q4 2025).
- **Increase Non-Dilutive Funding:** Add further working capital from government programs and other sources (NRCan funding of \$5,000,000 announced during Q4 2025 with \$981,000 received in Q1 2026 to the MD&A Date).
- **Capacity Expansion:** Complete Candiatic engineering and launch capacity expansion project to reach a minimum of 800 tpa to meet customer demand (former minimum of 1,000 tpa).
- **LFP sales:** Sampling and sales of initial Candiatic production volumes to support advancement towards multi-year contracts (see “2026 Strategic Objectives” above).
- **CAM Package:** Finalize 25,000 tpa LFP CAM plant engineering design with Worley for licensing/joint venture (see “2026 Strategic Objectives” above).
- **Partners:** Advance Partnerships with SMM, Rio Tinto and Worley (see “Key Business Developments” below).
- **Licensing:** Market LFP pre-sales and a detailed CAM Package to secure agreements for future revenue (none as of MD&A Date) (see “2026 Strategic Objectives” above).
- **One-Pot Equipment:** Design reactor and kiln components with Worley and develop partnerships with other equipment providers (see “Licensing” above).
- **Supply Chain:** Diversify the raw materials supply base in regions outside of China to support licensee growth.
- **Innovation:** Advancing M2CAM across all chemistries with partners while expanding our IP patent portfolio, production know-how, and product specification.
- **Policy:** Engage on public policy and related matters that impact supply chain and trade development in key markets including America, Canada, European Union and the Indo-Pacific region.

KEY BUSINESS DEVELOPMENTS

Update on Collaboration with Rio Tinto

On October 6, 2025, the Company provided an update on its ongoing collaboration with Rio Tinto (together, the "Parties") specific to the pre-qualification of high-volume battery-grade raw material inputs for Nano One's One-Pot LFP CAM production process. Nano One is adding value to its technology and license offering by pre-qualifying feedstock that is critical to the production of LFP. This assists Nano One's prospective licensee partners manage supply chain risks and accelerate time to market for future One-Pot commercial plants. Nano One believes that its One-Pot processing technology can be bundled with pre-qualified input feedstocks from premier producers such as Rio Tinto, to help partners, licensees, and customers achieve their objectives. On February 18, 2026, the Company reiterated the continuation of advancing its partnership with Rio Tinto for qualified large volume lithium carbonate supply.

Collaboration and pre-qualification of Rio Tinto's critical minerals and raw materials inputs include lithium carbonate and pre-commercial lithium carbonate samples from Rio Tinto sites in Argentina. Nano One conducts qualification of *battery-grade* raw materials through a rigorous, staged testing protocol at increasing scales from A-sample (kilograms) through C-sample (1-10 tonnes) prior to D-samples in a commercial plant setting. By pre-qualifying raw material inputs, Nano One aims to accelerate customer acceptance of its LFP product and LFP CAM licensing packages. This will also de-risk supply chains for prospective licensees and fast-track A thru C sample qualification programs by as much as one year. The strategic collaboration between the Parties aligns with Nano One's technology licensing and growth strategy while supporting regional LFP supply chain development opportunities.

On October 9 2025¹, Rio Tinto Iron and Titanium announced the closure its metal powder plant in Sorel-Tracy, Québec and Nano One's work with Rio Tinto² on pre-qualifying iron feedstock has shifted to other large volume domestic and foreign producers.

Advanced Collaboration with Sumitomo Metal Mining (SMM) on LFP Commercialization

On September 20, 2025, the Company reported on its latest progress with SMM which confirmed Nano One as a key technology partner in advancing its growth strategy for LFP cathodes. Results from development work and trials, economic modeling and IP review have been positive, thus giving SMM a high degree of confidence in Nano One's proprietary One-Pot LFP technology. Nano One and SMM are expanding their collaboration to pursue LFP production opportunities with target strategic customers. SMM is also providing support and collaboration on the NRCan project announced on October 29, 2025, above. In September 2023, SMM invested \$16,900,000 in Nano One and entered into a strategic collaboration agreement with the objective of commercialization Nano One's One-Pot LFP technology. On February 18, 2026, the Company reiterated the continuation of advancing its partnership with SMM for commercialization of Nano One's technology.

Commissioning of Proprietary Agitator Equipment

On August 20, 2025, the Company announced that it has successfully installed and commissioned a custom-designed and proprietary agitator in its commercial-sized 20,000-litre One-Pot reactor at the Candiatic Facility, further improving its cost performance, in addition to supporting production scale-up and continued product commercialization, as well as optimizing plant design for the Company's future licensing business.

The newly installed, high-efficiency agitator has been engineered to enhance mixing dynamics, thermal transfer and reaction time and is estimated to increase the throughput capacity of the reactor by approximately 50%. It will also improve the consistency and quality of CAM output, while yielding reduced operating expenses (OPEX). This achievement marks an important milestone in the further optimization of the operations at the Candiatic Facility and underscores the scalability of the One-Pot process.

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

On July 15, 2025, the Company announced it had been selected to join ALTA, America's first lithium and battery supply chain accelerator. Participating in ALTA positions Nano One as a strategic contributor to lithium-ion battery supply chain independence and reinforces Nano One's position as a national strategic asset in lithium-ion battery production - fortifying a secure, localized supply chain for defense and commercial markets. It also highlights Nano One's continued relevance to energy growth and national security. On February 18, 2026, the Company reiterated the continuation of advancing the initiative with ALTA which is focused on promoting US-based LFP CAM plant opportunities.

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

¹ <https://www.riotinto.com/en/can/news/releases/2025/rio-tinto-iron-and-titanium-will-close-its-metal-powder-plant-in-sorel-tracy>

² <https://nanoone.ca/news/nano-one-and-rio-tinto-announce-strategic-partnership-and-us-10m-investment/>

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

Sale and leaseback transaction

On February 28, 2025, the Company closed a transaction to sell and leaseback its Cadiac building and surrounding property at 280 Liberté Avenue, Cadiac, Québec ("Property"), which is the location of the Company's Cadiac Facility to Cadiac Industrial Properties (I) L.P. ("Purchaser"). This transaction ensures long-term operational stability in the province of Québec through a 15-year lease agreement with renewal provisions for up to an additional 15 years. The Company has the right of first offer should the Purchaser decide to sell in the future. This arrangement provides long-term stability for the Cadiac operations.

The net proceeds received by the Company at closing were \$13,699,122, plus a \$2,000,000 loan receivable (deferred payment). The loan receivable is secured by an immovable hypothec, safeguarding Nano One's interests. The loan receivable bears interest at 4% per annum and is due \$1,000,000 plus interest in February 2028, and \$1,000,000 plus interest in February 2031.

GOVERNMENT FUNDING

As at December 31, 2025, the Company had \$25,800,000 in undrawn government funding available for use in pre-commercial activities pursuant to the underlying grant agreements and programs. The Company has active programs with NRCan, NGen, The U.S. Department of Defense (DoD), Government of Québec, and NRC IRAP (formerly SDTC).

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

	Jurisdiction	December 31, 2025 \$	December 31, 2024 \$	Received in 2025 \$
Government grants:				
Department of Defense (DoD)	USA	8,424,757	-	8,424,757
Investissement Québec (IQ)	Canada	7,503,313	-	7,503,313
Next Generation Manufacturing Canada (NGen)	Canada	1,078,102	13,024	1,065,078
Industrial Research Assistance Program (NRC-IRAP) including SDTC	Canada	16,950,536	15,496,645	1,453,891
Other Grants	Canada	2,177,293	2,177,293	-
Technoclimat	Canada	2,200,000	-	2,200,000
Refundable tax credits:				
SR&ED and C3i	Canada	409,540	409,540	-
		38,743,541	18,096,502	20,647,039

New Funding Announced in 2025 and Subsequent Thereto

NRCan Funding of \$9,310,000 to Support Capacity Expansion and Advance Commercialization

On October 29, 2025, the Company announced an award of \$5,000,000 (\$2,100,000 received in Q1 2026 to the MD&A Date) in a non-repayable contribution from Natural Resources Canada (NRCan) under the Energy Innovation Program for expansion of the Cadiac Facility, scale production of One-Pot LFP CAM, advance commercialization, and promote diversification and regionalization of battery supply chains, in line with G7 priorities. On March 3, 2026, NRCan agreed to increase the award to \$9,310,000. The funding supports Nano One's ongoing work at its Cadiac, Québec and Burnaby, British Columbia facilities through to March 31, 2027. It will enable the Company to continue developing different product grades of One-Pot LFP to meet performance requirements across various applications. SMM is a project partner under this NRCan award and will contribute technical expertise as in-kind support.

The funding supports the next phase of Nano One's scale-up at the Cadiac Facility from 200 tpa (Pilot Line) to a minimum of 800 tpa with the flexibility to reach 1,000+ tpa (Demonstration Line) to meet customer demand, complementing funding from the Government of Québec announced on December 9, 2024, and DPA Title III funding from the US Department of Defense (U.S. DoD) announced on September 26, 2024. This latest tranche of government support marks continued progress toward commercializing One-Pot LFP production and building localized capacity in line with government priorities for industrial resilience and supply-chain independence. The contribution covers eligible operating and capital expenditures for scale-up, product-development, and commercialization activities at both facilities. The announcement came as part of the G7 Energy and Environment Ministers meeting where measures were put in place to strengthen supply chains, reduce dependencies and ensure access to the resources essential for clean energy, advanced manufacturing and defense.

On March 3, 2026, the Company announced a separate \$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.

See “Capital Sources” for funding receiving subsequent to December 31, 2025 to the MD&A Date.

MARKET CONDITIONS AND BUSINESS ENVIRONMENT

Market Conditions and Public Policy

Under Canada's 2025 G7 presidency, leaders adopted the *Global Critical Minerals Action Plan*, pledging to "catalyze public and private investment in minerals, including through innovation and licensing" and to build "responsible critical mineral processing" capacity across jurisdictions. The plan also emphasized "defense, clean energy, and digital technologies" as key sectors shaping demand and strategic priorities. At the 2025 Canada-EU Summit, both parties signed joint commitments to co-invest in critical mineral infrastructure, with an emphasis on defense and AI infrastructure localization to enhance resilience and reduce strategic dependencies. (Refer to Company news release on July 8, 2025 for sources). France takes over the G7 presidency in 2026 and all indications are that they will continue the work Canada led in 2025, and Japan in 2024.

In 2025, China placed export restrictions on its processing technologies for lithium, iron-phosphate pCAM and LFP CAM production, equipment, technology and LFP product to protect its LFP leadership position, competitive advantage, and control of LFP supply chain and its iron sulphate inputs. These restrictions have been curtailed or paused for as China and America discuss trade policy.

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

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

Governments in key jurisdictions for Nano One-including Canada, the United States, Europe and the Indo-Pacific region-have prioritized critical minerals and their derivatives, including battery materials for lithium-ion batteries. LFP cathode materials are increasingly showcased and reflected in government policy-making and funding decisions because of its importance for energy storage, defence and EVs. In 2025, EV sales slowed in the United States but reached record highs in the European Union, alongside strong demand from LFP battery applications in data centers. These market trends and emerging policies reinforce Nano One's engagement with key decision-makers, supported by on-shoring efforts and actions across multiple markets globally outside of Asia, which are all looking to grow local domestic, resilient and sustainable supply in each of their respective regions.

Policy measures, such as the 2025 U.S. National Defense Authorization Act (NDAA) prohibit batteries and battery components being procured from Prohibited Foreign Entities (PFEs) for the U.S. military starting in 2028, while the U.S. Congress has maintained the 45X manufacturing tax credit at \$35/kWh. Together, these incentives align with one of Nano One's key focus markets, the U.S, to develop localized production of LFP batteries and cathode material inputs. NATO defence-spending commitments and dual-purpose defence-civilian strategies support localized supply chain ambitions under the 2% and 5% commitments. G7 actions on diversifying critical minerals through the Critical Minerals Production Alliance are also pushing supply chains toward allied jurisdictions and away from single-country dependence. Nano One's One-Pot technology solution is designed for this world: it is cost-competitive, simplifies supply chains, reduces waste and is supported by regionally sourced input materials.

Business Environment and LFP Market Opportunities

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

Global battery demand continues to grow, with LFP chemistries capturing an increasing share of that growth, representing roughly half of global cell demand in all applications and also the dominant chemistry in the ESS market segment, accounting for over 90% (see February 18, 2026 news release for source) of installations. North America is emerging as a key growth region, where LFP is gaining share in grid storage, data-center and cost-sensitive EV applications. This shift is reflected in a rapidly expanding LFP project pipeline. In the United States, planned LFP capacity increased from *about 180 GWh to nearly 290 GWh in 2025*, driven by a mix of new projects and the retooling of existing NCM gigafactories (see February 18, 2026 news release for source) - this will require a supply of more than 600,000 tonnes per annum of LFP

CAM. In Canada, the emerging lithium battery cell-manufacturing base is also moving towards LFP, creating domestic supply chain opportunities for One-Pot LFP cathode production. Investments in these projects span multiple markets globally where customers and governments are looking to establish regionalized domestically-secured supply chains.

The One-Pot process eliminates wastewater and dependence on iron sulphate and iron phosphate which is uniquely concentrated in China. This lays a sustainable foundation for easy-to-permit LFP plants that could unlock industrial growth potential in the West. Nano One has vertically integrated precursor and cathode production to position it competitively on the world stage and Nano One's, Design-One-Build-Many licensing strategy is intended to drive widescale adoption, economies of scale, and much needed supply chain diversification. This positions Nano One favorably, with an easier-permit and competitively differentiated production process, to meet the emerging demand for LFP in North America, Europe, and the Indo-Pacific region. Nano One continues to advance engagements with lithium battery cell manufacturers, automotive OEMs, raw-material suppliers, equipment vendors, engineering firms and government agencies, with counterparties at various stages of qualification and commercial discussions.

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

REVIEW OF FINANCIAL RESULTS

The 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.

The Company restructured during Q3 2024 reducing its workforce which reduced cash personnel costs for fiscal 2025 (not including long-term incentive (LTI) amounts within share-based payments expense) by \$2,300,000, before considering cash-based short-term incentive bonuses which are subject to variability.

Q4 2025 compared to Q3 2025

Three months ended	December 31, 2025 \$	September 30, 2025 \$	Increase (decrease) \$
Expenses			
Amortization	1,344	1,161	183
Business development and investor relations	91,114	111,154	(20,040)
Depreciation	58,462	62,650	(4,188)
Finance costs	378,641	160,892	217,749
General and administrative expenses	894,163	830,776	63,387
Impairment of equipment	-	381,633	(381,633)
Professional and consulting	586,470	587,901	(1,431)
Research and operational expenses, net	1,631,711	1,246,266	385,445
Share-based payments	789,903	897,224	(107,321)
Wages, benefits and fees, net	3,042,758	3,638,061	(595,303)
Other expenses (income)	35,557	(36,351)	(71,908)
Loss from operating expenses	(7,510,123)	(7,881,367)	(443,152)
Government grant income	4,083,275	120,957	3,962,318
Interest income	97,544	70,469	27,075
Loss and comprehensive loss	(3,329,304)	(7,689,941)	4,360,637

- Finance costs include accretion on the IQ loan (\$74,000 of the increase) and interest charges embedded in facility lease payments, and fluctuate in accordance with the underlying amortization schedules of the instruments or contracts.
- Research and operational expenses increased primarily due to the commercial reactor optimization efforts during Q4 2025. Increased activities at the Burnaby innovation facility was also a contributing factor.
- Share-based payments decreased in Q4 2025 as there were no new grants of equity incentives. As a result of the graded vesting method of recognizing awards, the expense recognized is greater closer to the date of grant and decreases over time.
- Wages decreased due to the net decrease in personnel head count and the related reversal of short-term incentive (STI) accruals year to date for personnel no longer with the Company.

- Impairment of equipment in Q3 2025 related to the decommissioning of certain items upon the determination that there would be no future economic benefits through their use. No such impairment indicators existed during Q4 2025.
- Government grant income for Q4 2025 included \$4,100,000 in funding received from the U.S. DoD further to additional funding from NGen (approximately \$100,000). The timing of cash flows and recognition for Government grants vary primarily due to the timing of eligible expenses incurred by the Company and subsequent submissions for reimbursements.

Q4 2025 compared to Q4 2024

Three months ended	December 31, 2025 \$	December 31, 2024 \$	Increase (decrease) \$
Expenses			
Amortization	1,344	1,130	214
Business development and investor relations	91,114	135,369	(44,255)
Depreciation	58,462	55,118	3,344
Finance costs	378,641	42,176	336,465
General and administrative expenses	894,163	623,991	270,172
Professional and consulting	586,470	710,773	(124,303)
Research and operational expenses, net	1,631,711	1,174,407	457,304
Share-based payments	789,903	730,059	59,844
Wages, benefits and fees, net	3,042,758	2,900,212	142,546
Other expenses (income)	35,557	(92,533)	(128,090)
Loss from operating expenses	(7,510,123)	(6,280,702)	1,101,331
Gain (loss) on disposal of property, plant and equipment	-	(18,259)	18,259
Government grant income	4,083,275	-	4,083,275
Interest income	97,544	85,247	12,297
Loss and comprehensive loss	(3,329,304)	(6,213,714)	(2,884,410)

Refer to the discussion above for the Q4 2025 compared to Q3 2025 variances as certain business drivers discussed above are also relevant to the Q4 2025 compared to Q4 2024. Additional factors unique to the year-over-year comparison are as follows:

- Finance costs increased with the new lease liability recognized in Q1 2025 relating to the leaseback of the Candiac Facility building as well as accretion expense recognized on the IQ loan to unwind the discount initially recognized associated with the below-market interest rate.
- Research and operational expenses increased as a result of expansion, commercial reactor optimization efforts, and other commercialization-related activities that were ongoing in Q4 2025 relative to those in Q4 2024.
- Wages fluctuate depending on estimates relating to STI accruals.
- Government grant income for Q4 2025 as described above includes U.S. DoD funding of approximately \$4,000,000.

Year ended 2025 compared to 2024

Year ended	December 31, 2025 \$	December 31, 2024 \$	Increase (decrease) \$
Expenses			
Amortization	4,718	3,983	735
Business development and investor relations	421,419	556,367	(134,948)
Depreciation	239,713	258,352	(18,639)
Finance costs	1,265,505	185,447	1,080,058
General and administrative expenses	3,076,681	2,608,191	468,490
Impairment of equipment	381,633	-	381,633
Professional and consulting	1,930,496	2,308,114	(377,618)
Research and operational expenses, net	6,293,183	7,908,652	(1,615,469)
Share-based payments	3,599,444	3,161,999	437,445
Wages, benefits and fees, net	14,579,809	16,709,841	(2,130,032)
Other expenses (income)	71,774	(186,932)	(258,706)
Loss from operating expenses	(31,864,375)	(33,514,014)	(1,649,639)
Gain (loss) on disposal of property, plant and equipment	1,324,247	3,537,531	2,213,284
Government grant income	19,149,964	-	19,149,964
Interest income	250,321	756,461	(506,140)
Loss and comprehensive loss	(11,139,843)	(29,220,022)	(18,080,179)

The direction of the variances for the years ended December 31, 2025 compared to 2024, relative to the variances for the three months ended December 31, 2025 compared to 2024, are largely aligned which is due to the same key business drivers contributing to fluctuations in the results of operations for the respective periods.

Government grant income for the year ended December 31, 2025, was driven by amounts received relating to grants awarded in late 2024 and in Q1 2025 (IQ, Technoclimat, NGen and DoD).

Other notable changes include:

- Professional and consulting fees decreased as a significant external information technology contract was paused alongside a significant reduction in advisory and market fee costs as the Company reduced the level of contractor engagements as a cost reduction effort or as part of a strategy to in-house some services. Moreover, audit and accounting fees were higher given variances in the timing and amount of accruals. Legal and patent filing fees also significantly decreased due to reduced non-routine transaction matters.
- Research and operational expenses has decreased as a result of restructured activities at the Company's innovation hub in Burnaby as engineering and related studies/engagements were reduced to focus on LFP. An outlier for the comparative 2024 period was engineering and related studies including the FEL3 feasibility study on the 25,000 tpa Development Project at the Candiac Facility. Moreover, costs related to the Company's piloting activities were higher in 2024 which is now completed.
- Wages decreased due to the restructuring which occurred in Q3 2024. Accordingly, the Company's headcount and wage expense are lower in the current 2025 period relative to the 2024 comparative, and STI accruals are also lower further to a net reversal of prior year STI amounts accrued during 2024 compared to actual amounts paid in 2025.

REVIEW OF FINANCIAL CONDITION

Summary Financial Position and Key Metrics

	December 31, 2025 \$	December 31, 2024 \$	December 31, 2023 \$	2025 to 2024 Change \$	2024 to 2023 Change \$
Cash and cash equivalents	23,597,749	7,160,529	31,868,882	16,437,220	(24,708,353)
Restricted cash	-	-	575,000	-	(575,000)
Current assets (all others)	3,311,937	1,692,612	1,835,321	1,619,325	(142,709)
Non-current assets	17,565,360	16,814,120	18,695,565	751,240	(1,881,445)
Total assets	44,475,046	25,667,261	52,974,768	18,807,785	(27,307,507)
Current liabilities	4,575,756	3,344,367	4,143,968	1,231,389	(799,601)
Non-current liabilities (lease liabilities)	17,409,055	894,261	1,344,144	16,514,794	(449,883)
Total liabilities	21,984,811	4,238,628	5,488,112	17,746,183	(1,249,484)
Total shareholders' equity	22,490,235	21,428,633	47,486,656	1,061,602	(26,058,023)
Key Financial Metrics:					
Working capital¹	22,333,930	5,508,774	30,135,235	16,825,156	(24,626,461)
Liquid working capital²	21,127,462	4,218,656	28,691,624	16,908,806	(24,472,968)

¹ See "Cautionary Statement Regarding Non-GAAP Performance Measures" below for the components and reconciliation of Working capital.

² See "Cautionary Statement Regarding Non-GAAP Performance Measures" below for the components and reconciliation of Liquid working capital.

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

Refer to "Cautionary Statement Regarding Non-GAAP Performance Measures" for a reconciliation of working capital and liquid working capital for the periods presented above.

Total assets:

In 2025 compared to 2024, other components of current assets increased mainly as a result of the accrual of refundable tax credits in 2025 amounting to approximately \$1,800,000, while prepaid expenses and sales tax recoverable decreased. Additionally, inventory increased on a net basis driven by packaging materials. Additionally, PP&E decreased due to the net effect of transferring control of the land and building as part of the sale and leaseback transaction (Q1 2025) with the recognition of a right of use asset representing the leaseback of the land and building. This alone resulted in a net reduction of approximately \$1,200,000 in PP&E. Further, there were modest capital expenditures to PP&E as well as the extension of leased facilities in Q3 2025, which were partially offset by depreciation recognized during 2025. Deposits and other assets increased as the Company has a six-month security deposit of approximately \$632,000 in relation to the leaseback of its land and building. The sale and leaseback transaction also involved a deferred payment component from the vendor recognized as a loan receivable which contributed to the increase in non-current assets by approximately \$2,000,000 in 2025.

In 2024 compared to 2023, the reduction of all components of current assets in addition to the net reduction in the carrying value of PP&E were drivers of the decrease in total assets further to the use of cash and cash equivalents which were used in operating activities including technology innovation and advancements, inventory levels were reduced as raw materials were consumed in production trials and not replenished to the same previous extent. PP&E had decreased due to the disposal of land and unused machinery, coupled with depreciation which exceeded capital expenditures in 2024.

Total liabilities:

In 2025 compared to 2024, payables increased due to normal course fluctuations in trade payables and accruals. Deferred income of \$500,000 (initially recognized in Q1 2025) represents a deferred portion of the Technoclimat government grant pursuant to future planned capital expenditures on the Candiac capacity expansion. Moreover, the sale and leaseback transaction of land and building which increased the levels of current and non-current lease liabilities was a contributing factor. The initial recognition of the land and building leaseback was approximately \$13,800,000. Further, the Company recognized current and non-current portions of an equipment finance liability in Q2 2025 for partially financing the acquisition of equipment, and further increased its lease liabilities through the extension of certain leased facilities in Q3 2025.

Lastly, the Company received government funding in the form of a loan from Investissement Québec (IQ) of approximately \$7,500,000 (Q1 2025) to which approximately \$4,700,000 was measured on initial recognition as a grant representing the below-market rate of interest (interest-free) component of the loan and recognized in government grants and other income, leaving approximately \$3,000,000 at Q3 2025 within non-current liabilities inclusive of accretion over time.

Summary of Cash Flows

Q4 2025 compared to Q3 2025

Three months ended	December 31, 2025 \$	September 30, 2025 \$	Increase (decrease) \$
Operating activities			
Loss for the period	(3,329,305)	(7,689,941)	(4,360,636)
Adjustments for non-cash items	1,339,363	1,951,181	(611,818)
Interest income (reclassified to investing activities below)	(97,544)	(70,469)	27,075
Net change in non-cash working capital items	(104,967)	816,707	921,674
Interest paid on lease liabilities	(301,445)	(300,089)	1,356
	(2,493,898)	(5,292,611)	(2,798,713)
Investing activities			
Interest income	97,544	70,469	27,075
Capital expenditures, net ¹	(515,354)	(45,268)	470,086
Proceeds from sale and leaseback, net	-	-	-
	(417,810)	25,201	497,161
Financing activities			
Issuance of common shares for cash, net of share issue costs	8,905,719	208,627	8,697,092
Payments of equipment finance liability and principal on lease liabilities	(190,916)	(190,147)	769
Proceeds from government loan	-	-	-
	8,714,803	18,480	8,697,861
Change in cash and cash equivalents	5,803,095	(5,248,930)	
Cash and cash equivalents, beginning	17,794,654	23,043,584	
Cash and cash equivalents, ending	23,597,749	17,794,654	5,803,095

¹ Capital expenditures, net includes equipment purchases, deposits, payments for intangible assets, and proceeds from disposals.

Allocation of cash inflows from government grants and loans Three months ended	December 31, 2025 \$	September 30, 2025 \$
Operating activities	4,083,275	120,957
Financing activities	-	-
	4,083,275	120,957

Capital expenditures increased over the preceding quarter given the commercialization objectives and plans being pursued as discussed above within "Commercialization Strategy".

The ATM equity financing commenced in September 2025, and generated gross proceeds of approximately \$3,000,000. Additionally, approximately \$7,000,000 was raised through the overnight marketed equity offering in December 2025.

Year ended 2025 compared to 2024

Year ended	December 31, 2025 \$	December 31, 2024 \$	Increase (decrease) \$
Operating activities			
Loss for the period	(11,139,844)	(29,220,022)	(18,080,178)
Adjustments for non-cash items	864,251	1,621,950	(757,699)
Interest income (to investing activities)	(250,321)	(756,461)	(506,140)
Net change in non-cash working capital items	(988,863)	30,626	(1,019,489)
Interest paid on lease liabilities	(1,031,100)	(185,447)	(845,653)
	(12,545,877)	(28,509,354)	(15,963,477)
Investing activities			
Interest income	250,321	756,461	(506,140)
Capital expenditures, net ¹	(891,774)	(1,990,770)	(1,098,996)
Proceeds from sale and leaseback, net	13,699,122	-	13,699,122
Disposal of land, net	-	4,834,550	(4,834,550)
Short term investment (standby letter of credit)	-	575,000	(575,000)
	13,057,669	4,175,241	(8,882,428)
Financing activities			
Issuance of common shares for cash, net	9,114,346	-	9,114,346
Payments of equipment finance liability and principal on lease liabilities	(692,231)	(374,240)	317,991
Proceeds from government loan	7,503,313	-	7,503,313
	15,925,428	(374,240)	(16,299,668)
Change in cash and cash equivalents	16,437,220	(24,708,353)	
Cash and cash equivalents, beginning	7,160,529	31,868,882	
Cash and cash equivalents, ending	23,597,749	7,160,529	16,437,220

¹ Capital expenditures, net includes equipment purchases, deposits, payments for intangible assets, and proceeds from disposals.

Allocation of cash inflows from government grants and loans Year ended	December 31, 2025 \$	December 31, 2024 \$
Operating activities	13,143,726	425,654
Financing activities	7,503,313	-
	20,647,039	425,654

Government funding during 2025 was driven by the U.S. DoD, IQ, NGen, NRC-IRAP, and Technoclimat and was a key driver of the variance in cash used in operating activities. When removing the impact of the government grants in operating activities, the use of cash for the 2025 period decreased by approximately \$2,400,000, to approximately \$25,700,000 relative to the comparative 2024 period. The decrease reflects the effect of ongoing cost containment and efficiency measures and is also reflective of the corporate restructuring which occurred in August 2024 of the comparative period.

Payments of financial and lease liabilities increased due to the recognition and first time payments towards an equipment finance liability in Q2 2025 which relates to the partial financing of equipment acquired, further to the increased payments on leased facilities driven by the sale and leaseback transaction which also generated net proceeds of \$13,699,122 (Q1 2025). The Investissement Québec (IQ) loan of approximately \$7,500,000 represents the government loan proceeds received in Q1 2025.

Issuance of common shares for cash represents the amounts raised from the ATM financing which commenced in September 2025, and the overnight marketed offering which occurred in December 2025.

Contractual Obligations

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

The Government loan is from Investissement Québec (IQ) whereby a portion of the Loan, up to a maximum amount equal to the lesser of (i) \$10,000,000, and (ii) 66.67% of the amount disbursed, may be forgivable provided that the conditions of forgiveness set for the Loan are met to IQ's full satisfaction. However, until such time the Company executes a definitive agreement to construct a One-Pot Commercial Plant in Québec the Company considers the loan repayable in full.

SUMMARY OF QUARTERLY RESULTS

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

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	-	-	-	-	-	-
Operating expenses	(7,510,123)	(7,881,367)	(8,404,301)	(8,068,584)	(6,373,235)	(8,320,807)	(8,617,897)	(10,389,007)
Cash used in operating activities	(2,493,898)	(5,292,611)	(4,147,872)	(181,930)	(5,903,166)	(6,828,633)	(7,038,387)	(8,553,721)
Cash provided by (used in) investing activities	(417,810)	25,201	(139,052)	13,589,330	(253,406)	5,301,042	(781,142)	(91,253)
Cash (used in) provided by financing activities	8,714,803	18,480	(481,623)	7,244,202	(149,910)	(148,241)	(130,961)	(130,575)
Change in cash and cash equivalents	5,803,095	(5,248,930)	(4,768,547)	20,651,602	(6,306,482)	(1,675,832)	(7,950,490)	(8,775,549)
Cash from government grants and loans ¹	4,083,275	120,957	3,685,385	12,757,422	-	338,903	38,125	48,626
Cash and cash equivalents	23,597,749	17,794,654	23,043,584	27,812,131	7,160,529	13,467,011	15,142,843	23,093,333
Working capital	22,333,930	16,620,042	22,846,022	24,848,404	5,508,774	10,857,360	13,229,972	21,218,588

¹ Cash from government grants and loans is allocated between operating, investing, and financing activities within the financial statements.

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

Cash from government grants and loans are subject to variation from quarter to quarter depending on the timing of awards, claims, approvals, and reimbursements. Fluctuations are expected to continue for future fiscal quarters through 2027 relating to government funding from NRCan, NGen, The U.S. Department of Defense (DoD), Government of Québec, and NRC IRAP (formerly SDTC).

Adjusted operating expenses

Refer to "Cautionary Statement Regarding Non-GAAP Performance Measures" as adjusted operating expenses is considered a financial performance measure that is not recognized or defined under IFRS. Adjusted operating expenses equates to operating expenses less amortization, depreciation (inclusive of amounts within research and operational), and share-based payments expense and is presented for the four most recent fiscal quarters as follows:

Adjusted operating expenses Three months ended	December 31, 2025 \$	September 30, 2025 \$	June 30, 2025 \$	March 31, 2025 \$
Operating expenses	(7,510,123)	(7,881,367)	(8,404,301)	(8,068,584)
Amortization	1,344	1,161	1,217	996
Depreciation - corporate and research and operational	625,764	507,961	414,057	542,084
Share-based payments	789,903	897,224	538,263	1,374,054
Adjusted operating expenses	(6,093,112)	(6,475,021)	(7,450,764)	(6,151,450)

Operating Expenses – Q4 2025

Operating expenses were substantially comparable Q4 2025 compared to Q3 2025 on an overall basis. Despite increases in finance costs associated with lease liabilities and an increase in research and operational projects in associated with the Demonstration Line initiatives discussed above (see “Production”), largely offsetting these variances was a reduction in wages expenses as a result of net personnel reductions and varied STI accrual estimates quarter over quarter.

Cash flows

Variations occur in operating cash flows due to the amounts and timing of grants from government programs that are recognized through operating (burn rate) and/or investing activities. Q4 2025 saw a greater burn rate than Q3 2025 however the net use of cash in operating activities was lower given the receipt of approximately \$4,100,000 in government funding from the U.S. DoD. Capital expenditures trended upwards given the ramp-up of initiatives on the Demonstration Line (see “Production” above). Moreover, the Company received proceeds net of issuance costs of approximately \$8,900,000 between both the ongoing ATM financing and the overnight marketed offering which occurred in December 2025.

Capital management and Liquidity Risk

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 balance sheet 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.

Capital Sources

In December 2025, the Company completed an equity financing (overnight marketed offering) of approximately \$7,000,000 in gross proceeds to fund the next phases of production and licensing plans. This financing complements Nano One’s non-dilutive sources of capital achieved to date, including government funding, the Candiac sale and leaseback transaction (Q1 2025) and the sale of vacant land (Q3 2024). Over \$63,000,000 of non-dilutive capital has been secured since the beginning of 2024. The Company was also awarded \$5,000,000 from NRCan in 2025 (\$2,100,000 received in Q1 2026 to the MD&A Date) and a further \$7,310,000 in March 2026 (both to be received) to support the Candiac expansion plans (see “Demonstration Line” and “Commercial Plant” subheadings above under “Production”) and to support ongoing process optimization, supply chain diversification and enhanced commercial offerings for the One-Pot production of LFP cathode active materials.

In the Company’s Prospectus Supplement dated December 8, 2025, the intended use of proceeds was disclosed as follows:

Use	Amount
Expansion of the Company’s Candiac Facility	\$2,055,500
Research & Business Development Activities	\$984,000
General Corporate Expenses (payroll, benefits, consultants, insurance, travel, office expenses)	\$2,198,000
Other Working Capital Items	\$581,900
Total	\$5,819,400

From December 8, 2025 to December 31, 2025, the Company has not incurred significant amounts in respect of the above allocations.

	Three months ended		Year ended	
	December 31, 2025	September 30, 2025	December 31, 2025	December 31, 2024
(Amounts are rounded)	\$	\$	\$	\$
Primary sources of cash and cash equivalents:				
Government grants and loans (operating and financing activities)	4,083,000	121,000	20,647,000	426,000
Interest income (investing activities)	97,000	71,000	250,000	1,331,000
Proceeds from sale and leaseback, net (investing activities)	-	-	13,699,000	-
Disposal of land (investing activities)	-	-	-	4,835,000
Equity financing (financing activities)	9,693,000	215,000	9,908,000	-
	13,873,000	407,000	44,504,000	6,592,000

ATM Program: The at-the-market equity issuance program (“ATM Program”) has been used modestly since launch (September 2025) and represents a low-cost source of funding and a small portion of overall trading volume. The ATM program was launched through entering into an equity distribution agreement (“Distribution Agreement”) with Canaccord Genuity Corp., and Roth Canada, Inc. (together the “Agents”) whereby the Company may distribute up to \$15,000,000 of its common shares from time to time through the Agents. (See news release dated September 5, 2025). The net proceeds from the ATM Program are being used to fund ongoing operations.

Through to December 31, 2025, the ATM Program had generated gross proceeds of \$2,949,000 through the issuance of 1,889,700 common shares (average price of \$1.56 per share). 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.

Sale and leaseback: The sale and leaseback transaction which closed in Q1 2025, for the Company’s Candiac Facility generated net proceeds of \$13,700,000 (plus a \$2,000,000 loan receivable).

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

Government funding: The Company announced in 2024 milestone funding arrangements with various programs that are set to provide funding over several years. The Company received proceeds from various government programs during the years ended December 31, 2025 and December 31, 2024 as follows:

	December 31, 2025	December 31, 2024
	\$	\$
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

Government funding in Q1 2026 to MD&A Date: During Q1 2026 through to the MD&A Date, the Company has received approximately \$7,600,000 in government grants and loans from NRCan (\$2,100,000); DoD (\$1,900,000); TechnoClimat (\$500,000); and IQ (\$3,100,000).

Base Shelf Prospectus: In April 2024, Nano One filed a short form base shelf prospectus (“Shelf Prospectus”) permitting it to offer various financial securities, at its discretion, up to an aggregate total of \$175,000,000, which has been partially drawn down through the ATM program. The Shelf Prospectus is valid for 25-months to May 2026 (Q2 2026).

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

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

Capital Structure

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

As at the MD&A Date		
	#	Weighted average exercise price \$
Common shares issued and outstanding	119,673,818	n/a
Stock options outstanding	3,790,567	1.39
Warrants outstanding	2,780,480	1.75
RSUs/DSUs outstanding	2,293,177	n/a
PSUs outstanding	1,359,071	n/a
Fully diluted	129,897,113	

Equity Awards:

The following movement within equity award totals has occurred since December 31, 2025:

From January 1, 2026 to the MD&A Date			
	Granted #	Exercised #	Forfeited / Expired / Cancelled #
Stock options	-	-	430,656
RSUs/DSUs	-	867,172	76,586
PSUs	-	-	-
Warrants	-	-	-
Total	-	867,172	507,242

TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

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	-	-
DBM CPA	-	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.

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

- Dan Blondal, CEO; Stephen Campbell, CTO (retired June 30, 2025); Alex Holmes, COO (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; Leanne Swanson, Corporate Secretary (resigned on October 1, 2025); Pamela Kinsman, former Corporate Secretary (until January 15, 2024); Paul Matysek (Bedrock Capital Corp.), former Executive Chairman and Company Director (until October 1, 2024); Dan Martino (DBM CPA Inc.), former CFO (until January 15, 2024); Joseph Guy (Patent Filing Specialists Inc.); Non-executive directors: Anthony Tse, Carla Matheson, Gord Kukec (until May 23, 2025), Joseph Guy, Lisa Skakun, and Lyle Brown (until May 23, 2025).

Refer to “Capital” above for grants of equity incentives to which certain grants involved Company related parties.

ACCOUNTING ESTIMATES, JUDGMENTS AND STANDARDS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Of the accounting policies included within the material accounting policy information detailed in Note 2 to the financial statements for the year ended December 31, 2025, the Company considers the following policies to be the most critical to the reader’s full understanding and evaluation of the Company’s reported financial position and operating results.

Key Estimates and Judgments

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

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

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

Fair value of equity incentives (stock options, RSUs, DSUs, PSUs) and compensatory warrants

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

Research and operational expenses

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

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

New accounting policies

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

During the year ended December 31, 2025, the Company added the following to its material accounting policies:

Sale and leaseback

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

Government assistance

Government grants

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

- Amounts relating to expenditures planned for future periods (advance payments) are recognized within deferred 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 grant income when received.
- Amounts specific to reimbursements for wages or other, are accrued and/or recognized as a deduction against the applicable accounts within operating expenses when received.

Refundable tax credits

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

IFRS S1 and IFRS S2

In June 2023, the International Sustainability Standards Board ("ISSB") issued the following IFRS Sustainability Disclosure Standards: *General Requirements for Disclosure of Sustainability-related Information* ("IFRS S1"); and *Climate-related Disclosure* ("IFRS S2"), which are effective for accounting periods beginning on or after January 1, 2024 but are not currently mandated in Canada.

IFRS S1 sets out general reporting requirements for disclosing sustainability-related financial information. IFRS S2 requires an entity to disclose information about climate-related risks and opportunities and the impact on an entity's financial position, performance, cash flows, strategy, and business model.

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

CSDS 1 and CSDS 2 became effective for annual periods beginning on or after January 1, 2025.

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

Accounting 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.

CHANGE IN EXECUTIVE OFFICERS AND DIRECTORS

At the Company's annual general meeting held on May 23, 2025, Lyle Brown and Gord Kukec did not stand for re-election and accordingly ceased to serve as directors of the Company after many years of service. On June 30, 2025, Dr. Stephen Campbell retired from his position as Chief Technology Officer of the Company. Effective October 1, 2025, Carlo Valente, CFO was appointed as Corporate Secretary to replace Leanne Swanson, who resigned. There were no other changes to the Company's Executive Officers and Directors during the year ended December 31, 2025, and to the MD&A Date other than changes to role titles for Alex Holmes, President and Chief Strategy Officer (formerly COO), and Denis Geoffroy, COO (formerly CCO).

RISKS AND UNCERTAINTIES

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

Investors should carefully consider the risks and uncertainties described in the Company's AIF for a comprehensive list of risk factors for the fiscal year ended December 31, 2025, some of which are listed below. Additional risks and uncertainties, including those unknown by Nano One at this time, or are currently considered immaterial, may exist, and other risks may apply.

Government Grants

The Company has received various government grants, and it may seek to obtain government grants and subsidies in the future. Any of the Company's existing grants or new grants that may be obtained may be terminated, modified or recovered by the granting governmental body under certain conditions. The Company may also be subject to audits by government agencies as part of routine audits of its activities funded by government grants. As part of an audit, these agencies may review the Company's performance, cost structures and compliance with applicable laws, regulations and standards. Funds available under grants must be applied by the Company toward the research and development programs specified by the granting agencies, rather than for the Company's programs generally. If any of the Company's costs are found to be allocated improperly, the costs may not be reimbursed, and any costs already reimbursed may have to be refunded. Accordingly, an audit could result in an adjustment to the Company's results of operations.

Funding and Global Economy Risk

The volatility of global capital markets has generally made the raising of capital by equity or debt financing more difficult. While the Company is successfully accessing strategic pools of capital with government programs and industrial interests, it may also become dependent upon capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained, or appropriate financing is unavailable. The Company seeks to manage its liquidity risk through a rigorous planning, budgeting and forecasting process to help determine the funding requirements to support its current operations, development and expansion plans. However, the factors described above may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If these levels of volatility persist or if there is a further economic slowdown, the Company's operations, the Company's ability to raise capital and the trading price of the Company's securities could be adversely impacted. As the Company's operations expand and reliance on global supply chains increases, the impact of tariffs and other trade barriers, pandemics (such as COVID-19), significant geopolitical risk and conflict globally may have a sizeable and unpredictable impact on the Company's business, financial condition and operations. The United States recently introduced broad tariffs against Canada, Mexico and China and has threatened to do so against other countries, resulting in retaliatory tariffs or the threat of retaliatory tariffs. Further, support for protectionism and rising anti-globalization sentiment in Canada, the United States and other countries may slow global

growth. In particular, a protracted and wide-ranging trade conflict between the United States and various other countries, including Canada, Mexico and China, could adversely affect global economic growth. The ongoing conflicts between Russia and Ukraine and in the Middle East, including the global response to such conflicts as it relates to sanctions, trade embargos, export controls, military support and any restrictive actions in response thereto, have resulted in significant uncertainty as well as economic and supply chain disruptions, changes in commodity prices and implications in the financial markets. Should another significant variant of COVID-19 develop or the conflicts between Russia and Ukraine or in the Middle East go on for an extended period of time or expand territorially, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects to the Company.

Risk Management

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

Climate Change Legislation

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

DISCLOSURE CONTROLS AND PROCEDURES AND ICFR

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

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

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

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

CAUTIONARY STATEMENT REGARDING NON-GAAP PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "Non-GAAP Measures"). As a result, this data may not be comparable to data presented by other companies. For an explanation of these measures to related comparable financial information presented in the financial statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company.

These Non-GAAP Measures include but are not limited to working capital, and liquid working capital from the section "Summary Financial Position and Key Metrics" as presented in the table below. Additionally, adjusted operating expenses is used within the section "Summary of Quarterly Results".

As at December 31, 2025	Working capital \$	Liquid working capital \$	As at December 31, 2024	Working capital \$	Liquid working capital \$
Current assets	26,909,686	26,909,686	Current assets	8,853,141	8,853,141
Current liabilities	(4,575,756)	(4,575,756)	Current liabilities	(3,344,367)	(3,344,367)
Prepaid expenses	n/a	(721,777)	Prepaid expenses	n/a	(951,866)
Inventory	n/a	(484,691)	Inventory	n/a	(338,252)
Total	22,333,930	21,127,462	Total	5,508,774	4,218,656

As at December 31, 2023	Working capital \$	Liquid working capital \$
Current assets	34,279,203	34,279,203
Current liabilities	(4,143,968)	(4,143,968)
Prepaid expenses	n/a	(738,333)
Inventory	n/a	(705,278)
Total	30,135,235	28,691,624

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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