



Nano One Materials Corp.
Condensed Interim Consolidated Financial Statements
For the three months ended
March 31, 2026
(Unaudited)
(Expressed in Canadian dollars)

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

As at March 31, 2026 and December 31, 2025

	Note	March 31, 2026 \$	December 31, 2025 \$
Assets			
Current assets			
Cash		22,959,918	23,597,749
Receivables and prepayments	3	3,146,080	2,827,246
Inventory	4	431,862	484,691
		26,537,860	26,909,686
Non-current assets			
Deposits and other assets	3	1,121,811	1,177,036
Loan receivable	5	2,086,795	2,067,069
Property, plant and equipment	6	15,231,446	14,264,006
Intangible assets - patents	7	59,027	57,249
		18,499,079	17,565,360
Total assets		45,036,939	44,475,046
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	3,343,259	3,254,820
Deferred income	8	-	500,000
Equipment finance liability - current portion		42,416	40,987
Lease liabilities - current portion	6	813,666	779,949
		4,199,341	4,575,756
Non-current liabilities			
Equipment finance liability		55,130	65,517
Lease liabilities	6	14,201,231	14,330,613
Government loan	9	4,431,844	3,012,925
		18,688,205	17,409,055
Total liabilities		22,887,546	21,984,811
Shareholders' equity			
Share capital	10	136,266,157	134,541,746
Contributed surplus	10	6,400,955	8,793,247
Deficit		(120,517,719)	(120,844,758)
Total shareholders' equity		22,149,393	22,490,235
Total liabilities and shareholders' equity		45,036,939	44,475,046
Nature of operations and liquidity risk	1		
Subsequent events	19		

Approved on behalf of the Board of Directors on May 14, 2026:

"Carla Matheson"
Director

"Anthony Tse"
Director

Nano One Materials Corp.**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

	Note	March 31, 2026 \$	March 31, 2025 \$
Expenses			
Amortization and depreciation	6,7	63,182	61,215
Business development and investor relations		115,674	101,009
Finance costs	16	468,885	167,173
General and administrative expenses		674,679	603,516
Professional and consulting	11	415,564	424,014
Research and operational expenses, net		966,869	1,713,016
Share-based payments	10,11	375,539	1,374,054
Wages, benefits and fees	11	4,008,425	3,624,587
Other (income) expense	16	(16,883)	15,012
Loss from operating expenses		(7,071,934)	(8,083,596)
Gain on disposal of property, plant and equipment	16	-	1,305,777
Government grant income	12,16	6,061,698	9,412,062
Interest income		128,967	38,677
Income (loss) and comprehensive income (loss) for the period		(881,269)	2,672,920
Earnings (loss) per share			
Weighted average number of common shares outstanding			
- basic	18	119,404,375	111,425,110
- diluted	18	119,404,375	111,928,070
Basic income (loss) per common share	18	(0.01)	0.02
Diluted income (loss) per common share	18	(0.01)	0.02

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

	Note	March 31, 2026 \$	March 31, 2025 \$
Operating activities			
Income (loss) for the period		(881,269)	2,672,920
Adjustments for:			
Amortization and depreciation	6,7	446,830	543,080
Finance costs		468,885	167,173
Foreign exchange on financial liability		870	-
Government grant (below-market interest rate benefit)	16	(1,786,107)	(4,717,758)
Share-based payments	10	375,539	1,374,054
Interest income		(128,967)	(38,677)
Gain on disposal of property, plant and equipment (non-cash)	16	-	(1,305,777)
Net change in non-cash working capital items	13	(1,214,973)	1,123,055
Interest paid on lease liabilities	6	(387,275)	(127,906)
		(3,106,467)	(309,836)
Investing activities			
Interest income		128,967	38,677
Deposits and other assets		-	(1,200)
Purchases of property, plant and equipment		(652,542)	(147,269)
Proceeds from sale and leaseback, net	6	-	13,699,122
Payments for intangible assets	7	(3,005)	-
		(526,580)	13,589,330
Financing activities			
Issuance of common shares for cash		185,396	-
Share issue costs		(208,104)	-
Payments of equipment finance liability		(12,403)	-
Principal paid on lease liabilities	6	(95,664)	(131,205)
Proceeds from government loan	9	3,125,991	7,503,313
		2,995,216	7,372,108
Change in cash and cash equivalents		(637,831)	20,651,602
Cash and cash equivalents, beginning of period		23,597,749	7,160,529
Cash and cash equivalents, end of period		22,959,918	27,812,131
Supplemental cash flow information	13		

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

	Note	Number of common shares	Share capital \$	Contributed surplus \$	Deficit \$	Total \$
December 31, 2024		111,411,022	125,582,347	5,738,196	(109,891,910)	21,428,633
Exercise of RSUs		32,504	78,982	(78,982)	-	-
Re-allocated on cancellation of RSUs		-	-	(781)	781	-
Share-based payments	10	-	-	1,374,054	-	1,374,054
Income and comprehensive income for the period		-	-	-	2,672,920	2,672,920
March 31, 2025		111,443,526	125,661,329	7,032,487	(107,218,209)	25,475,607
December 31, 2025		118,640,646	134,541,746	8,793,247	(120,844,758)	22,490,235
Issue of shares - ATM financing	10	166,000	185,396	-	-	185,396
Share issue costs - cash		-	(20,508)	-	-	(20,508)
Exercise of RSUs/DSUs		867,172	1,559,523	(1,559,523)	-	-
Re-allocated on expiry/forfeiture of stock options		-	-	(1,204,379)	1,204,379	-
Re-allocated on forfeiture of RSUs		-	-	(8,982)	3,929	(5,053)
Share-based payments	10	-	-	380,592	-	380,592
Loss and comprehensive loss for the period		-	-	-	(881,269)	(881,269)
March 31, 2026		119,673,818	136,266,157	6,400,955	(120,517,719)	22,149,393

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

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

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

These condensed interim consolidated financial statements (the “financial statements”) have been prepared on a going concern basis which contemplates that the Company will be able to continue its operations for at least twelve months from March 31, 2026, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2026, the Company had working capital of \$22,338,519 (December 31, 2025 - \$22,333,930), 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, 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 March 31, 2026, management has assessed that the Company will be able to realize its assets and discharge its liabilities for at least the next twelve months from the statement of financial position date. The Company continues to seek additional financing alternatives to support its future plans, however, in the event additional funding is not secured, certain planned expenditures could be curtailed or postponed in order for the Company to sufficiently cover all non-discretionary expenditures over the next twelve months.

Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

These financial statements follow the same accounting policies and methods of application as the most recent audited annual consolidated financial statements of the Company except as noted below.

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

Functional and presentation currency

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

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

1. NATURE OF OPERATIONS AND LIQUIDITY RISK (continued)

Principles of consolidation

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

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

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

2. NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS

New accounting policies

Certain pronouncements including, but not limited to, the below have been issued by the International Accounting Standards Board (“IASB”) that were effective for the Company’s accounting period beginning on January 1, 2026. The adoption of these standards has not had a material impact on disclosures or amounts reported in these 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.

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.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

3. RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Accrued refundable tax credits (Note 12)	1,848,285	1,848,285
Prepaid expenses	1,081,374	721,777
Sales tax recoverable and other	216,421	257,184
	3,146,080	2,827,246

Deposits and other assets

Deposits and other assets consist of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Spare parts and deposits on property, plant and equipment	338,062	380,132
Security and other deposits	783,749	796,904
	1,121,811	1,177,036

4. INVENTORY

Inventory is comprised of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Raw materials	230,209	291,353
Packaging	191,056	190,599
Inventory - work in progress	10,597	2,739
	431,862	484,691

5. LOAN RECEIVABLE

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

A reconciliation of the carrying amount of the loan receivable as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	March 31, 2026	December 31, 2025
	\$	\$
Beginning of period/year	2,067,069	-
Issuance	-	2,000,000
Accrued interest receivable	19,726	67,069
End of period/year	2,086,795	2,067,069

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

6. PROPERTY, PLANT AND EQUIPMENT

	Production and research equipment \$	Building \$	Land \$	Right-of-use assets \$	Leasehold improvements \$	Information technology equipment \$	Total \$
Cost							
December 31, 2024	10,984,096	4,874,961	2,004,531	2,425,890	996,538	634,148	21,920,164
Additions	757,561	-	-	5,871,316	97,007	771	6,726,655
Disposals	(322,774)	(4,874,961)	(2,004,531)	-	-	-	(7,202,266)
Impairment	(319,423)	-	-	-	-	-	(319,423)
December 31, 2025	11,099,460	-	-	8,297,206	1,093,545	634,919	21,125,130
Accumulated depreciation and impairment							
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
(1) Depreciation	794,825	16,250	-	756,776	313,745	77,181	1,958,777
Disposals	(67,485)	(437,664)	-	-	-	-	(505,149)
Impairment	(163,502)	-	-	-	-	-	(163,502)
December 31, 2025	3,267,577	-	-	2,120,553	962,907	510,087	6,861,124
Cost							
December 31, 2025	11,099,460	-	-	8,297,206	1,093,545	634,919	21,125,130
Additions	1,413,043	-	-	-	-	-	1,413,043
March 31, 2026	12,512,503	-	-	8,297,206	1,093,545	634,919	22,538,173
Accumulated depreciation							
December 31, 2025	3,267,577	-	-	2,120,553	962,907	510,087	6,861,124
(1) Depreciation	206,205	-	-	208,855	8,134	22,409	445,603
March 31, 2026	3,473,782	-	-	2,329,408	971,041	532,496	7,306,727
Net book value							
December 31, 2025	7,831,883	-	-	6,176,653	130,638	124,832	14,264,006
March 31, 2026	9,038,721	-	-	5,967,798	122,504	102,423	15,231,446

(1) Depreciation for three months ended March 31, 2026 and March 31, 2025, is allocated as follows:

	Depreciation expense \$	Research and operational expenses, net \$	Total \$
Production and research equipment	-	198,286	198,286
Building	-	16,250	16,250
Right-of-use assets	35,964	107,720	143,684
Leasehold improvements	4,805	159,609	164,414
Information technology equipment	19,450	-	19,450
March 31, 2025	60,219	481,865	542,084
Production and research equipment	-	206,205	206,205
Right-of-use assets	39,312	169,543	208,855
Leasehold improvements	234	7,900	8,134
Information technology equipment	22,409	-	22,409
March 31, 2026	61,955	383,648	445,603

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of equipment

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

Sale and leaseback of land and building

On February 28, 2025, the Company closed a transaction to sell and lease back its land and building at the Candiatic Facility to Candiatic Industrial Properties (I) L.P. ("Purchaser") for gross consideration of \$17,000,000 (\$15,000,000 in cash, and a \$2,000,000 loan receivable (Note 5)).

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

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

Additionally, the Company entered into a lease agreement for the Property for an initial term of 15 years commencing on March 1, 2025, with three optional 5-year renewal periods. In addition, the Company has the right of first offer should the Purchaser decide to sell in the future. Basic rent for the first year of the lease to February 28, 2026, was \$106,017 per month (\$1,272,204 for the year), which increases at a fixed rate of 3% per year. Effective March 2026, basic rent is \$1,310,370 per month (\$15,724,440 for the year).

A significant judgment was made by management during the year ended December 31, 2025, whereby management determined that the sale and leaseback transaction met the requirements for a sale under IFRS 16 and IFRS 15 as it was determined that the criteria for the transfer of control of the assets to the Purchaser were met. This resulted in the recognition of a lease liability, a derecognition of the underlying assets representing the rights transferred to the Purchaser, the recognition of a right of use asset, and a gain on disposal.

Right-of-use assets and lease liabilities

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

The Company has identified the following leases:

Location	Asset	Type	Remaining lease term as at March 31, 2026
Burnaby, BC	Four (4) Units	Research and innovation offices and facilities	2.4 to 2.8 years
Candiatic, QC	Building and Land	Demonstration and pre-commercialization facility and offices	13.8 years

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2026 and December 31, 2025, the Company did not have any short-term leases. As at March 31, 2026, there were no leases with residual value guarantees.

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

6. PROPERTY, PLANT AND EQUIPMENT (continued)

A reconciliation of the carrying amount of the lease liabilities as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	March 31, 2026 \$	December 31, 2025 \$
Lease liabilities		
Beginning of period/year	15,110,562	1,344,146
Additions	-	14,429,361
Lease payments	(482,940)	(1,694,045)
Lease interest (finance costs) (Note 16)	387,275	1,031,100
End of period/year	15,014,897	15,110,562
Current portion of lease liabilities	813,666	779,949
Non-current portion of lease liabilities	14,201,231	14,330,613
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,966,507	1,953,435
One to five years	6,803,428	6,915,867
More than five years	15,765,138	16,148,716
Total undiscounted lease liabilities	24,535,073	25,018,018

7. INTANGIBLE ASSETS - PATENTS

As at March 31, 2026, intangible assets included various patents that were approved for issuance, or have been issued, associated with the Company's technology. These patents were issued by various jurisdictions including Canada, China, India, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between ten (10) to nineteen (19) years from the patent issuance date.

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

	Issued patents \$
Cost	
December 31, 2024	63,996
Additions	12,070
December 31, 2025	76,066
Accumulated amortization	
December 31, 2024	14,099
Amortization	4,718
December 31, 2025	18,817
Cost	
December 31, 2025	76,066
Additions	3,005
March 31, 2026	79,071
Accumulated amortization	
December 31, 2025	18,817
Amortization	1,227
March 31, 2026	20,044
Net book value	
December 31, 2025	57,249
March 31, 2026	59,027

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

8. DEFERRED INCOME

A reconciliation of the carrying amount of deferred income as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended are as follows:

	March 31, 2026	December 31, 2025
	\$	\$
Beginning of period/year	500,000	-
Additions - proceeds received (Technoclimat)	-	500,000
Recognized as a reduction to operating expenses	(500,000)	-
End of period/year	-	500,000

As at December 31, 2025, deferred income included amounts received from the Technoclimat grant (Note 12) relating to expenditures planned for future periods which were incurred during the three months ended March 31, 2026, and deducted against the related costs as incurred.

9. GOVERNMENT LOAN

On December 11, 2024, Nano Candiac executed an interest-free loan agreement (the "Loan") with Investissement Québec ("IQ") for funding up to \$15,000,000 (\$10,629,304 received to March 31, 2026), based on the terms and conditions of the Loan. The Loan is available solely for the purpose of expanding the production capacity of the Company's Candiac Facility for lithium-iron-phosphate (LFP) cathode active materials (CAM) using the One-Pot process (the "Project").

Repayment terms:

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

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

Default and security:

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

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

A reconciliation of the carrying amount of the government loan as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended are as follows:

	March 31, 2026	December 31, 2025
	\$	\$
Beginning of period/year	3,012,925	-
Additions - proceeds received	3,125,991	7,503,313
Below-market interest rate benefit (government grant) (Note 16)	(1,786,107)	(4,717,758)
Finance costs - accretion (Note 16)	79,035	227,370
End of period/year	4,431,844	3,012,925

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2026 and March 31, 2025

9. GOVERNMENT LOAN (continued)

During the three months ended March 31, 2026, upon receipt of \$3,125,991 in proceeds, \$1,339,884 was initially recognized as a government loan, and \$1,786,107 was recognized as government grant income representing the below-market interest rate benefit (Note 12).

The below-market interest rate benefit was calculated based the face value of the loan (\$3,125,991) using a discount rate of 9.45% (representing prime plus 5.00%). The interest rate benefit is accounted for as government grant income under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") and was recognized as such on initial recognition with management having determined there to be reasonable assurance of compliance with the terms of the loan and in respect of the funds received being reimbursements of costs incurred in prior fiscal periods (2025).

During the year ended December 31, 2025, upon receipt of \$7,503,313 in proceeds, \$2,785,555 was initially recognized as a government loan, and \$4,717,758 was recognized as government grant income representing the below-market interest rate benefit (Note 12).

The below-market interest rate benefit was calculated based the face value of the loan (\$7,503,313) using a discount rate of 9.95% (representing prime plus 5.00% as stated within, and at the time of executing, the agreement). The interest rate benefit is accounted for as government grant income under IAS 20, and was recognized as such on initial recognition with management having determined there to be reasonable assurance of compliance with the terms of the loan and in respect of the funds received being reimbursements of costs incurred in prior fiscal periods (2023 and 2024).

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

Share capital

On September 5, 2025, the Company entered into an equity distribution agreement with Canaccord Genuity Corp. and Roth Canada Inc. (the "agents") to establish an at-the-market equity issuance program (the "ATM program"). Pursuant to this program, the Company may distribute up to \$15,000,000 of common shares through the agents. The distribution agreement concluded on April 26, 2026.

Transactions for the issuance of share capital during the three months ended March 31, 2026:

- (a) 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 \$1.12 per share. The Company incurred share issuance costs of \$20,508 inclusive of broker's commissions (at 3% of the proceeds raised), and legal fees.
- (b) Upon the exercise of RSUs and DSUs, a total of 867,172 common shares were issued for \$nil proceeds. Additionally, \$1,559,523 representing the fair value initially recognized, was re-allocated from contributed surplus to share capital.

Transactions for the issuance of share capital during the three months ended March 31, 2025:

- (a) Upon the exercise of RSUs, a total of 32,504 common shares were issued for \$nil proceeds. Additionally, \$78,982 representing the fair value initially recognized, was re-allocated from contributed surplus to share capital.

Contributed surplus

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

The following provides a reconciliation of share-based payments expense for the three months ended March 31, 2026 and March 31, 2025:

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Contributed surplus (continued)

	March 31, 2026	March 31, 2025
	\$	\$
Share-based payments - non-cash vesting expensed		
Share-based payments - stock options vesting	89,646	934,745
Share-based payments - RSUs/DSUs vesting	191,902	329,240
Share-based payments - PSUs vesting	99,044	110,069
Share-based payments added to contributed surplus	380,592	1,374,054
Fair value reversal of share-based payments (forfeiture of unvested RSUs)	(5,053)	-
Share-based payments expensed	375,539	1,374,054

Stock options

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

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

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

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

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

Pursuant to the underlying agreements, all Share Units granted to the date of approval of these financial statements are expected to be equity-settled in the form of common shares. The partial cash settlement that occurred during the year ended December 31, 2025, was a one-time event determined by the Company. There is presently no expectation that future settlements will occur in the form of cash. The form of future settlements is based on the Company's determination.

Warrants

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

Nano One Materials Corp.

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options

A summary of the status of the Company's stock options as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	Period ended March 31, 2026		Year ended December 31, 2025	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	4,221,223	1.74	1,890,878	2.96
Granted	-	-	2,379,977	0.78
Cancelled	(4,583)	3.28	-	-
Expired/forfeited	(423,073)	4.86	(49,632)	2.39
Options outstanding, end of period/year	3,793,567	1.39	4,221,223	1.74

As at March 31, 2026, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
121,319	121,319	2.88	February 4, 2027
9,100	9,100	2.88	June 13, 2027
379,601	379,601	3.28	March 17, 2028
200,000	133,333	1.94	January 19, 2029
743,948	662,632	1.91	January 23, 2031
774,160	774,160	0.79	January 23, 2032
801,206	267,069	0.79	January 23, 2032
277,483	277,483	0.79	January 23, 2032
300,000	300,000	0.79	January 23, 2032
125,000	93,750	0.70	May 13, 2028
61,750	-	0.70	May 13, 2032
3,793,567	3,018,447	1.39	

25,000 options were subsequently forfeited.

The following table summarizes the above information about the stock options outstanding as at March 31, 2026:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.70 - 0.79	2,339,599	5.6	0.78
1.91 - 2.88	1,074,367	4.0	2.03
3.28	379,601	2.0	3.28
	3,793,567	4.8	1.39

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options (continued)

The Company recorded the fair value of the stock options granted during the year ended December 31, 2025, using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair values were determined using the following weighted average assumptions:

	December 31, 2025
Risk-free interest rate	3.2%
Expected life of stock options (years)	6.8
Historical volatility	75.1%
Dividend rate	0.0%
Weighted average fair value per stock option granted	\$ 0.55

The Company subsequently granted stock options (Note 19).

During the three months ended March 31, 2026, 23,073 stock options were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$13,025 was reversed from contributed surplus and credited to deficit.

During the three months ended March 31, 2026, 400,000 stock options expired unexercised. As a result, the original share-based payments expense of \$1,191,354 was reversed from contributed surplus and credited to deficit.

During the three months ended March 31, 2026, 4,583 stock options were cancelled upon the termination of certain employees from the Company. Accordingly, the remaining share-based payments expense that would have been recognized over time was accelerated and recognized upon cancellation.

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

RSUs and DSUs

A summary of the status of the Company's RSUs and DSUs as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	Period ended March 31, 2026	Year ended December 31, 2025
	RSUs and DSUs #	RSUs and DSUs #
RSUs/DSUs outstanding, beginning of period/year	3,236,935	1,888,436
Granted - RSUs	-	1,362,878
Granted - DSUs	-	351,563
Exercised	(867,172)	(223,880)
Cancelled	(62,045)	-
Forfeited/expired	(14,541)	(142,062)
RSUs/DSUs outstanding, end of period/year	2,293,177	3,236,935

The value of the RSUs granted during the year ended December 31, 2025, was based on the closing market price of the Company's common shares on the date preceding the date of grant which was a fair value of \$0.85 each for a total value of \$1,448,939. The expense is recognized within share-based payment expense over the vesting periods.

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

RSUs and DSUs (continued)

As at March 31, 2026, the Company has RSUs and DSUs outstanding as follows:

RSUs outstanding #	RSUs exercisable #	DSUs outstanding #	Weighted average grant date fair value per RSU/DSU \$	Final vesting date	Expiry date
-	-	8,626	4.17	August 27, 2024	n/a
64,499	64,499	-	3.28	March 17, 2026	December 31, 2026
-	-	30,183	3.28	March 17, 2026	n/a
3,767	-	-	2.92	October 10, 2026	December 31, 2026
-	-	33,903	2.92	October 10, 2023	n/a
166,578	63,062	-	1.95	January 22, 2027	December 31, 2027
90,520	33,043	-	1.91	January 23, 2027	December 31, 2027
28,985	-	-	1.15	August 1, 2027	December 31, 2027
-	-	130,434	1.15	August 1, 2024	n/a
300,000	200,000	-	1.15	October 1, 2027	December 31, 2027
-	-	108,696	1.15	October 1, 2024	n/a
-	-	17,466	1.02	October 10, 2025	n/a
1,940	-	-	1.02	October 23, 2026	December 31, 2027
877,892	164,272	-	0.79	January 23, 2028	December 31, 2028
78,125	-	-	1.01	August 12, 2028	December 31, 2028
-	-	351,563	1.01	August 12, 2025	n/a
1,612,306	524,876	680,871	1.39		

50,581 RSUs and DSUs were subsequently exercised.

Activity during the three months ended March 31, 2026:

- 14,541 RSUs were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$8,982 was reversed from contributed surplus and credited between share-based payments expense (\$5,053) and deficit (\$3,929).
- 62,045 RSUs were cancelled upon the termination of certain individuals from the Company. As a result, \$14,522 in share-based payments expense relating to unvested RSUs was accelerated and recognized upon cancellation.

Activity during the year ended December 31, 2025:

- On January 23, 2025, the Company granted 1,284,753 RSUs to officers, employees, and consultants of the Company which vest in three annual instalments through to January 23, 2028.
- On August 12, 2025, the Company granted 78,125 RSUs and 351,563 DSUs in aggregate to directors of the Company. The 351,563 DSUs vested immediately on grant, and the 78,125 RSUs vest in three annual instalments through to August 12, 2028.
- 142,062 RSUs were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$87,409 was reversed from contributed surplus and credited to deficit.

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

PSUs

A summary of the status of the Company's PSUs as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	Period ended March 31, 2026	Year ended December 31, 2025
	PSUs #	PSUs #
PSUs outstanding, beginning of period/year	1,359,071	-
Granted	-	1,760,470
Exercised	-	(361,268)
Cancelled	-	(40,131)
PSUs outstanding, end of period/year	1,359,071	1,359,071

There was no activity involving PSUs during the three months ended March 31, 2026. The Company subsequently granted PSUs (Note 19).

Activity during the year ended December 31, 2025:

- On January 23, 2025, the Company granted an aggregate of 1,733,255 PSUs to officers of the Company and one employee which vest upon certain performance goals being achieved within a three-year period from the date of grant by January 23, 2028.
- On May 13, 2025, the Company granted an aggregate of 21,215 PSUs to an officer of the Company which vest under the same terms as the PSUs granted on January 23, 2025, but with an expiry date of May 13, 2028.
- On August 12, 2025, the Company granted an aggregate of 6,000 PSUs to an officer of the Company which vest under the same terms as the PSUs granted on January 23, 2025, but with an expiry date of August 12, 2028.
- On November 27, 2025, 361,268 PSUs vested upon the Tranche 1 (see below) performance target being met. Accordingly, the value of the settlement was \$539,130 which was settled partially in shares (\$249,497) and partially in cash (\$289,633).
- During the year ended December 31, 2025, 40,131 unvested PSUs were forfeited upon the resignation of an officer (Corporate Secretary, Note 11).

Valuation of PSUs:

The Company recorded the fair value of the PSUs granted during the year ended December 31, 2025 using a combination of the barrier option valuation model, a weighted probability analysis, and a Monte Carlo Simulation depending on the Tranche. The vesting conditions (performance goals) for each tranche are as follows:

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

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

PSUs (continued)

During the year ended December 31, 2025, the fair value of PSUs granted was determined using the following assumptions.

		December 31, 2025
Share price	\$	0.79
Volatility		73%
Dividend yield		0.0%
Risk-free rate		2.94%
Time to expiry (years)		3.00

See table presented above under heading, “Contributed Surplus” for share-based payments expense recognized over time for PSUs during the three months ended March 31, 2026 and March 31, 2025.

Warrants

A summary of the Company’s common share purchase warrants as at March 31, 2026 and December 31, 2025, and changes during the period/year then ended is as follows:

	Period ended March 31, 2026		Year ended December 31, 2025	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	2,780,480	1.75	-	-
Issued	-	-	2,780,480	1.75
Warrants outstanding, end of period/year	2,780,480	1.75	2,780,480	1.75

As at March 31, 2026, the Company has warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price \$	Expiry date	Weighted average remaining life (years)
2,780,480	1.75	December 10, 2027	1.70

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

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

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11. RELATED PARTY TRANSACTIONS

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

The following transactions involved key management:

	Transactions three months ended March 31, 2026 \$	Transactions three months ended March 31, 2025 \$	Balances outstanding March 31, 2026 \$	Balances outstanding December 31, 2025 \$
Directors' fees (amounts within wages, benefits and fees)	67,500	97,070	-	-
Expense reimbursements (officers)	-	-	3,470	2,320
Wages, benefits and fees (officers) ⁽¹⁾	586,483	673,750	334,837	390,011
Share-based payments (directors and officers)	346,695	856,785	-	-
PFS (professional and consulting; and intangible assets)	59,949	116,369	-	15,734
	1,060,627	1,743,974	338,307	408,065

⁽¹⁾ As at March 31, 2026, \$162,329 was accrued as short-term incentive (STI) compensation to key management relating to 2026 performance (December 31, 2025 - \$390,011 relating to 2025 performance).

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

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

(a) Professional and consulting:

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

Subsequent to the three months ended March 31, 2026, Joseph Guy retired from providing patent services. Accordingly, PFS is no longer providing the Company with such services. Joseph Guy remains a Company Director.

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11. RELATED PARTY TRANSACTIONS (continued)

(b) Wages, benefits and fees, net:

- Includes salaries and short-term incentive cash-based compensation paid to Dan Blondal, CEO; Stephen Campbell, CTO (retired June 30, 2025); Alex Holmes, COO (title change effective February 17, 2026 to President and Chief Strategy Officer); Carlo Valente, CFO; Denis Geoffroy, Chief Commercialization Officer (CCO) (title change effective February 17, 2026 to COO); Adam Johnson, Senior Vice-President of External Affairs; Kelli Forster, Senior Vice-President of People & Culture; and Leanne Swanson, Corporate Secretary (from January 15, 2024 to resigning effective October 1, 2025, at which time Carlo Valente assumed the role in addition to being Company CFO).
- Includes the services of Anthony Tse, Chairman (non-Executive) of the Company. The Company entered into an Advisory Agreement with Bedrock Capital, a company controlled by Paul Matysek, former Executive Chairman and Director (until resigning effective October 1, 2024) for a term of six months to March 31, 2025 (expired), at a monthly fee of \$12,500 (\$75,000 over the term of the agreement).
- Includes compensation to non-executive directors of the Company and committee chairpersons.

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the three months ended March 31, 2026, the Company did not grant any stock options to Company officers (2025 – 1,683,797, in lieu of cash STI compensation relating to 2024).
- During the three months ended March 31, 2026, the Company did not grant any PSUs, RSUs or DSUs to Company officers and directors (2025 – 1,733,255 PSUs were granted to Company officers).

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12. GOVERNMENT PROGRAMS

During the three months ended March 31, 2026 and March 31, 2025, the following proceeds from government assistance were received and allocated within the financial statements as follows:

	March 31, 2026	March 31, 2025
	\$	\$
Proceeds received:		
Department of Defense (DoD)	1,913,420	1,222,126
Investissement Québec (IQ)	3,125,991	7,503,313
Next Generation Manufacturing Canada (NGen)	-	378,092
Industrial Research Assistance Program (NRC-IRAP) including SDTC	-	1,453,891
Other Grants	11,550	-
Scientific Research and Experimental Development (SR&ED)	-	-
Technoclimat	450,000	2,200,000
NRCan	2,350,621	-
	7,851,582	12,757,422
Allocation of proceeds received:		
Deferred liabilities	-	500,000
Reduction to operating expenses	450,000	-
Government grant income (Note 16)	6,061,698	9,412,062
Government loan (Note 9)	1,339,884	2,785,555
	7,851,582	12,697,617
Prior period Government grant income accrual	-	59,805
Total proceeds received	7,851,582	12,757,422

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

On September 25, 2024, the Company executed a Technology Investment Agreement for an award of US\$12,879,426 from the DoD (approximately \$17,800,000 equivalent as of the date of the agreement execution) in support of capacity expansion at its Candiatic and Burnaby facilities through the Defense Production Act Investments (DPAI) office's Title III program. The term of this agreement is through to December 2027 which includes a three month period for completing the final program report.

IQ (Investissement Québec)

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

NGen (Next Generation Manufacturing Canada)

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

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

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12. GOVERNMENT PROGRAMS (continued)

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

Sustainable Development Technology Canada ("SDTC"):

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

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

NRC will provide the Company with staged funding up to \$6,735,987 (\$4,738,398 received as at March 31, 2026, leaving \$1,997,589 remaining, amounts subsequently received as per below). The revised funding amount is due to the modification and reduction to the project's scope in accordance with the amendment.

The funds from NRC will be paid to the Company in the form of three (3) Milestone instalments plus the release of a final 10% hold-back upon satisfactory review and approval of the project by NRC (Two (2) Milestone payments have been received as at March 31, 2026). The funds are non-dilutive, and non-repayable and are intended to support pre-commercial activities in Candiac.

In April 2026, the Company received the Milestone 3 payment of \$1,323,990 (Note 19). In January 2025, the Company recognized the Milestone 2 payment upon the receipt of funds.

Technoclimat

Pursuant to a December 2024 agreement, Nano Candiac was awarded a grant of up to \$3,000,000 from the Government of Quebec's Ministry of the Environment, the Fight against Climate Change, Wildlife and Parks (MELCCFP), through its Technoclimat program (the "Grant"). Of this Grant, \$2,200,000 was received during the year ended December 31, 2025, with \$500,000 of which included within deferred income (Note 8) as at December 31, 2025.

The Grant partially related to a reimbursement for eligible expenditures incurred at the Candiac plant (\$1,700,000), and partially for expenditures on expansion activities (\$500,000, incurred during the three months ended March 31, 2026 and recognized as a reduction to operating expenses). Amounts under the program may be subject to adjustment or repayment in full by the Company to Technoclimat in the event of non-compliance with the terms of the agreement. The agreement has a duration through to 2031.

NRCan (Natural Resources Canada, Energy Innovation Program)

On October 29, 2025, the Company announced an award of \$5,000,000 in a non-repayable contribution from NRCan under the Energy Innovation Program for expansion of the Candiac Facility, scale production of One-Pot LFP CAM, and advance commercialization. The funding covers a period through to March 31, 2027. During the three months ended March 31, 2026, the Company executed an amendment to the program agreement to increase the award to \$9,310,000 (an increase of \$4,310,000).

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

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12. GOVERNMENT PROGRAMS (continued)

Refundable tax credits

SR&ED (Scientific Research and Experimental Development):

As at March 31, 2026 and December 31, 2025, the Company had \$266,108 (Note 3) in refundable SR&ED amounts receivable in relation to 2024 claimed by Nano Candiatic during the year ended December 31, 2025.

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

C3i Investment and Innovative (“C3i”)

As at March 31, 2026 and December 31, 2025, the Company had \$1,582,177 (Note 3) in refundable amounts receivable in relation to 2024 and 2023, which were accrued during the year ended December 31, 2025.

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital during the three months ended March 31, 2026 and March 31, 2025, were comprised of the following:

	March 31, 2026	March 31, 2025
	\$	\$
Receivables and prepayments	(338,560)	110,745
Inventory	52,829	(198,570)
Accounts payable and accrued liabilities	(429,242)	710,880
Deferred liabilities	(500,000)	500,000
Net change	(1,214,973)	1,123,055

During the three months ended March 31, 2026, the Company incurred \$208,104 in share issue costs inclusive of \$188,766 within accounts payable and accrued liabilities as at December 31, 2025, relating to financing activities that occurred during the year then ended.

The Company incurred non-cash investing and financing activities during the three months ended March 31, 2026 and March 31, 2025, as follows:

	March 31, 2026	March 31, 2025
	\$	\$
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	717,901	-
Non-cash financing activities:		
Share issue costs included in accounts payable and accrued liabilities	1,170	-

During the three months ended March 31, 2026 and March 31, 2025, no amounts were paid for income taxes. The Company made payments for interest expenses on its facility and equipment finance liabilities during the three months ended March 31, 2026 and March 31, 2025, as presented on the statements of cash flows under interest on lease liabilities.

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14. MANAGEMENT OF CAPITAL

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

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the three months ended March 31, 2026.

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

The Company may invest excess capital in high-interest savings accounts ("HISAs") and/or HISA funds which bear interest at variable rates (cash equivalents), as well as in guaranteed investment certificates ("GICs") bearing fixed rates of interest that are liquid and redeemable on demand (cash equivalents) and have original terms not exceeding 90 days.

15. FINANCIAL INSTRUMENTS

Financial instruments - fair value

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

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

Financial instruments – classification

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

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

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

Financial instruments – risk

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

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15. FINANCIAL INSTRUMENTS (continued)

Financial instruments – risk (continued)

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company has historically relied upon various sources of capital as described in Note 1 to satisfy its capital requirements and will continue to depend upon these and other possible sources of capital to finance its activities until such time that the Company generates profitability and positive operating cash flows.

As at March 31, 2026	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-5 years \$	More than 5 years \$
Accounts payable and accrued liabilities	3,343,259	3,343,259	3,343,259	-	-
Equipment finance liability	97,546	108,899	50,261	58,638	-
Lease liabilities	15,014,897	24,535,073	1,966,507	6,803,428	15,765,138
Government loan	4,431,844	10,629,304	-	-	10,629,304
Total	22,887,546	38,616,535	5,360,027	6,862,066	26,394,442

Refer to Note 9 for details of the repayment terms and amounts that may be forgiven under the terms of the Government loan involving IQ.

b) Interest rate risk

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

For the three months ended March 31, 2026, every 1% fluctuation in interest rates would have impacted profit or loss and comprehensive profit or loss for the year by approximately \$49,000 (2025 – \$32,000).

c) Credit risk

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

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

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

d) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain equity financing, or the ability of holders of convertible equity securities (options and warrants) to exercise their securities, which affects proceeds to the Company on such exercises, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company. Commodity price risk is defined as the potential adverse impact on the Company's results of operations in respect of fluctuating prices of its raw materials inventory. The Company is exposed to commodity price risk including exposure to the fluctuating market prices of lithium as it relates to lithium raw materials within inventory. Adjustments to the Company's lithium inventory in respect of market fluctuations are included within research and operational expenses, net.

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15. FINANCIAL INSTRUMENTS (continued)**Financial instruments – risk** (continued)**e) Currency risk**

Currency risk is the risk of fluctuation in profit or loss that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company is exposed to currency risk as it incurs certain transactions in United States dollar, the Euro, and the British Pound. Additionally, as at March 31, 2026, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the March 31, 2026 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would impact profit or loss and comprehensive profit or loss for the year by approximately \$519,000 (2025 - \$107,000).

16. SUPPLEMENTAL PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS) INFORMATION

Certain amounts in profit or loss and comprehensive profit or loss are comprised of the following for the three months March 31, 2026 and March 31, 2025:

	March 31, 2026	March 31, 2025
Finance costs	\$	\$
Lease liabilities - interest paid (Note 6)	387,275	127,906
Government loan - accretion (Note 9)	79,035	28,636
Financial liability - interest paid	2,575	10,631
Total	468,885	167,173

	March 31, 2026	March 31, 2025
Gain on disposal of property, plant and equipment	\$	\$
Gain on sale and leaseback transaction - non-cash	-	1,305,777
Total	-	1,305,777

	March 31, 2026	March 31, 2025
Government grant income	\$	\$
Grants received - cash	4,275,591	4,694,304
Grant portion of loan received (below-market interest benefit) - cash (Note 9)	1,786,107	4,717,758
Total (Note 12)	6,061,698	9,412,062

	March 31, 2026	March 31, 2025
Other income (expense)	\$	\$
Other income (expense)	16,883	(14,721)
Total	16,883	(14,721)

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17. SEGMENTED INFORMATION

The Company operates in a single operating segment being the research, piloting, and pre-production demonstration of a patented process to produce LFP CAM for lithium-ion battery applications. The Company's non-current assets are located in Canada with the exception of certain patents (intangible assets) issued from patent regulators in foreign jurisdictions (Note 7).

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

18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the three months ended March 31, 2026 and March 31, 2025, is based on the following:

	Three months ended March 31,	
	2026	2025
Income (loss) for the period	\$ (881,269)	\$ 2,672,920
Weighted average number of common shares outstanding - basic	119,404,375	111,425,110
Dilutive effect of stock options, RSUs, DSUs, PSUs	-	502,960
Weighted average number of common shares outstanding - diluted	119,404,375	111,928,070
Basic earnings (loss) per share \$	\$ (0.01)	\$ 0.02
Diluted earnings (loss) per share \$	\$ (0.01)	\$ 0.02

The calculation of basic earnings per share for the three months March 31, 2025 was based on the income attributable to common shareholders, and the weighted average number of common shares outstanding. The calculation of diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding and exercisable stock options, RSUs, DSUs, and PSUs, in the weighted average number of common shares outstanding, if dilutive. During the three months ended March 31, 2025, certain RSUs were exercisable and had a dilutive impact.

19. SUBSEQUENT EVENTS

- (a) On May 4, 2026, the Company's board of directors approved the grant of stock options and PSUs as follows:
- 1,590,572 stock options to officers, senior management, employees and consultants of the Company exercisable at \$0.95 each with varying vesting terms and expiries ranging between three to seven years; and
 - 1,704,788 PSUs to officers and senior management of the Company for a performance period through to December 31, 2029, including both market-based and non-market-based performance conditions.
- (b) On May 4, 2026, the Company filed a preliminary short form base shelf prospectus for the issuance of up to \$75,000,000 in various financial securities.
- (c) Refer to Note 10 for details of subsequently exercised RSUs and DSUs for \$nil proceeds, and forfeited stock options.
- (d) In April 2026, \$1,323,990 was received from NRC-IRAP (SDTC) in relation to its active project.