

August 11, 2026

Q2 2026

Nano One Materials Corp.

Management's Discussion & Analysis

For the three and six months ended June 30, 2026



TSX: NANO | OTCQB: NNOMF | FSE: LBMB

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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 three and six months ended June 30, 2026, should be read in conjunction with the condensed interim consolidated financial statements for the three and six months ended June 30, 2026, that were prepared under International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), and the audited annual consolidated financial statements for the year ended December 31, 2025, 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. All quarterly financial information presented in this MD&A has been prepared in accordance with IAS 34, as issued by the IASB.

The information contained in this MD&A is presented as at **August 11, 2026** (the "MD&A Date"), unless otherwise indicated.

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

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 including the ATM Program; 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; the Company's go-to-market strategy of licensing the CAM Package jointly with Worley Chemetics and its Design-One-Build-Many licensing strategy; the development, sourcing optionality, anticipated benefits and targeted H2 2026 completion of the hybrid configuration; 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 the world makes cathode active materials for lithium-ion batteries. Applications include stationary energy storage systems (ESS), portable electronics, and electric vehicles (EVs). The Company's patented One-Pot™ process reduces costs, is easier to permit, lowers energy intensity, environmental footprint, and reliance on problematic supply chains. The Company is supporting the drive towards energy security, supply chain resilience, industrial competitiveness, and increased performance through process innovation. Production is being piloted and demonstrated in Candiatic, Quebec, drawing on existing plant and decades of commercial lithium iron phosphate (LFP) manufacturing experience. Strategic collaborations and partnerships with international companies like Sumitomo Metal Mining, Rio Tinto, and Worley are supporting a Design One Build Many licensing growth strategy—delivering cost-competitive, easier-to-permit, and faster-to-market battery materials production solutions worldwide. Nano One has received funding from the Government of Canada, the Government of the United States (U.S.), the Government of Québec, and the Government of 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 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 chemistries. 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.

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.

As announced on July 23, 2026, the Company's licensing model offers two flexible adoption paths. Customers with a preferred engineering vendor can license the One-Pot technology directly from Nano One and engineer the production line

through to a final investment decision, while customers seeking a more complete solution can procure the integrated CAM Package with Worley, which includes pre-qualified equipment vendors and feedstocks as well as Worley project execution support. Both paths are backed by the Candiatic Facility, where customers can run sample validation cycles and access operator training built on the Company's LFP manufacturing know-how, lowering adoption barriers without requiring licensees to build their own Demonstration Line while the cell manufacturers they supply keep working with existing supply-chain partners.

The CAM Package was developed through the Company's partnership with Worley Chemetics and their colleagues at Worley Comprimo.

A comparative analysis in collaboration with Worley (see December 4, 2024 news release) 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.

In 2025, the Strategic Alliance also completed a layout of the modular plant with operability and maintainability in mind and subsequently accelerated engineering and qualification of vendor equipment to complete the CAM Package, supporting customer ambitions in this market during 2026 and beyond.

The comparative 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 in 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—an objective the Company delivered on June 25, 2026 (see below).

Completion of One-Pot LFP Cathode Package and Advance to Market

On June 25, 2026, the Company, together with Worley Chemetics, announced the completion of a One-Pot LFP CAM Package engineered to a Class 3 cost estimate using qualified North American, European, and South African equipment—delivering on the Company's objective to complete and initiate marketing of a commercial-ready One-Pot LFP CAM Package in the first half of 2026.

The CAM Package covers the inside-battery-limits (ISBL) scope of a One-Pot LFP production line—the core process equipment that converts feedstock materials into LFP cathode. It includes process design and engineering, building layout and equipment specifications, qualified vendor quotes as well as capital and operating cost estimates. This provides the basis needed to market the technology to target customers worldwide. The package offers a de-risked path to production and shorter time to market, giving target customers greater cost and execution certainty to invest with confidence. The North American, European, and South African vendors qualified for the CAM Package were selected for their technical capabilities and long-standing operating history with the Nano One team. The package builds on Nano One and Worley's previously announced comparative analysis. The CAM Package is well positioned to meet growing market demand for localized LFP CAM production. Nano One and Worley are also developing a second, hybrid configuration of the CAM Package for jurisdictions where Chinese-sourced equipment is permitted or consistent with local incentive and content requirements. Under the hybrid configuration, Chinese vendors would supply only non-IP-sensitive equipment, with One-Pot reactors always fabricated by Worley Chemetics or established collaborators. The hybrid configuration is targeted for completion in H2 2026. Nano One is pursuing a go-to-market strategy for its One-Pot technology by licensing the CAM Package jointly with Worley Chemetics.

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 commercial 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 "Demonstration Line".

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 with 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. As outlined in the Company's July 23, 2026 news release, the Pilot Line also supports sample validation to secure and supply smaller-volume offtakes for defence and energy-storage customers, running smaller batches that reduce cost. Nano One had incurred expenses of approximately \$8,660,000 in building and commissioning the Pilot Line through to fiscal 2023.

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

A Front-End Engineering and Design (FEED) study was completed in the year ended December 31, 2025, for capacity expansion at the Candiatic Facility, and resulted in pre-feasibility level costing and nameplate capacity estimation.

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. As announced on July 23, 2026, detailed engineering for the expansion was 85% complete as of mid-July 2026, with the project on schedule and on budget, and purchase orders for the remaining smaller equipment are expected to be completed by the end of August 2026 (see "Key Business Developments" below). 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.

A C-sample is required to demonstrate production readiness and generally consists of several one-tonne batches, providing end customers with confidence that material can be produced repeatably at or near production scale, off production-intent equipment and processes, with quality control and assurance systems in place. As described in the Company's July 23, 2026 news release, the expansion integrates and automates an existing full-scale 20m³ reactor whose design can be replicated in modular fashion, and the Candiatic Facility comprises multiple front-end One-Pot production lines feeding shared downstream processing equipment, with total facility capacity of approximately 800 tpa once the expansion is commissioned. The expanded capacity enables large-volume sampling that supports larger customer contracts, plant design licensing, and joint venture opportunities.

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 will consider future expansion based on customer demand growth.

Commercial Plant (Development Project) and FEL3 Study

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). The FEL3 study will also support the Design One Build Many growth strategy to develop, market, and sell technology solutions and licenses.

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 regard 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 entered 2026 having advanced the main catalysts set out in 2025 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:** Market the completed CAM Package as a ready-to-license One-Pot LFP ISBL design to strategic targets, complete the hybrid configuration targeted for H2 2026, and continue customer engagements for technology license-only sales.

KEY BUSINESS DEVELOPMENTS AND CORPORATE UPDATES

On March 17, 2026, the Company provided a progress update on its Demonstration Line at the Candiatic Facility for an increased capacity of 800 tpa. Detailed engineering work had progressed past 25% and purchase orders had been initiated for major equipment with suppliers in France, Germany, and other countries. Vendor selection was completed for the balance of major equipment packages and the activities were important steps toward construction readiness. Completion of procurement, installation and commissioning of the expanded Demonstration Line is targeted in the first half of 2027 (see "Demonstration Line" within the "Production" discussion above).

On July 23, 2026, the Company provided a further progress update on the capacity expansion project at the Candiatic Facility, which will increase total production capacity to approximately 800 tpa. Detailed engineering was 85% complete as of mid-July 2026, with the project on schedule and on budget. Purchase orders for major equipment were completed in March 2026, with initial deliveries received at the Candiatic Facility, and purchase orders for the remaining smaller equipment are expected to be completed by the end of August 2026. Approximately 95% of equipment by value—and 100% of IP-sensitive equipment—is sourced from Canada, the United States, and the European Union. Commissioning of the expanded Demonstration Line remains targeted for the first half of 2027.

On June 4, 2026, the Company provided a summary of the results from its 2026 AGM with all matters presented for shareholder approval at the meeting being approved.

On June 29, 2026, the Company announced that it had entered into an equity distribution agreement with Canaccord Genuity Corp. and Roth Canada, Inc. to renew its at-the-market equity issuance program (ATM Program). See further details within "Capital Resources" below.

CHANGE IN EXECUTIVE OFFICERS AND DIRECTORS

Effective February 17, 2026, changes to role titles for Alex Holmes, President and Chief Strategy Officer (formerly COO), and Denis Geoffroy, COO (formerly CCO), were completed.

Effective June 12, 2026, Dan Blondal, CEO, retired from the Company as an Officer and Director and Alex Holmes was appointed CEO and Director.

CEO Succession Process

The change in CEO reflects a planned succession process developed in concert with the Board of Directors and supports continuity as Nano One advances toward commercialization of its CAM technology. See June 1, 2026, news release for details. Additionally, the Company issued a Letter to Nano One Stakeholders on June 3, 2026, including a link to a video interview. Dan Blondal continues to provide consulting services to the Company under an advisory agreement.

GOVERNMENT FUNDING

As at the MD&A Date, the Company had approximately \$20,000,000 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	June 30, 2026 \$	December 31, 2025 \$	Received in 2026 \$
Government grants:				
Department of Defense (DoD)	USA	12,489,261	8,424,757	4,064,504
Investissement Québec (IQ)	Canada	10,629,304	7,503,313	3,125,991
Next Generation Manufacturing Canada (NGen)	Canada	1,252,768	1,078,102	174,666
Industrial Research Assistance Program (NRC-IRAP) including SDTC	Canada	18,274,526	16,950,536	1,323,990
Other Grants	Canada	2,200,213	2,177,293	22,920
Technoclimat	Canada	2,650,000	2,200,000	450,000
NRCan	Canada	3,118,188	-	3,118,188
Refundable tax credits:				
SR&ED and C3i	Canada	409,540	409,540	-
		51,023,800	38,743,541	12,280,259

New Funding Announced in 2026

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

Further to the Company's October 29, 2025, funding announcement of \$5,000,000 in a non-repayable contribution from Natural Resources Canada (NRCan), the Company announced in Q1 2026 an additional \$4,310,000 award from NRCan (for a total of \$9,310,000). The funding provides support for an expanded project scope that includes two aspects of software integration for production and operations and advancing a feasibility study.

The funding supports the next phase of Nano One's scale-up at the Candiac 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 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 defence.

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 LFP cathode active materials. Since October 2025, Nano One has secured \$12,310,000 in support from NRCan for work that enables the Company to advance capacity expansion at its Candiac Facility.

See "Capital Sources" for funding received subsequent to June 30, 2026, 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 "defence, clean energy, and digital technologies" as key sectors shaping demand and strategic priorities. In 2026, France took over the G7 presidency, continuing the work Canada led in 2025 and Japan in 2024. At the June 2026 G7 Leaders meeting in France¹, the countries issued a statement highlighting the importance of the midstream of the battery supply chain and continued focus on building an ex-China system. "We, the leaders of the G7, recalling the Critical Minerals Action Plan we launched last year, recognize the strategic role of critical minerals value chains for our countries' economic prosperity and security, including our digital and energy sectors. In light of the high degree of market concentration, the need to reduce vulnerabilities regarding those resources and the growing use of arbitrary trade restrictions, we recall the urgency of diversifying our supply chains and building our collective resilience." And they stated, "We further recognize the importance of maintaining and strengthening our midstream and downstream industries' competitiveness, including in relation to critical minerals, by protecting critical technologies and commit to working within the G7 and with partners to coordinate on policy measures for technology control."

In 2025, China placed export restrictions on its processing technologies for LFP 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. The 2025 restrictions on LFP processing technologies remain in place. According to the IEA's *Global Critical Minerals Outlook 2026*², on October 9, 2025, China announced broader export controls on lithium-ion battery supply chains, expanding earlier measures on graphite and high-performance LFP cathode material to a wider range of battery materials, technologies, and equipment, and targeting points in the supply chain where China holds the highest concentration of supply, including LFP cathode materials, LFP batteries, graphite anode materials, cathode material precursors, and battery production equipment. In November 2025, China announced a one-year suspension of the October controls, until November 2026, and in January 2026 it tightened export controls on dual-use goods destined for Japan. The IEA cautions that the risk of these controls being implemented in the future has not gone away.

The International Energy Agency's (IEA) *Global Critical Minerals Outlook 2026*³ also highlighted that *"If fully enacted, the proposed export controls by China would severely restrict the ability of the rest of the world to produce batteries in the near term, with major economic consequences, given the range of strategic sectors for which batteries have critical applications beyond transport and energy storage, including defence, aerospace, artificial intelligence (AI) data centres and even medical applications."*

LFP batteries are a case in point, with markets expanding rapidly. They represent over half of the global electric car battery market and over 90% of the battery energy storage market. While China currently dominates this segment, efforts are underway to develop LFP battery production outside China. However, new restrictions on LFP cathode materials could impede these initiatives, reinforcing China's dominance in this technology, with major implications for grids."

Governments in key jurisdictions for Nano One—including Canada, the U.S., 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 policymaking and funding decisions because of its importance for energy storage, defence, and EVs. In 2025, EV sales reached record highs in the European Union, alongside strong demand from LFP battery applications in data centres. 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% targets. In February 2026, Canada launched its Defence Industrial Strategy that recognizes the importance of critical minerals, dual use for military and civilian applications and prioritizing domestic suppliers. Also in February 2026, Prime Minister Carney announced an Auto Strategy that represents a recalibration of Canada's automotive sector, aiming to secure jobs, expand EV production, and position Canada as a global leader in clean vehicle technologies while navigating trade and market challenges. 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.

¹ G7 leaders' declaration on securing supply chains for critical minerals — G7 Évian 2026.

² IEA (2026), *Global Critical Minerals Outlook 2026*, <https://www.iea.org/reports/global-critical-minerals-outlook-2026>

³ Benchmark Mineral Intelligence. (2025). *Mine to Grid: 2025 Year in Review*.

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. This enables secure sources of raw material inputs and accelerates the adoption of LFP for stationary ESS, defence, AI data centres, 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 applications⁴ 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-centres, 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 2025³, 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 favourably, with an easier-to-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.

Q2 2026 compared to Q1 2026

Three months ended	June 30, 2026 \$	March 31, 2026 \$	Increase (decrease) \$
Expenses			
Amortization and depreciation	37,566	63,182	(25,616)
Business development and investor relations	134,405	115,674	18,731
Finance costs	397,367	468,885	(71,518)
General and administrative expenses	746,432	674,679	71,753
Professional and consulting	836,444	415,564	420,880
Research and operational expenses, net	1,463,867	966,869	496,998
Share-based payments	448,923	375,539	73,384
Wages, benefits and fees, net	4,993,207	4,008,425	984,782
Other expense (income)	25,561	(16,883)	(42,444)
Loss from operating expenses	(9,083,772)	(7,071,934)	1,926,950
Loss on disposal of property, plant and equipment	(23,584)	-	23,584
Government grant income	4,653,985	6,061,698	(1,407,713)
Interest income	129,238	128,967	271

⁴ International Energy Agency. (2026). *Global Energy Review 2026: Technology—Battery Storage*.

- In Q2 2026 (April), the Company terminated one of its leased facilities in Burnaby which is the cause for the decrease in the right-of-use asset depreciation component of amortization and depreciation and is also a contributor to decreased finance costs.
- Professional and consulting fees increased in relation to the transition and Go-Live of the Company's ERP system which was coupled with increased external IT and consulting costs. Additional legal, accounting and audit-related costs also arose during the quarter as a result of the short form base shelf prospectus filed on June 12, 2026.
- Fluctuations in research and operational expenses are in the normal course as activity is driven by variations in planning and timing of executing strategic decisions alongside the planned timing of projects and engineering work on expansion activities. Recognized within Q1 2026 is a greater amount of current period government grants applied as a reduction to current period costs relative to Q2 2026, which is a cause for the increase over the preceding quarter.
- Share-based payments increased in Q2 2026 resulting from new grants of stock options and PSUs during the quarter.
- Quarterly variations in wages include changes in short-term incentive (STI) compensation accruals. The variation in Q2 2026 from Q1 2026 includes annual wage adjustments which were finalized in Q2 2026 and the incremental amount of 2025 STI awards paid in Q2 2026 compared to amounts accrued in 2025. Additionally, the Company incurred approximately \$585,000 with the former CEO as additional compensation upon his retirement. During Q1 2026, there were severance amounts paid on termination of certain employees.
- Government grant income for Q2 2026 primarily comprises cash received from the U.S. DoD relating to claims for 2025 expenses, and SR&ED amounts accrued. For Q1 2026, the amount primarily comprises cash received from the U.S. DoD, the grant portion of the IQ loan received during Q1 2026, and NRCan amounts received. 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.

Q2 2026 compared to Q2 2025

Three months ended	June 30, 2026 \$	June 30, 2025 \$	Increase (decrease) \$
Expenses			
Amortization and depreciation	37,566	59,599	(22,033)
Business development and investor relations	134,405	118,142	16,263
Finance costs	397,367	558,799	(161,432)
General and administrative expenses	746,432	748,226	(1,794)
Professional and consulting	836,444	332,111	504,333
Research and operational expenses, net	1,463,867	1,702,190	(238,323)
Share-based payments	448,923	538,263	(89,340)
Wages, benefits and fees, net	4,993,207	4,274,403	718,804
Other expense	25,561	57,557	31,996
Loss from operating expenses	(9,083,772)	(8,389,290)	758,474
Gain (loss) on disposal of property, plant and equipment	(23,584)	18,470	(42,054)
Government grant income	4,653,985	5,533,671	(879,686)
Interest income	129,238	43,631	85,607

Refer to the discussion above for the Q2 2026 compared to Q1 2026 variances as certain business drivers discussed above are also relevant to the Q2 2026 to Q2 2025 comparison. Additional factors unique to the above variances over the comparative period are as follows:

- See Q2 2026 compared to Q1 2026 above which discusses the decrease in depreciation resulting from the termination of a leased facility in Burnaby which also impacted finance costs. Notably, finance costs was most impacted by a Q2 2025 accrual for a default provision on the IQ loan (no such default occurred or was estimated to occur) which was reversed in Q3 2025. Additionally, finance costs was impacted by the new lease liability recognized in March 2025 relating to the leaseback of the Candiac Facility building as well as accretion expense recognized on the IQ loan (which loan is greater in Q2 2026 compared to Q2 2025) to unwind the discount initially recognized associated with the below-market interest rate.
- See Q2 2026 compared to Q1 2026 above which discusses IT-related, as well as financing and prospectus-related costs contributing to the increase in professional fees.

- As discussed in Q2 2026 compared to Q1 2026 above, fluctuations in research and operational expenses are in the normal course as activity is driven by variations project planning and timing. 2026 amounts include higher amounts of current period government grant claims and funding relative to the comparative period. Additionally, non-cash depreciation amounts were higher in the comparative period which further drives the decrease in the current period.
- Consistent with the Q2 2026 compared to Q1 2026 discussion above, wages have fluctuated due to variations in STI accruals, annual wage adjustments, employee severance amounts from Q1 2026, and amount incurred with the former CEO as additional compensation upon his retirement.
- 2026 government grant income primarily comprises cash received from the U.S. DoD relating to claims for 2025 expenses, the grant portion of the IQ loan received during Q1 2026, SR&ED amounts accrued, and NRCan amounts received. The composition is fairly consistent with that of 2025, but with variations in amounts, and no receipts from NRCan as the program was not yet effective at such time.

Six months ended 2026 compared to 2025

Six months ended	June 30, 2026 \$	June 30, 2025 \$	Increase (decrease) \$
Expenses			
Amortization and depreciation	100,748	120,814	(20,066)
Business development and investor relations	250,079	219,151	30,928
Finance costs	866,252	725,972	140,280
General and administrative expenses	1,421,111	1,351,742	69,369
Professional and consulting	1,252,008	756,125	495,883
Research and operational expenses, net	2,430,736	3,415,206	(984,470)
Share-based payments	824,462	1,912,317	(1,087,855)
Wages, benefits and fees, net	9,001,632	7,898,990	1,102,642
Other expense	8,678	72,569	(81,247)
Loss from operating expenses	(16,155,706)	(16,472,886)	(334,536)
Gain (loss) on disposal of property, plant and equipment	(23,584)	1,324,247	(1,347,831)
Government grant income	10,715,683	14,945,733	(4,230,050)
Interest income	258,205	82,308	175,897

- Professional and consulting variances were impacted by IT and financing related professional fees as discussed above.
- Further to the discussions above, a key component of the year-to-date comparative decrease in research and operational expenses relates to the application of Technoclimat deferred income and current period claims and resulting proceeds being matched against current period research expenses in Candiac, with similar treatment for certain NGen claims and amounts during the current period.
- Variations in share-based payments expense are subject to change based on the volume and valuation of grants year over year. For both periods presented, the annual equity incentive grants are fully reflected (granted in Q2 2026, and Q1 2025).
- Wages were impacted by STI variations, annual adjustments, employee severance, and retirement amounts for the former CEO, as discussed above.
- The comparative amount for the gain on disposal of property, plant and equipment relates to the sale and leaseback on the Candiac land and facility from Q1 2025.
- Despite the composition of government grant amounts being comparable over the comparative period, amounts were greater in 2025 due to higher amounts received from the U.S. DoD, NGen, and NRC-IRAP, which was partially offset by the new NRCan program in 2026. Moreover, the grant portion (below-market interest rate benefit) of the IQ loan in 2025 was greater than 2026.

REVIEW OF FINANCIAL CONDITION

Summary Financial Position and Key Metrics

	June 30, 2026 \$	December 31, 2025 \$	December 31, 2024 \$	2026 to 2025 Change \$	2025 to 2024 Change \$
Cash	19,333,426	23,597,749	7,160,529	(4,264,323)	16,437,22
Current assets (all others)	3,996,048	3,311,937	1,692,612	684,111	1,619,32
Non-current assets	19,026,765	17,565,360	16,814,120	1,461,405	751,24
Total assets	42,356,239	44,475,046	25,667,261	(2,118,807)	18,807,78
Current liabilities	5,719,993	4,575,756	3,344,367	1,144,237	1,231,38
Non-current liabilities (lease liabilities)	18,396,974	17,409,055	894,261	987,919	16,514,79
Total liabilities	24,116,967	21,984,811	4,238,628	2,132,156	17,746,18
Total shareholders' equity	18,239,272	22,490,235	21,428,633	(4,250,963)	1,061,60
Key Financial Metrics:					
Working capital¹	17,609,481	22,333,930	5,508,774	(4,724,449)	16,825,15
Liquid working capital²	16,175,025	21,127,462	4,218,656	(4,952,437)	16,908,80

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 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:

As at June 30, 2026 compared to December 31, 2025, total assets were primarily impacted by the net use of cash during the period as discussed below under "Summary of Cash Flows", the increase in receivables and prepayments driven by the Q2 2026 SR&ED accrual for 2025 Candiac amounts (accrued government assistance), increases in IT services and subscriptions (prepaid expenses), and amounts capitalized to PP&E relating to costs incurred on commercial reactor optimization efforts.

Total liabilities:

As at June 30, 2026 compared to December 31, 2025, total liabilities increased due to the increase in payables relating to Candiac expansion engineering efforts at the end of the quarter during June 2026, and additional IQ loan amounts (Government loan) received. The amount capitalized for the IQ loan is net of the grant portion which represents the below-market interest rate benefit. These increases were only partially offset by the recognition (full reduction) of the deferred income amount relating to Technoclimat which was applied as a reduction to current period operating expenses.

Summary of Cash Flows

Q2 2026 compared to Q1 2026

	June 30, 2026 \$	March 31, 2026 \$	Increase (decrease) \$
Three months ended			
Operating activities			
Loss for the period	(4,324,133)	(881,269)	3,442,864
Adjustments for non-cash items	1,317,835	(493,983)	(1,811,818)
Interest income (reclassified to investing activities below)	(129,238)	(128,967)	271
Net change in non-cash working capital items	1,324,268	(1,214,973)	(2,539,241)
Interest paid on lease liabilities	(286,123)	(387,275)	(101,152)
	(2,097,391)	(3,106,467)	(1,009,076)
Investing activities			
Interest income	129,238	128,967	271
Capital expenditures, net ¹	(1,398,537)	(655,547)	742,990
	(1,269,299)	(526,580)	742,719
Financing activities			
Issuance of common shares for cash, net of share issue costs	2,046	(22,708)	(24,754)
Payments of equipment finance liability and principal on lease liabilities	(178,066)	(108,067)	69,999
Proceeds from government loan	-	3,125,991	(3,125,991)
Termination fee paid on derecognition of lease liability	(83,782)	-	83,782
	(259,802)	2,995,216	(3,255,018)
Change in cash and cash equivalents	(3,626,492)	(637,831)	
Cash and cash equivalents, beginning	22,959,918	23,597,749	
Cash and cash equivalents, ending	19,333,426	22,959,918	(3,626,492)

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

	June 30, 2026 \$	March 31, 2026 \$
Allocation of cash inflows from government grants and loans		
Three months ended		
Operating activities	4,428,677	4,725,591
Financing activities	-	3,125,991
	4,428,677	7,851,582

Government grant proceeds recognized within operating activities were approximately \$300,000 greater in Q1 2026 compared to Q2 2026 thereby more favourably impacting operating cash flows during the preceding quarter despite a reduction in the use of cash in operating activities during the current quarter.

Refer to discussions within "Commercialization Strategy" above for business drivers affecting capital expenditures.

In Q1 2026, the payment of share issue costs that were payable as at December 31, 2025, exceeded the proceeds raised through the at-the-market (ATM) equity financing during Q1 2026. Cash received from the ATM Program during Q2 2026 (limited to amounts raised during April) were substantially offset by share issue costs for legal and filing fees associated with the short form base shelf prospectus filed in June 2026, which are recognized as a share issue cost upfront and prior to the financing activities to be conducted in future quarters. Government loan proceeds received in Q1 2026 were from IQ.

Q2 2026 compared to Q2 2025

Six months ended	June 30, 2026 \$	June 30, 2025 \$	Increase (decrease) \$
Operating activities			
Loss for the period	(5,205,402)	(120,598)	5,084,804
Adjustments for non-cash items	823,852	(2,426,293)	3,250,145
Interest income (reclassified to investing activities below)	(258,205)	(82,308)	175,897
Net change in non-cash working capital items	109,295	(1,700,603)	(1,809,898)
Interest paid on lease liabilities	(673,398)	(429,568)	243,830
	(5,203,858)	(4,759,370)	444,488
Investing activities			
Interest income	258,205	82,308	175,897
Capital expenditures, net ¹	(2,054,084)	(331,152)	1,722,932
Proceeds from sale and leaseback, net	-	13,699,122	(13,699,122)
	(1,795,879)	13,450,278	15,246,157
Financing activities			
Issuance of common shares for cash, net of share issue costs	(20,662)	-	(20,662)
Payments of equipment finance liability and principal on lease liabilities	(286,133)	(311,166)	(25,033)
Proceeds from government loan	3,125,991	7,503,313	(4,377,322)
Termination fee paid on derecognition of lease liability	(83,782)	-	(83,782)
	2,735,414	7,192,147	(4,456,733)
Change in cash and cash equivalents	(4,264,323)	15,883,055	
Cash and cash equivalents, beginning	23,597,749	7,160,529	
Cash and cash equivalents, ending	19,333,426	23,043,584	(3,710,158)

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

Government grant proceeds recognized within operating activities were approximately \$200,000 greater in Q2 2026 compared to Q2 2025 thereby more favourably impacting operating cash flows during the current period despite an increased use of cash in operating activities during the current quarter.

Refer to discussions within "Commercialization Strategy" above for business drivers affecting capital expenditures.

Cash paid for share issue costs exceeded proceeds raised through the ATM during 2026 due to payments of share issue costs that were payable as at December 31, 2025, and amounts incurred for legal and filing fees associated with the short form base shelf prospectus filed in June 2026, which are recognized as a share issue cost upfront and prior to the financing activities to be conducted in future quarters. Government loan proceeds received in the current and comparative period were from IQ.

Contractual Obligations

As at June 30, 2026	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-5 years \$	More than 5 years \$
Accounts payable and accrued liabilities	4,950,864	4,950,864	4,950,864	-	-
Equipment finance liability	89,739	98,986	51,645	47,341	-
Lease liabilities	14,535,371	23,719,851	1,830,214	6,515,665	15,373,972
Government loan	4,540,993	10,629,304	-	-	10,629,304
Total	24,116,967	39,399,005	6,832,723	6,563,006	26,003,276

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:

	2026		2025			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	-	-	-	-
Loss from operating expenses	(9,083,772)	(7,071,934)	(7,510,123)	(7,881,367)	(8,404,301)	(8,068,584)
Cash used in operating activities	(2,097,391)	(3,106,467)	(2,493,898)	(5,292,611)	(4,147,872)	(181,930)
Cash provided by (used in) investing activities	(1,269,299)	(526,580)	(417,810)	25,201	(139,052)	13,589,330
Cash (used in) provided by financing activities	(259,802)	2,995,216	8,714,803	18,480	(481,623)	7,244,202
Change in cash and cash equivalents	(3,626,492)	(637,831)	5,803,095	(5,248,930)	(4,768,547)	20,651,602
Cash from government grants and loans	4,428,677	7,851,582	4,083,275	120,957	3,685,385	12,757,422
Cash and cash equivalents	19,333,426	22,959,918	23,597,749	17,794,654	23,043,584	27,812,131
Working capital	17,609,481	22,338,519	22,333,930	16,620,042	22,846,022	24,848,404

Refer to discussions above within "Review of Financial Results" and "Review of Financial Condition" for commentary on variances for certain quarters in comparison with the current reporting period.

Cash flows are generally impacted by operating and capital expenditure budgets year to year, the timing and amounts of government grants and loans alongside the number of active government assistance programs at any given time, financing activities which for the periods presented include an overnight marketed offering in Q4 2025 and ATM financings from Q3 2025 onwards, the level of commitments which are largely driven by lease payment obligations on facilities and equipment, and one-off transactions namely the sale and leaseback of land and building in Candiac during Q1 2025, and the sale of vacant land in Candiac in Q3 2024.

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.

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 relating to government funding from NRCan, NGen, The U.S. DoD, Government of Québec (IQ and Technoclimat), 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:

	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Adjusted operating expenses Three months ended	\$	\$	\$	\$
Operating expenses	(9,083,772)	(7,071,934)	(7,510,123)	(7,881,367)
Amortization and depreciation	423,209	446,830	627,108	509,122
Share-based payments	448,923	375,539	789,903	897,224
Adjusted operating expenses	(8,211,640)	(6,249,565)	(6,093,112)	(6,475,021)

CAPITAL MANAGEMENT AND LIQUIDITY RISK

As at June 30, 2026, the Company had working capital of \$17,609,481 (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 (2024), and the sale and leaseback of land and building (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 June 30, 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 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

Primary sources of capital received by the Company during 2026, 2025, and 2024 are as follows:

	Six months ended	Year ended	Year ended
	June 30, 2026	December 31, 2025	December 31, 2024
	\$	\$	\$
Government grants and loans	12,280,259	20,647,039	425,654
Equity financing, gross	240,859	9,907,614	-
Sale and leaseback, net	-	13,699,122	-
Sale of land, net	-	-	4,834,550
Total	12,521,118	44,253,775	5,260,204

The Company also receives recurring amounts from interest on excess treasury invested in GICs.

Over \$63,000,000 of non-dilutive capital has been secured since the beginning of 2024.

In the Company's Prospectus Supplement dated December 8, 2025, the intended use of proceeds was disclosed as presented below. The Company also presents the actual use of proceeds on an accrual basis through to June 30, 2026, as follows:

	Intended use	Actual use to June 30, 2026 (accrual basis) \$
Expansion of the Company's CandiAC Facility	2,055,500	2,055,500
Research & business development activities	984,000	984,000
General corporate expenses	2,198,000	2,198,000
Other working capital items	581,900	581,900
Total	5,819,400	5,819,400

Base Shelf Prospectus and ATM Programs:

On June 29, 2026, the Company renewed and superseded an equity distribution agreement originally signed on September 5, 2025 (the “former EDA”), with Canaccord Genuity Corp. and Roth Canada Inc. (the “agents”) for an at-the-market equity issuance program (the “2026 ATM Program”). Pursuant to the renewed program, the Company may distribute up to \$20,000,000 of common shares through the agents. The former EDA concluded on April 26, 2026, and allowed for the distribution of \$15,000,000 in common shares through the agents.

The Company and the agents executed a placement notice effective July 10, 2026 under the 2026 ATM Program, for the sale of common shares commencing on such date under the renewed equity distribution agreement. The Company intends to use the net proceeds from the Offering, if any, to fund ongoing operations. The Company may, from time to time, issue securities (including equity and debt securities) other than pursuant to this prospectus supplement.

The Company views the ATM Program as a flexible, low-cost treasury management tool that has become commonplace among public issuers. Maintaining an active program positions the Company to act when trading volumes and catalysts warrant, as a new program can take a month or more to initiate. ATM issuance has historically represented a small percentage of total volumes—approximately 7.85%—and is the lowest-cost form of equity financing available to the Company: the Q4 2025 overnight marketed financing carried an all-in cost of approximately 19%, comprised of the offering discount, a 6% cash commission, and 6% broker warrant coverage, whereas sales under the ATM Program incur a 3% cash commission with no offering discount.

ATM Programs: The Company’s first at-the-market equity issuance program (“2025 ATM Program”) launched in September 2025, partially drew upon the April 2024 base shelf prospectus. Through to its expiry, the 2025 ATM Program generated gross proceeds of approximately \$3,300,000 between 2025 (approximately \$2,949,000) and 2026 (approximately \$241,000) through the issuance of common shares. The net proceeds from the 2025 ATM Program have been used to fund ongoing operations as summarized in the table above.

Off Spec LFP CAM Sale (cost recovery)

On July 2, 2026, the Company entered into a contract to sell Off Spec LFP CAM to a third-party buyer. The value of the contract on such date was approximately \$299,000 (US\$210,000). During July 2026, the Company received a prepayment from the buyer of \$65,168 (US\$46,370) which constitutes a recovery against research and operational expenses.

Government funding: The Company received proceeds from various government programs during the six months ended June 30, 2026 and June 30, 2025 as follows:

	June 30, 2026 \$	June 30, 2025 \$
Proceeds received:		
Department of Defense (DoD)	4,064,504	4,452,595
Investissement Québec (IQ)	3,125,991	7,503,313
Next Generation Manufacturing Canada (NGen)	174,666	833,008
Industrial Research Assistance Program (NRC-IRAP) including SDTC	1,323,990	1,453,891
Other Grants	22,920	-
Scientific Research and Experimental Development (SR&ED)	-	-
Technoclimat	450,000	2,200,000
NRCan	3,118,188	-
	12,280,259	16,442,807
Allocation of proceeds received:		
Deferred liabilities	-	500,000
Reduction to operating expenses	624,666	-
Government grant income	10,315,709	13,097,447
Government loan	1,339,884	2,785,555
	12,280,259	16,383,002
Prior period Government grant income accrual	-	59,805
Total proceeds received	12,280,259	16,442,807

In July 2026, the Company received grant proceeds from NRCan of \$990,000.

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	119,781,399	n/a
Stock options outstanding	5,384,139	1.26
Warrants outstanding	2,780,480	1.75
RSUs/DSUs outstanding	2,242,596	n/a
PSUs outstanding	3,063,859	n/a
Fully diluted	133,252,473	

Equity Awards:

The following movement within equity award totals has occurred during 2026:

From January 1, 2026 to the MD&A Date			
	Granted #	Exercised #	Forfeited / Expired / Cancelled #
Stock options	1,590,572	-	(491,983)
RSUs/DSUs	-	(923,436)	(95,815)
PSUs	1,704,788	-	-
Warrants	-	-	-
Total	3,295,360	(923,436)	(587,798)

TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

The following transactions involved key management:

	Transactions six months ended June 30, 2026 \$	Transactions six months ended June 30, 2025 \$	Balances outstanding June 30, 2026 \$	Balances outstanding December 31, 2025 \$
Directors' fees (amounts within wages, benefits and fees)	135,000	185,820	-	-
Expense reimbursements (officers)	-	-	1,575	2,320
Wages, benefits and fees (officers) ⁽¹⁾	1,647,145	1,347,500	538,349	390,011
Share-based payments (directors and officers)	651,477	1,172,526	-	-
PFS (professional and consulting; and intangible assets)	59,949	188,939	-	15,734
	2,493,571	2,894,785	539,924	408,065

⁽¹⁾ As at June 30, 2026, \$253,349 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.

During the six months ended June 30, 2026, a total of \$585,553 was incurred with the former CEO as additional compensation upon his retirement. \$300,553 of this amount was paid during the period then ended, and a further \$285,000 is included within accounts payable and accrued liabilities and will be paid on January 1, 2027.

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.

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 six months ended June 30, 2026 and the year ended December 31, 2025:

- Dan Blondal, CEO (retired as CEO and Director on June 12, 2026); Stephen Campbell, CTO (retired June 30, 2025); Alex Holmes, CEO (title change effective February 17, 2026 to President and Chief Strategy Officer from COO, then became CEO and Director effective June 12, 2026); 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); 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

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 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.

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.

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.

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 six months ended June 30, 2026 and the year ended December 31, 2025, 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".

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.