



Nano One Materials Corp.
Condensed Interim Consolidated Financial Statements
For the nine months ended
September 30, 2025
(Unaudited – Prepared by Management)
(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 September 30, 2025 and December 31, 2024

	Note	September 30, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash and cash equivalents	13	17,794,654	7,160,529
Receivables and prepayments	3	2,638,429	1,354,360
Inventory	4	476,411	338,252
		20,909,494	8,853,141
Non-current assets			
Deposits and other assets	3	1,017,209	415,057
Loan receivable	5	2,046,904	-
Property, plant and equipment	6	13,944,817	16,349,166
Intangible assets - patents	7	55,103	49,897
		17,064,033	16,814,120
Total assets		37,973,527	25,667,261
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	3,079,797	2,894,482
Deferred liabilities	8	500,000	-
Equipment finance liability - current portion	6	40,603	-
Lease liabilities - current portion	6	669,052	449,885
		4,289,452	3,344,367
Non-current liabilities			
Equipment finance liability	6	77,338	-
Lease liabilities	6	14,157,903	894,261
Government loan	9	2,938,610	-
		17,173,851	894,261
Total liabilities		21,463,303	4,238,628
Shareholders' equity			
Share capital	10	125,889,288	125,582,347
Reserves	10	8,256,799	5,738,196
Deficit		(117,635,863)	(109,891,910)
Total shareholders' equity		16,510,224	21,428,633
Total liabilities and shareholders' equity		37,973,527	25,667,261
Nature of operations and liquidity risk			
	1		
Subsequent event			
	10		

Approved on behalf of the Board of Directors on November 10, 2025:

"Carla Matheson"

Director

"Anthony Tse"

Director

Nano One Materials Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three and nine months ended September 30, 2025 and September 30, 2024

	Note	Three months ended		Nine months ended	
		September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
		\$	\$	\$	\$
Expenses					
Amortization	7	1,161	1,126	3,374	2,853
Business development and investor relations		111,154	85,102	330,305	420,998
Depreciation	6	62,650	69,180	181,251	203,234
Finance costs	16	160,892	45,235	886,864	143,271
General and administrative expenses		830,776	645,717	2,182,518	1,984,200
Professional and consulting	11	587,901	410,145	1,344,026	1,597,341
Research and operational expenses, net		1,246,266	1,667,433	4,661,472	6,734,245
Share-based payments	10,11	897,224	763,134	2,809,541	2,431,940
Wages, benefits and fees, net	11	3,638,061	4,633,735	11,537,051	13,809,629
Loss from operating expenses		(7,536,085)	(8,320,807)	(23,936,402)	(27,327,711)
Gain (loss) on disposal of property, plant and equipment	16	-	3,581,393	1,324,247	3,555,790
Government grant income	12,16	120,957	-	15,066,689	-
Impairment of equipment		(381,633)	-	(381,633)	
Interest income		70,469	111,466	152,777	671,214
Other income (expense)	16	36,351	17,410	(36,217)	94,399
Loss and comprehensive loss for the period		(7,689,941)	(4,610,538)	(7,810,539)	(23,006,308)
Loss per share					
Weighted average number of common shares outstanding					
- basic		111,513,306	111,302,952	111,477,408	111,286,150
- diluted		111,513,306	111,302,952	111,477,408	111,286,150
Basic loss per common share		(0.07)	(0.04)	(0.07)	(0.21)
Diluted loss per common share		(0.07)	(0.04)	(0.07)	(0.21)

Nano One Materials Corp.**Condensed Interim Consolidated Statements of Cash Flows**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025 and September 30, 2024

	Note	September 30, 2025 \$	September 30, 2024 \$
Operating activities			
Loss for the period		(7,810,539)	(23,006,308)
Adjustments for:			
Amortization		3,374	2,853
Depreciation	6	1,464,102	1,346,013
Finance costs		886,864	143,271
Foreign exchange on financial liability	6	2,675	-
Government grant (below-market interest rate benefit)	16	(4,717,757)	-
Share-based payments		2,809,541	2,431,940
Interest income		(152,777)	(671,214)
(Gain) loss on disposal of property, plant and equipment	16	(1,305,544)	(3,555,790)
Impairment of equipment		381,633	-
Net change in non-cash working capital items	13	(883,896)	888,494
Interest paid on lease liabilities	6	(729,655)	(143,270)
		(10,051,979)	(22,564,011)
Investing activities			
Interest income		152,777	671,214
Deposits		-	-
Disposals of property, plant and equipment	16	18,703	-
Purchases of property, plant and equipment, net		(386,543)	(1,639,065)
Proceeds from sale and leaseback, net	6	13,699,122	-
Disposal of land, net	6	-	4,834,550
Payments for intangible assets	7	(8,580)	(13,052)
Short term investment (standby letter of credit)	13	-	575,000
		13,475,479	4,428,647
Financing activities			
Issuance of common shares for cash		215,078	-
Share issue costs		(6,451)	-
Payments of equipment finance liability	6	(16,589)	-
Principal paid on lease liabilities	6	(484,726)	(266,507)
Proceeds from government loan	9	7,503,313	-
		7,210,625	(266,507)
Change in cash and cash equivalents		10,634,125	(18,401,871)
Cash and cash equivalents, beginning of period		7,160,529	31,868,882
Cash and cash equivalents, end of period		17,794,654	13,467,011

Supplemental cash flow information

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Nano One Materials Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025 and September 30, 2024

	Number of common shares	Share capital \$	Shares committed for issuance \$	Reserves \$	Deficit \$	Total \$
December 31, 2023	111,266,777	125,042,258	-	7,171,841	(84,727,443)	47,486,656
Exercise of RSUs	75,117	262,648	-	(262,648)	-	-
Re-allocated on cancellation/forfeiture and expiry of stock options	-	-	-	(3,516,940)	3,516,940	-
Re-allocated on cancellation/forfeiture of RSUs	-	-	-	(134,637)	134,637	-
Share-based payments	-	-	-	2,431,940	-	2,431,940
Loss and comprehensive loss for the period	-	-	-	-	(23,006,308)	(23,006,308)
September 30, 2024	111,341,894	125,304,906	-	5,689,556	(104,082,174)	26,912,288
December 31, 2024	111,411,022	125,582,347	-	5,738,196	(109,891,910)	21,428,633
Issue of shares - ATM financing	203,900	215,078	-	-	-	215,078
Share issue costs - cash	-	(132,489)	-	-	-	(132,489)
Exercise of RSUs	99,622	224,352	-	(224,352)	-	-
Re-allocated on forfeiture of stock options	-	-	-	(26,086)	26,086	-
Re-allocated on forfeiture of RSUs	-	-	-	(40,500)	40,500	-
Share-based payments	-	-	-	2,809,541	-	2,809,541
Loss and comprehensive loss for the period	-	-	-	-	(7,810,539)	(7,810,539)
September 30, 2025	111,714,544	125,889,288	-	8,256,799	(117,635,863)	16,510,224

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 nine months ended September 30, 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 September 30, 2025, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of September 30, 2025, the Company had working capital of \$16,620,042 (December 31, 2024 - \$5,508,774), which is calculated as current assets minus current liabilities.

The Company has not historically generated revenue. The Company's operations to date have been financed by the issuance of common shares, government grants and loans, and disposals of property, plant and equipment including amongst other disposals the sale of land (September 2024), and the sale and leaseback of land and building (February 2025). The continuing operations of the Company 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 September 30, 2025, management has assessed that the Company will sufficiently be able to cover non-discretionary expenditures over the next twelve months from September 30, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2024, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 nine months ended September 30, 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policies

Except as described below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent audited annual consolidated financial statements and are those the Company expects to adopt in its audited annual consolidated financial statements for the year ended December 31, 2025.

The Company has added the following to its material accounting policies:

Sale and leaseback

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

The following material accounting policy is integral to these financial statements:

Government assistance

Government grants

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

- Amounts relating to expenditures planned for future periods (advance payments) are recognized within deferred liabilities on the statement of financial position and subsequently deducted against either the related expense or the related asset, as incurred, to match the amount on a systematic basis to the costs that it is intended to compensate, when received.
- Amounts relating to reimbursements of expenses or asset costs incurred in prior periods are recorded as government grants and other income when received.
- Amounts specific to reimbursements for wages or other, are accrued and/or recognized as a deduction against the applicable accounts within operating expenses when received.

Refundable tax credits

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

Material accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and reported amounts of profit or loss and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Except as described below, the information about significant areas of estimation uncertainty considered by management in preparing these financial statements are consistent with those of the most recent audited annual 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 nine months ended September 30, 2025

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting estimates and judgments (continued)

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

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

The Company has made the judgment that the requirements for a sale under IFRS 15 were met in relation to the sale and leaseback transaction involving its land and building (Note 6).

New accounting policies

Certain pronouncements have been issued by the IASB that were effective for the Company's accounting period beginning on January 1, 2025. The adoption of these standards has not had a material impact on disclosures or amounts reported in these financial statements.

Standards issued but not yet effective

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.

IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1 *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

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

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**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025

3. RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Receivables and prepayments consist of the following:

	September 30, 2025	December 31, 2024
	\$	\$
Accrued government assistance (Note 12)	-	59,805
Accrued refundable tax credits (Note 12,16)	1,848,285	-
Prepaid expenses	610,393	951,866
Sales tax recoverable and other	179,751	342,689
	2,638,429	1,354,360

Deposits and other assets

Deposits and other assets consist of the following:

	September 30, 2025	December 31, 2024
	\$	\$
Spare parts and deposits on property, plant and equipment	218,391	222,484
Security and other deposits	798,818	192,573
	1,017,209	415,057

4. INVENTORY

Inventory is comprised of the following:

	September 30, 2025	December 31, 2024
	\$	\$
Raw materials	273,880	317,299
Packaging	192,877	6,663
Inventory - work in progress	9,654	14,290
	476,411	338,252

5. LOAN RECEIVABLE

Pursuant to the sale and leaseback transaction which closed on February 28, 2025 (Note 6), \$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 September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	September 30, 2025	December 31, 2024
	\$	\$
Beginning of period	-	-
Issuance	2,000,000	-
Accrued interest receivable	46,904	-
End of period	2,046,904	-

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025

6. PROPERTY, PLANT AND EQUIPMENT

	Production and research equipment \$	Building ⁽¹⁾ \$	Land ⁽¹⁾ \$	Right-of-use assets \$	Leasehold improvements \$	Information technology equipment \$	Total \$
Cost							
December 31, 2023	10,112,282	4,874,961	3,263,658	2,425,890	844,327	607,137	22,128,255
Additions, net	912,878	-	-	-	152,211	27,011	1,092,100
Disposal	(41,064)	-	(1,259,127)	-	-	-	(1,300,191)
December 31, 2024	10,984,096	4,874,961	2,004,531	2,425,890	996,538	634,148	21,920,164
Accumulated depreciation							
December 31, 2023	1,985,942	226,416	-	905,971	311,049	336,622	3,766,000
Depreciation	720,851	194,998	-	457,806	338,113	96,284	1,808,052
Disposal	(3,054)	-	-	-	-	-	(3,054)
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
Cost							
December 31, 2024	10,984,096	4,874,961	2,004,531	2,425,890	996,538	634,148	21,920,164
Additions, net	406,294	-	-	5,409,489	97,007	-	5,912,790
Disposals	(39,792)	(4,874,961)	(2,004,531)	-	-	-	(6,919,284)
Impairment	(602,405)	-	-	-	-	-	(602,405)
September 30, 2025	10,748,193	-	-	7,835,379	1,093,545	634,148	20,311,265
Accumulated depreciation							
December 31, 2024	2,703,739	421,414	-	1,363,777	649,162	432,906	5,570,998
(1) Depreciation	600,760	16,250	-	551,296	237,444	58,352	1,464,102
Disposals	(10,215)	(437,664)	-	-	-	-	(447,879)
Impairment	(220,773)	-	-	-	-	-	(220,773)
September 30, 2025	3,073,511	-	-	1,915,073	886,606	491,258	6,366,448
Net book value							
December 31, 2024	8,280,357	4,453,547	2,004,531	1,062,113	347,376	201,242	16,349,166
September 30, 2025	7,674,682	-	-	5,920,306	206,939	142,890	13,944,817

(1) Depreciation for the nine months ended September 30, 2025 and September 30, 2024, is allocated as follows:

	Depreciation expense \$	Research and operational expenses, net \$	Total \$
Production and research equipment	-	532,559	532,559
Building	-	146,249	146,249
Right-of-use assets	107,862	235,493	343,355
Leasehold improvements	24,789	228,478	253,267
Information technology equipment	70,583	-	70,583
September 30, 2024	203,234	1,142,779	1,346,013
Production and research equipment	-	600,760	600,760
Building	-	16,250	16,250
Right-of-use assets	111,240	440,056	551,296
Leasehold improvements	11,659	225,785	237,444
Information technology equipment	58,352	-	58,352
September 30, 2025	181,251	1,282,851	1,464,102

Nano One Materials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of equipment

During the nine months ended September 30, 2025, the Company recognized an impairment amount of \$381,633 relating to the decommissioning of certain equipment upon the determination that there would be no future economic benefits through their use.

Sale of land

On September 12, 2024, the Company completed the sale of a vacant parcel of its land in Candiac for \$5,000,000 in gross proceeds (\$4,834,550, net). At the time of sale, the net book value of the land was \$1,259,127 resulting in a gain on disposal of \$3,575,423 after incurring commission and closing costs during the year ended December 31, 2024.

Sale and leaseback of land and building

On February 28, 2025, the Company closed a transaction to sell and lease back its land and building at the Candiac Facility to Candiac Industrial Properties (I) L.P. ("Purchaser") for gross consideration of \$17,000,000 (\$15,000,000 in cash, and a \$2,000,000 loan receivable (Note 5)). Terms also included consideration of \$3,000,000 as a reserve pursuant to a capital investment agreement to fund potential capital improvements. The reserve was released to the Purchaser during the nine months ended September 30, 2025, as the Purchaser determined that no capital improvements were required.

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

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

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

A significant judgment was made by management (Note 2) whereby management determined that the sale and leaseback transaction met the requirements for a sale under IFRS 16 and IFRS 15 as it was determined that the criteria for the transfer of control of the assets to the Purchaser were met. This resulted in the recognition of a lease liability, a partial 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 September 30, 2025 (years)
Burnaby, BC	Four (4) Buildings	Research and innovation offices and facilities	0.3 to 3.0
Candiac, QC	Building and Land	Demonstration and pre-commercialization facility and offices	14.3

Short-term leases are leases with a lease term of twelve months or less. As at September 30, 2025 and December 31, 2024, the Company did not have any short-term leases. As at September 30, 2025, 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 nine months ended September 30, 2025

6. PROPERTY, PLANT AND EQUIPMENT (continued)

A reconciliation of the carrying amount of the lease liabilities as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	September 30, 2025 \$	December 31, 2024 \$
Lease liabilities		
Beginning of period	1,344,146	1,718,386
Additions	13,967,535	-
Lease payments	(1,214,381)	(559,687)
Lease interest (finance costs) (Note 16)	729,655	185,447
End of period	14,826,955	1,344,146
Current portion of lease liabilities	669,052	449,885
Non-current portion of lease liabilities	14,157,903	894,261
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,830,529	588,279
One to five years	6,609,137	1,053,089
More than five years	16,528,486	-
Total undiscounted lease liabilities	24,968,152	1,641,368

Equipment finance liability

During the nine months ended September 30, 2025, the Company financed an equipment purchase totaling \$127,701 (US\$93,803) which will be paid by the Company over three years through 36 monthly payments of US\$3,027. The vendor retains a security interest in the equipment delivered to the Company until all payments are made.

A reconciliation of the carrying amount of the equipment finance liability as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	September 30, 2025 \$	December 31, 2024 \$
Equipment finance liability		
Beginning of period	-	-
Additions	127,701	-
Payments	(16,589)	-
Interest expense (Note 16)	4,154	-
Foreign exchange	2,675	-
End of period	117,941	-
Current portion of equipment finance liability	40,603	-
Non-current portion of equipment finance liability	77,338	-
Maturity analysis - contractual undiscounted cash flows		
Less than one year	50,570	-
One to five years	84,283	-
Total undiscounted lease liabilities	134,853	-

Nano One Materials Corp.

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(Expressed in Canadian Dollars)

For the nine months ended September 30, 2025

7. INTANGIBLE ASSETS - PATENTS

As at September 30, 2025, intangible assets included various patents that were approved for issuance, or have been issued, associated with the Company's technology. These patents were issued by various jurisdictions including Canada, China, India, Japan, Korea, Taiwan, and the United States. The patents have expiries ranging between ten (10) to nineteen (19) years from the patent issuance date.

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

	Issued patents \$
Cost	
December 31, 2023	48,015
Additions	15,981
December 31, 2024	63,996
Accumulated amortization	
December 31, 2023	10,116
Amortization	3,983
December 31, 2024	14,099
Cost	
December 31, 2024	63,996
Additions	8,580
September 30, 2025	72,576
Accumulated amortization	
December 31, 2024	14,099
Amortization	3,374
September 30, 2025	17,473
Net book value	
December 31, 2024	49,897
September 30, 2025	55,103

8. DEFERRED LIABILITIES

As at September 30, 2025, deferred liabilities included amounts received from the Technoclimat grant (Note 12) relating to expenditures planned for future periods which will be subsequently deducted against the related costs as incurred.

A reconciliation of the carrying amount of deferred liabilities as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended are as follows:

	September 30, 2025 \$	December 31, 2024 \$
Beginning of period	-	-
Additions - proceeds received (Technoclimat)	500,000	-
End of period	500,000	-

Nano One Materials Corp.

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9. GOVERNMENT LOAN

On December 11, 2024, Nano Cadiac executed an interest-free loan agreement (the "Loan") with Investissement Québec ("IQ") for funding up to \$15,000,000, based on the terms and conditions of the Loan. The Loan is available solely for the purpose of expanding the production capacity of the Company's Cadiac Facility for lithium-iron-phosphate (LFP) cathode active materials (CAM) using the One-Pot process (the "Project"). The Project time period is from January 1, 2023, to December 31, 2026.

Repayment terms:

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

Nano Cadiac will benefit from a moratorium of five years (60 months) from March 17, 2025, (the date of the first Loan disbursement) before it must pay the non-forgivable capital on the Loan totaling \$5,000,000 commencing in March 2030. At the end of the moratorium period, the capital on the Loan is due to be repaid in 60 monthly and consecutive payments for a total of \$5,000,000 (approximately \$83,333 each).

Default and security:

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

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

A reconciliation of the carrying amount of the government loan as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended are as follows:

	September 30, 2025 \$	December 31, 2024 \$
Beginning of period	-	-
Additions - proceeds received	7,503,313	-
Below-market interest rate benefit (government grant) (Note 16)	(4,717,758)	-
Finance costs - accretion (Note 16)	153,055	-
End of period	2,938,610	-

On initial recognition during the nine months ended September 30, 2025, \$2,785,555 of the Loan was recognized within government grant income further to the below-market interest rate benefit (Note 12).

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

Nano One Materials Corp.

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10. SHARE CAPITAL AND RESERVES

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

Share capital

Transactions for the issuance of share capital during the nine months ended September 30, 2025:

- (a) Upon the exercise of RSUs, a total of 99,622 common shares were issued for \$nil proceeds. Additionally, \$224,352 representing the fair value initially recognized, was re-allocated from reserves to share capital.
- (b) On September 5, 2025, the Company entered into an equity distribution agreement (the “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 the agreement, the Company may distribute up to \$15,000,000 of common shares through the agents.

For the period from September 8, 2025, to September 30, 2025, the Company raised gross proceeds of \$215,078 in connection with the ATM program from the issuance of 203,900 common shares at an average price of \$1.05 per share. The Company incurred broker’s commissions of \$6,451 (representing 3% of the proceeds raised), and incurred \$126,038 in legal, filing, and exchange fees in connection with the ATM program.

- (c) Subsequent to September 30, 2025, the Company raised gross proceeds of \$2,363,444 in connection with the ATM program from the issuance of 1,418,800 common shares at an average price of \$1.67 per share.

Transactions for the issuance of share capital during the nine months ended September 30, 2024:

- (d) Upon the exercise of RSUs, 75,117 common shares were issued for \$nil proceeds. In addition, \$262,648 representing the fair value initially recognized, was re-allocated from reserves to share capital.

Reserves

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

The total share-based payments expense for the nine months ended September 30, 2025, was \$2,809,541 (2024 - \$2,431,940), of which \$1,209,079 (2024 - \$1,172,750) was attributable to stock options, \$1,267,165 (2024 - \$1,259,190) to RSUs, and \$333,297 (2024 - \$nil) to PSUs for vesting during the period then ended.

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.

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10. SHARE CAPITAL AND RESERVES (continued)

Reserves (continued)

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.

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. Finders' or brokers' warrants may be issued as equity financing share issue costs or for other services and are valued using the Black-Scholes option pricing model.

There were no warrants issued and outstanding as at September 30, 2025 and December 31, 2024.

Stock options

A summary of the status of the Company's stock options as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended September 30, 2025		Year ended December 31, 2024	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period	1,890,878	2.96	2,688,565	4.48
Granted	2,379,977	0.78	943,948	1.92
Forfeited/cancelled	(15,660)	3.22	(1,741,635)	4.74
Options outstanding, end of period	4,255,195	1.74	1,890,878	2.96

Nano One Materials Corp.

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For the nine months ended September 30, 2025

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

As at September 30, 2025, the Company has stock options outstanding and exercisable as follows:

Options outstanding ⁽¹⁾ #	Options exercisable #	Exercise price \$	Expiry date
400,000	400,000	5.10	February 1, 2026
121,319	121,319	2.88	February 4, 2027
9,100	9,100	2.88	June 13, 2027
400,851	272,789	3.28	March 17, 2028
200,000	66,667	1.94	January 19, 2029
743,948	581,316	1.91	January 23, 2031
797,233	797,233	0.79	January 23, 2032
818,511	-	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	31,250	0.70	May 13, 2028
61,750	-	0.70	May 13, 2032
4,255,195	2,857,157	1.74	

⁽¹⁾ 17,305 options were subsequently forfeited.

The following table summarizes the above information about the stock options outstanding as at September 30, 2025:

Exercise prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.70 - 0.79	2,379,977	6.1	0.78
1.91 - 2.88	1,074,367	4.5	2.03
3.28	400,851	2.5	3.28
5.10	400,000	0.3	5.10
	4,255,195	4.8	1.74

The Company recorded the fair value of the stock options granted during the nine months ended September 30, 2025 and September 30, 2024, using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair values were determined using the following weighted average assumptions:

	September 30, 2025	September 30, 2024
Risk-free interest rate	3.2%	3.5%
Expected life of stock options (years)	6.8	6.6
Historical volatility	75.1%	74.0%
Dividend rate	0.0%	0.0%
Weighted average fair value per stock option granted	\$ 0.55	\$ 1.33

During the nine months ended September 30, 2025, 15,660 stock options were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$26,086 was reversed from reserves and credited to deficit.

During the year ended December 31, 2024, 1,741,635 stock options were either forfeited upon certain individuals leaving employment of the Company or cancelled upon the Company's personnel restructuring in August 2024, and expired unexercised. As a result, \$3,986,513 was reversed from reserves and credited to deficit.

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10. SHARE CAPITAL AND RESERVES (continued)

RSUs and DSUs

A summary of the status of the Company's RSUs and DSUs as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended September 30, 2025	Year ended December 31, 2024
	RSUs and DSUs	RSUs and DSUs
	#	#
RSUs/DSUs outstanding, beginning of period	1,888,436	667,774
Granted - RSUs	1,362,878	972,038
Granted - DSUs	351,563	466,632
Exercised	(99,055)	(144,245)
Forfeited/cancelled	(131,435)	(73,763)
RSUs/DSUs outstanding, end of period	3,372,387	1,888,436

The value of the RSUs granted during the nine months ended September 30, 2025, was based on the closing market price of the Company's common shares on the date preceding the date of grant which was a fair value of \$0.85 each for a total value of \$1,448,939. The expense is recognized within share-based payment expense over the vesting periods.

The value of the Equity Incentives granted during the year ended December 31, 2024, was based on the closing market price of the Company's common shares on the date preceding the date of grant which was a fair value of \$1.49 each for a total value of \$2,140,746. The expense is recognized within share-based payment expense over the vesting periods.

As at September 30, 2025, the Company has RSUs and DSUs outstanding as follows:

RSUs outstanding ⁽¹⁾⁽²⁾	RSUs exercisable ⁽¹⁾	DSUs outstanding	Weighted average grant date fair value per RSU/DSU	Final vesting date	Expiry date
#	#	#	\$		
-	-	8,626	4.17	August 27, 2024	n/a
98,343	98,343	-	2.88	February 4, 2025	December 31, 2025
190,552	115,283	-	3.28	March 17, 2026	December 31, 2026
-	-	85,976	3.28	March 17, 2026	n/a
7,534	-	-	2.92	October 10, 2026	December 31, 2026
-	-	96,574	2.92	October 10, 2023	n/a
326,033	89,382	-	1.95	January 22, 2027	December 31, 2027
160,352	43,395	-	1.91	January 23, 2027	December 31, 2027
28,985	-	-	1.15	August 1, 2027	December 31, 2027
-	-	326,086	1.15	August 1, 2024	n/a
300,000	100,000	-	1.15	October 1, 2027	December 31, 2027
-	-	108,696	1.15	October 1, 2024	n/a
-	-	31,850	1.02	October 10, 2025	n/a
3,881	-	-	1.02	October 23, 2026	December 31, 2027
1,169,211	-	-	0.79	January 23, 2028	December 31, 2028
78,125	-	-	1.01	August 12, 2028	December 31, 2028
-	-	351,563	1.01	August 12, 2025	n/a
2,363,016	446,403	1,009,371	1.46		

⁽¹⁾ 25,432 RSUs were subsequently exercised.

⁽²⁾ 9,226 RSUs were subsequently forfeited.

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10. SHARE CAPITAL AND RESERVES (continued)

RSUs and DSUs (continued)

Activity during the nine months ended September 30, 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.
- 131,435 RSUs were forfeited upon certain individuals leaving employment of the Company. As a result, the original share-based payments expense of \$40,500 was reversed from reserves and credited to deficit.

Activity during the year ended December 31, 2024:

- On January 22, 2024, the Company granted 447,303 RSUs to employees and consultants of the Company which vest in three annual instalments through to January 22, 2027.
- On January 23, 2024, the Company granted 175,435 RSUs to officers of the Company which vest in three annual instalments to January 23, 2027.
- On August 1, 2024, the Company granted 369,564 RSUs and DSUs in aggregate to directors of the Company following the results of the Annual General and Special Meeting held on August 1, 2024. The 326,086 DSUs vested immediately on grant, and the 43,478 RSUs vest in three annual instalments to August 1, 2027.
- On October 1, 2024, the Company granted 300,000 RSUs, and 108,696 DSUs upon appointing a new Chairman. The 108,696 DSUs vested immediately on grant, and the 300,000 RSUs vest one-third 100,000 immediately on grant and the remaining two-thirds annually to October 1, 2026.
- On October 23, 2024, the Company granted 5,822 RSUs and 31,850 DSUs in aggregate to directors of the Company. The 31,850 DSUs vested immediately on grant, and the 5,822 RSUs vest one-third immediately on grant and the remaining two-thirds annually to October 23, 2026.
- 73,763 RSUs were either forfeited upon certain individuals leaving employment of the Company or cancelled upon the Company's personnel restructuring in August 2024. As a result, the original share-based payments expense of \$69,042 was reversed from reserves and credited to deficit.

PSUs

A summary of the status of the Company's PSUs as at September 30, 2025 and December 31, 2024, and changes during the period/year then ended is as follows:

	Period ended September 30, 2025	Year ended December 31, 2024
	PSUs #	PSUs #
PSUs outstanding, beginning of period	-	-
Granted	1,760,470	-
PSUs outstanding, end of period	1,760,470	-

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10. SHARE CAPITAL AND RESERVES (continued)

PSUs (continued)

Activity during the nine months ended September 30, 2025 and subsequent thereto:

- On January 23, 2025, the Company granted an aggregate of 1,733,255 PSUs to officers of the Company 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.
- Subsequent to September 30, 2025, 40,131 unvested PSUs were forfeited upon the resignation of the Corporate Secretary (Note 11).

Valuation of PSUs:

The Company recorded the fair value of the PSUs granted during the nine months ended September 30, 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.

The following assumptions were used on the grant date:

	September 30, 2025
Share price	\$ 0.79
Volatility	73%
Dividend yield	0.0%
Risk-free rate	2.94%
Time to expiry (years)	3.00

The valuation of each Tranche and the expense recognized during the nine months ended September 30, 2025, were as follows:

Tranche	Valuation per PSU \$	September 30, 2025 \$
1	0.64	58,779
2	0.51	46,841
3	0.71	135,119
4	0.46	29,162
5	0.75	63,396
		333,297

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.

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11. RELATED PARTY TRANSACTIONS (continued)

The following transactions involved key management:

	Transactions nine months ended September 30, 2025 \$	Transactions nine months ended September 30, 2024 \$	Balances outstanding September 30, 2025 \$	Balances outstanding December 31, 2024 \$
Bedrock Capital	-	112,500	-	-
DBM CPA	-	7,500	-	-
Directors' fees	260,820	240,000	-	-
Management and directors' fees (within wages, benefits and fees)	260,820	360,000	-	-
Expense reimbursements (officers)	-	-	2,121	428
Wages, benefits and fees (officers) ⁽¹⁾	1,745,375	2,006,698	323,275	359,350
Share-based payments (directors and officers)	1,854,711	1,850,143	-	-
PFS (professional and consulting; and intangible assets)	225,082	240,251	18,929	11,528
	4,085,988	4,457,092	344,325	371,306

(1) As at September 30, 2025, \$323,275 was accrued as short-term incentive (STI) compensation to key management relating to 2025 performance (December 31, 2024 - \$359,350 relating to 2024 performance).

During the nine months ended September 30, 2025 and September 30, 2024, stock options were granted to key management (as disclosed in (c) below) in lieu of settling STI compensation accrued during the years ended December 31, 2024 and December 31, 2023, in cash.

(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.

(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; Carlo Valente, CFO (from January 15, 2024); Denis Geoffroy, Chief Commercialization Officer (CCO); Adam Johnson, Senior Vice-President of External Affairs; Kelli Forster, Senior Vice-President of People & Culture; and Leanne Swanson, Corporate Secretary (from January 15, 2024 to September 30, 2025, formerly Pamela Kinsman who is now Director of Sustainability). Effective October 1, 2025, Leanne Swanson resigned as Corporate Secretary.
- Includes the services of Anthony Tse, the Chairman (non-Executive) of the Company effective October 1, 2024. Amounts also include Bedrock Capital Corp. ("Bedrock Capital") a company controlled by Paul Matysek the former Executive Chairman and a Director of the Company until Mr. Matysek's resignation effective October 1, 2024. The Company had an arrangement with Paul Matysek, former Executive Chairman and Director (until his resignation effective October 1, 2024) for a monthly consulting fee of \$12,500 (\$150,000 annually), payable to Bedrock Capital Corporation. Effective October 1, 2024, the Company entered into an Advisory Agreement with Bedrock Capital for a term of six months to March 31, 2025, at the same monthly fee of \$12,500 (\$75,000 over the term of the agreement). Fees paid to Bedrock Capital are disclosed as related party transactions through to October 1, 2024, at which time Bedrock Capital was no longer considered a related party.
- Includes compensation to non-executive directors of the Company and committee chairpersons.
- Includes the services of Donaldson Brohman Martin, CPA Inc. ("DBM CPA") until January 15, 2024, a firm in which Dan Martino, former CFO, is a principal and has significant influence.

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11. RELATED PARTY TRANSACTIONS (continued)

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- During the nine months ended September 30, 2025, the Company granted 1,695,547 stock options to Company officers (2024 – 943,948) in lieu of cash STI compensation. See Note 10 for vesting terms.
- During the nine months ended September 30, 2025, the Company did not grant any RSUs to Company directors and officers (2024 – 548,009 RSUs granted). See Note 10 for vesting terms.
- During the nine months ended September 30, 2025, the Company granted 1,760,470 PSUs to Company directors and officers (2024 – nil). See Note 10 for vesting terms.

12. GOVERNMENT PROGRAMS

During the nine months ended September 30, 2025 and September 30, 2024, the following proceeds for government assistance were received and allocated within the financial statements as follows:

	September 30, 2025 \$	September 30, 2024 \$
Proceeds received:		
Department of Defense (DoD)	4,452,595	-
Investissement Québec (IQ)	7,503,313	-
Next Generation Manufacturing Canada (NGen)	953,965	13,024
Industrial Research Assistance Program (NRC-IRAP) including SDTC	1,453,891	18,334
Other Grants	-	83,417
Scientific Research and Experimental Development (SR&ED)	-	310,879
Technoclimat	2,200,000	-
	16,563,764	425,654
Allocation of proceeds received:		
Deferred liabilities	500,000	-
Recovery of operating expenses	-	425,654
Government grant income (Note 16)	13,218,404	-
Government loan (Note 9)	2,785,555	-
	16,503,959	425,654
Prior period Government grant income accrual (Note 3)	59,805	-
	16,563,764	425,654

In addition to the amounts presented above for the nine months ended September 30, 2025, \$1,848,285 (Note 3, 16) was accrued for refundable tax credits receivable as at September 30, 2025.

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12. GOVERNMENT PROGRAMS (continued)

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

On September 25, 2024, the Company executed a Technology Investment Agreement for an award of US\$12,879,426 from the DoD (approximately \$17,800,000 equivalent as of the date of the agreement execution) in support of capacity expansion at its Candiatic and Burnaby facilities through the Defense Production Act Investments (DPAI) office's Title III program. The program time period is from July 1, 2024 to December 31, 2026.

IQ (Investissement Québec)

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

NGen (Next Generation Manufacturing Canada)

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

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

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

Sustainable Development Technology Canada ("SDTC"):

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

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

On November 6, 2024, the Company executed a First Modification (the "amendment") which superseded the Project Funding Agreement signed with SDTC on February 13, 2023. NRC will provide the Company with staged funding up to \$6,735,987 (\$4,738,398 received as at September 30, 2025, leaving \$1,997,589 remaining). The revised funding amount is due to the modification and reduction to the project's scope in accordance with the amendment.

The funds from NRC will be paid to the Company in the form of three (3) Milestone instalments plus the release of a final 10% hold-back upon satisfactory review and approval of the project by NRC (Two (2) Milestone payments have been received as at September 30, 2025). The funds are non-dilutive, and non-repayable and are intended to support pre-commercial activities in Candiatic.

In January 2025, the Company recognized the Milestone 2 payment upon the receipt of funds. As at December 31, 2024, no receivable amounts were accrued as management had determined that there was still collection uncertainty due to SDTC still undergoing a transition to NRC and the Company not having received indications from NRC regarding acceptance of the requirements submitted by the Company relating to Milestone 2.

Technoclimat

Pursuant to a December 2024 agreement, Nano Candiatic was awarded a grant of up to \$3,000,000 (\$2,200,000 received as at September 30, 2025, \$500,000 of which is recognized as deferred liabilities (Note 8)) 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"). The Grant partially related to a reimbursement for eligible expenditures incurred at the Candiatic plant, subject to compliance with the terms and conditions of the agreement, and partially for planned future expenditures on expansion activities.

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12. GOVERNMENT PROGRAMS (continued)

Refundable tax credits:

SR&ED (Scientific Research and Experimental Development):

During the nine months ended September 30, 2025, the Company accrued \$266,108 (Note 3) in refundable SR&ED amounts in relation to 2024 claimed by Nano Cadiac.

During the year ended December 31, 2024, the Company claimed refundable SR&ED amounts totaling \$310,879 in relation to 2023 and a stub period during 2022 by Nano Cadiac.

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

C3I Investment and Innovative ("C3i")

During the nine months ended September 30, 2025, the Company accrued \$1,582,177 (Note 3) in refundable amounts for the years ended December 31, 2024 and December 31, 2023.

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital during the nine months ended September 30, 2025 and September 30, 2024, were comprised of the following:

	September 30, 2025 \$	September 30, 2024 \$
Receivables and prepayments	(1,330,973)	282,876
Inventory	(138,159)	353,631
Accounts payable and accrued liabilities	85,236	251,987
Deferred liabilities	500,000	-
Net change	(883,896)	888,494

The Company incurred non-cash investing and financing activities during the nine months ended September 30, 2025 and September 30, 2024, as follows:

	September 30, 2025 \$	September 30, 2024 \$
Non-cash investing activities:		
Property, plant and equipment included in accounts payable and accrued liabilities	12,625	140,145
Right-of-use assets extended	149,282	-
Share issue costs included in accounts payable and accrued liabilities	126,038	-
Non-cash financing activities:		
Equipment finance liability recognized on equipment addition (Note 6)	127,701	-

During the nine months ended September 30, 2025 and September 30, 2024, no amounts were paid for interest or income taxes.

Cash and cash equivalents consist of the following:

	September 30, 2025 \$	December 31, 2024 \$
Cash	14,255,667	1,887,115
Cash equivalents	3,538,987	5,273,414
Cash and cash equivalents, end of period	17,794,654	7,160,529

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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 nine months ended September 30, 2025.

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

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

15. FINANCIAL INSTRUMENTS

Financial instruments - fair value

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

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

Financial instruments – classification

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

Financial liabilities:	Classification and measurement:
Accounts payable and accrued liabilities	Amortized cost
Financial liability	Amortized cost
Deferred liabilities	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.

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 nine months ended September 30, 2025, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss for the period by approximately \$111,000 (2024 – \$156,000).

c) Credit risk

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

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. The Company's deposits 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 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.

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 September 30, 2025, the Company held certain financial assets and liabilities that were denominated in these foreign currencies. Based on the September 30, 2025 value of net assets denominated in foreign currencies, the impact of a 10% fluctuation in foreign exchange rates relative to the Canadian dollar would impact loss and comprehensive loss for the period by approximately \$48,000 (2024 - \$12,000).

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16. SUPPLEMENTAL LOSS AND COMPREHENSIVE LOSS INFORMATION

Certain amounts in loss and comprehensive loss are comprised of the following for the three and nine months ended September 30, 2025:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2025	2024	2025	2024
Finance costs	\$	\$	\$	\$
Lease liabilities - interest paid (Note 6)	300,089	45,235	729,655	143,271
Government loan - reversal of interest accrued (Note 9)	(214,769)	-	-	-
Government loan - accretion (Note 9)	72,484	-	153,055	-
Financial liability - interest paid (Note 6)	3,088	-	4,154	-
Total	160,892	45,235	886,864	143,271

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2025	2024	2025	2024
Gain (loss) on disposal of property, plant and equipment	\$	\$	\$	\$
Gain on sale and leaseback transaction - non-cash	-	3,581,393	1,305,777	3,555,790
Other disposals - cash	-	-	18,703	-
Other disposals - non-cash	-	-	(233)	-
Total	-	3,581,393	1,324,247	3,555,790

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2025	2024	2025	2024
Government grant income	\$	\$	\$	\$
Grants received - cash	120,957	-	8,500,646	-
Grants received - cash (below-market interest on loan) (Note 9)	-	-	4,717,758	-
Cash received (Note 12)	120,957	-	13,218,404	-
Refundable tax credits - accrued (Note 3,12)	-	-	1,848,285	-
Total	120,957	-	15,066,689	-

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2025	2024	2025	2024
Other income (expenses)	\$	\$	\$	\$
Amortization of administration fee on government grants	(11,454)	-	(91,569)	-
Equipment dismantling	-	-	(46,189)	-
Other	47,805	17,410	101,541	94,399
Total	36,351	17,410	(36,217)	94,399

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17. SEGMENTED INFORMATION

The Company's cathode active materials (CAM) manufacturing business is organized into two operating segments being a research and innovation operation, and a demonstration and pre-commercialization operation. The Company's chief operating decision maker reviews the financial position, operating results, and cash flows, and assesses capital expenditure plans and forecasts and makes capital allocation decisions for each of the two operating segments.

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) carried at a net book value as at September 30, 2025, of \$52,334 (December 31, 2024 - \$46,935). Segment performance is evaluated based on various measures including assets and liabilities, operating expenses, and cash flows. Certain costs are managed on a consolidated basis and are therefore not reflected in segment profit or loss. Activities within Corporate and other include administrative, technical, financial (including government funding), and other support activities to the Company's operating segments.

	Corporate and other	Research and innovation	Demonstration and pre-commercialization	Total
	September 30, 2025	September 30, 2025	September 30, 2025	September 30, 2025
As at and for the period ended	\$	\$	\$	\$
Current assets	18,252,075	82,030	2,575,389	20,909,494
Property, plant and equipment	-	2,401,161	11,543,656	13,944,817
Total assets	18,364,678	2,542,404	17,066,445	37,973,527
Current liabilities	823,275	1,760,824	1,705,353	4,289,452
Total liabilities	3,761,885	2,609,878	15,091,540	21,463,303
Income (loss) and comprehensive income (loss) - three months	(1,892,116)	(2,738,533)	(3,059,292)	(7,689,941)
Income (loss) and comprehensive income (loss) - nine months	7,918,995	(7,191,589)	(8,537,945)	(7,810,539)
Cash provided by (used in) operating activities - nine months	5,214,292	(5,821,273)	(9,444,998)	(10,051,979)
Cash provided by (used in) investing activities - nine months	152,777	(128,260)	13,450,962	13,475,479
Cash provided by (used in) financing activities - nine months	7,503,313	(147,881)	(144,807)	7,210,625

	Corporate and other	Research and innovation	Demonstration and pre- commercialization	Total
	December 31, 2024	December 31, 2024	December 31, 2024	December 31, 2024
As at	\$	\$	\$	\$
Current assets	7,738,229	298,410	816,502	8,853,141
Property, plant and equipment	-	2,852,935	13,496,231	16,349,166
Total assets	7,880,126	3,205,918	14,581,217	25,667,261
Current liabilities	359,350	1,389,474	1,595,543	3,344,367
Total liabilities	359,350	2,283,735	1,595,543	4,238,628

	Corporate and other	Research and innovation	Demonstration and pre-commercialization	Total
	September 30, 2024	September 30, 2024	September 30, 2024	September 30, 2024
As at and for the period months ended	\$	\$	\$	\$
Income (loss) and comprehensive income (loss) - three months	(1,976,320)	(3,004,034)	369,816	(4,610,538)
Loss and comprehensive loss - nine months	(6,539,504)	(8,510,425)	(7,956,379)	(23,006,308)
Cash used in operating activities	(4,930,408)	(7,105,788)	(10,384,545)	(22,420,741)
Cash provided by (used in) investing activities	809,792	(168,896)	3,787,751	4,428,647
Cash used in financing activities	-	(409,777)	-	(409,777)

18. SUBSEQUENT EVENTS

On October 29, 2025, the Company executed a non-repayable contribution agreement with Natural Resources Canada ("NRCan") under the *Energy Innovation Program* for \$5,000,000 to scale production of One-Pot lithium iron phosphate (LFP) cathode active material and accelerate commercialization. The funding will reimburse eligible operating and capital expenditures incurred between April 1, 2025 to March 31, 2027.

Through to the date of approval of these financial statements, the Company raised net proceeds of \$2,363,444 in connection with the ATM program (Note 10). Additionally, 25,432 RSUs were exercised.