

2023

Shareholder Letter





Paul Matysek MSc
Chair and Director



This letter reflects our sense of enthusiasm, purpose and commitment to creating shareholder value.

Dear Fellow Shareholders,

As the Chair of the Board at Nano One, I am pleased to be sending you this shareholder letter because it reflects our sense of enthusiasm, purpose and commitment to creating shareholder value. Over the past couple of years, we have grown with each important milestone achieved. On this journey, we have added significant leadership and know-how to the executive and operational teams and broadened our network of collaborations with our list of world-class partners. The Board of Directors has also been strengthened with the addition of new independent members whose expertise and experience continue to guide our strategic decisions and uphold our commitment to strong corporate governance procedures and practices. With numerous strategic opportunities underway and more in the pipeline, we have matured into an industry thought leader with enviable advantages and tremendous commercial potential. As Chair of Nano One but also as an active investor and entrepreneur, I would like to take this opportunity to express my appreciation to you for your continued trust and support. I am confident that our dedicated team—whose unwavering commitment has allowed us to thrive amidst the rapid pace of industry growth—will continue their hard work to drive innovation and growth, maximizing shareholder value over the long-term.

Looking ahead, I am enthusiastic about the future and encouraged by the prospects that await us.



Dan Blondal
CEO, Director & Founder



*Thank you for your ongoing support of our team's mission to **change how the world makes battery materials.***

To our valued shareholders,

When we embarked on this journey in 2011, global reliance on fossil fuels appeared insurmountable. The sheer magnitude of the energy sector held a stubborn inertia that resisted change. Despite this, we believed that batteries were a necessity for a better future, and that the key to making that future both sustainable and achievable was process innovation. Eventually, the combined forces of markets, geopolitics, industries, science and engineering came together to push the energy transition forward. Inertia that initially resisted adoption now works in our favour, and the momentum seems unstoppable on the path to net zero and the electrification of our energy systems.

Investors are undoubtedly aware of the constant stream of multi-billion-dollar battery-related announcements coming from the full gamut of industry players. While Nano One cannot be everywhere all at once, I want to assure our shareholders that our value proposition is central to much of what is unfolding for the future and we are at the table, carefully forging plans, focusing and engaging with the right players and executing on our growth strategy. [We have announced investments and joint development agreements with leading companies](#) that will have a lasting and positive impact on our growth strategy, and we continue our work to add collaborators, customers, suppliers and governments that are aligned with our mission. The battery market is fast-paced and fueled by industrial giants, yet Nano One remains nimble by predicting trends, refining plans, hitting milestones and providing thoughtful long-term solutions that create shareholder value and differentiate us from our competitors. There is a lot of unseen work between every achievement; the steps we take every day each contribute towards the next big milestone.



Photo by: Vincent Nguyen, Battery Technician

Nano One Materials | Burnaby BC

Sustainable shareholder value is at the heart of everything we do, and rest assured that as shareholders ourselves, we are highly motivated to increase and demonstrate Nano One's valuation to the world. While there are many external forces affecting the market this year, we will focus on what is within our control: the execution of our strategy and plans.

Our strategy and plans have formed and grown with each joint development program and with every trial in our labs, but also from a world class strategic advisory team, that includes the very best minds in cathode, lithium, nickel, cobalt, iron, niobium, finance, capital markets, external affairs, intellectual property, people and communications. This gives us a deep and evolving understanding

of the ever-changing battery supply chain, its inefficiencies, its wastefulness, its insecurities and its scale-up challenges, and therein lie the greatest opportunities to innovate and disrupt.

We have built a tremendous executive team over the last few years, and I invite you to join them in reviewing recent achievements and mapping out where we're headed. By doing so, I hope to instill the same confidence in you as we have in our business plan.

With your continued support, and the support of our partners and collaborators, I have never been more confident in the expertise of our team in executing our goals and maximizing shareholder value.



We are at the table, carefully forging plans, focusing and engaging with the right players and executing on our growth strategy.

Dan Blondal | CEO, Director & Founder



Dan Martino Chief Financial Officer

Treasury

As of March 31, 2023, our treasury balance is \$40.1M— with another \$7M in non-dilutive grant funding still to come—and a working capital of \$35.7M. We've had another consecutive year of rapid growth and used less than 20% of treasury from this time last year, which can be attributed to our disciplined approach to capital allocation. As an example, I call your attention to our recent acquisition of Johnson Matthey Battery Materials Canada in Candiac, Québec, which was completed in a close-to-nil net cash basis that was offset and fueled by a 10 million US dollar investment in Nano One by Rio Tinto. As such, we are now in a financial position to support ongoing operations, expansion and commercialization initiatives. We are committed to continued capital planning that is robust and sustainable in supporting our development efforts.

Financial management

We have taken a proactive approach to managing our finances. Our cash and financial controls are strong, and our treasury is routinely monitored to ensure adherence to budgeting as well as the achievement of optimal returns, all while maintaining maximum liquidity without compromising growth plans. Given recent banking uncertainty, we want to reassure our shareholders that our treasury is diversified amongst several Canadian chartered banks and large financial institutions, and our conservative and diversified approach to treasury management reflects our paramount priority towards safety and security.

Capital plan

Our capital plan is aimed at de-risking our scale-up efforts through diversified funding sources that include strategic partnerships, government programs and the support of investors, both retail and institutional. Our forecasting models consider a variety of sources and uses of funds under numerous scenarios to prepare us for a range of eventualities. Our capital plan prioritizes both short and long-term revenue generation business strategies such as scaling up multi-cathode active material (CAM) piloting, the launch of LFP (lithium *Li*, iron *Fe*, and phosphorous *P*) CAM in North America and other regions, as well as accelerating the commercial adoption of our patented processes. Accordingly, we are proactively weighing various risks including those related to capital market conditions, regulatory changes, technological advancements, supply chain factors and industry development.



The race to localize the battery supply chain has begun and presents many challenges ahead.

We are confident, however, that our current financial prudence and diversified capital plan will enable us to navigate the challenges successfully.

Dan Martino | Chief Financial Officer

Alex Holmes Chief Operating Officer

Advisors, Team & Partners

We have some of the world's leading minds as advisors, we've secured the most experienced CAM production team in North America and we are leveraging this with an executive team skilled in financing, capital growth, operations, communications, policy, technology management, chemistry, engineering, materials science, batteries, and intellectual property. Our business development and sales pipeline are growing and consists of both near-term and medium-term potential customers, collaborators and strategic partners.

Collaboration continues with [partners](#) around the supply chain—global leaders who share our values—[Rio Tinto](#), [BASF](#), [Umicore](#), [CBMM](#), [Euro Manganese](#), auto companies* and [Our Next Energy \(ONE\)](#). We are making good progress with our automotive partners and though much of this must be done under the veil of confidentiality, we have made great strides on qualification, techno-economics, environmental assessments, security of supply, engineering, and expansion plans, and we look forward to bringing greater visibility on these partnerships as relationships mature. Active government engagement continues with prospects of continued support. Progress with an array of companies around the battery supply chain ecosystem will drive shareholder value in the months and years to come.

* These partners prefer to remain undisclosed in alignment with existing non-disclosure agreements.

We are at an inflection point in Nano One's evolution and maturity.

Behind the scenes, we have been recruiting the right team and building systems to meet the demands of our short and long-term plans.



Figure 1 – Nano One's partnerships around the lithium-ion battery supply chain.

Strategic operating plan | Global cathode solution provider

To change how battery materials are made, we must demonstrate a credible threat to incumbent processes, and in doing so, we will maximize our know-how and technology offering. Here's how we plan to execute:

1. **Fulfill North American LFP cathode demand early by leveraging our technology, experience, partners and asset base.** Several factors have contributed to the automotive sector shifting to iron-based cathode materials, including recent price volatility and supply chain risks of nickel-based cathode materials, the low-cost nature of LFP for applications in the heavy utility and entry level electric vehicle markets and the enhanced safety and durability benefits that LFP offers. Our agility has enabled us to respond to customer needs and secure a market edge.

Thanks, in large part, to dedicated shareholders and a simultaneous investment from Rio Tinto, we were able to purchase North America's only LFP production plant with no impact to our treasury—and with room to grow—on 9.5 acres in Candiac, Québec. With almost 100% employee retention, we've added the most experienced LFP cathode manufacturers on the continent to Nano One. The team and facility in Candiac have put us in a strong position to seize North American LFP market share early while validating the cost and environmental benefits of our patented technology. With \$10M in support from Sustainable Development Technology Canada (SDTC), an agency of the Government of Canada, we are well on our way to retrofitting the Candiac facility with our innovative technology.

We have identified customers with supply-demand that align with our goals and have partnered with them to secure market share and demonstrate the value proposition of our technology. We continue to work with automotive partners for future expansions—via joint ventures and licensing—for multi-production line facilities at scales of 50-100,000 Tonnes Per Annum (TPA). At each stage of our growth—from 200 TPA, to up to 2,000 TPA, to the first commercial plant—we will be sampling with automotive companies for our expansion plans beyond Candiac. Traditionally, automotive companies qualify from a full commercial production line, which we will have upon execution of our plans.

This strategy aims to support rapid expansions in the form of joint ventures and licensing partnerships for dedicated automotive scale plants and enable additional independent production growth as opportunities arise.

2. Scale-up piloting activities for other dominant cathode chemistries lowers new technology adoption barriers and further demonstrates our solution value proposition.

Nickel and manganese-based cathode materials play an equally important role in our growth strategy. That’s why we are ramping up to industrial scale (multi-tonne) piloting of these CAMs using our One-Pot and sulfate-free metal-direct-to-CAM (M2CAM®) processes. The objective is to demonstrate that our technology is feasible at the multi-1000’s tonne scale and validate the cost and environmental benefits to advance our partnerships with a broad range of global industry participants. This will de-risk our technology at an industrially relevant scale to help lower new technology adoption barriers and support our licensing strategy for other cathode chemistries. Our flexible hybrid business model will allow cathode producers to license our technology or enter a joint venture—proliferating it around the world.

Even though we are prioritizing LFP cathodes as our first commercial plant, the work to advance partnerships and commercial activities of other CAM materials is happening concurrently. The long sales cycles require collective efforts on both sides of the collaboration to get there. There will be milestones and successes that build a foundation of trust and technology acceptance and will lead to catalysts along the way to commercial revenues.

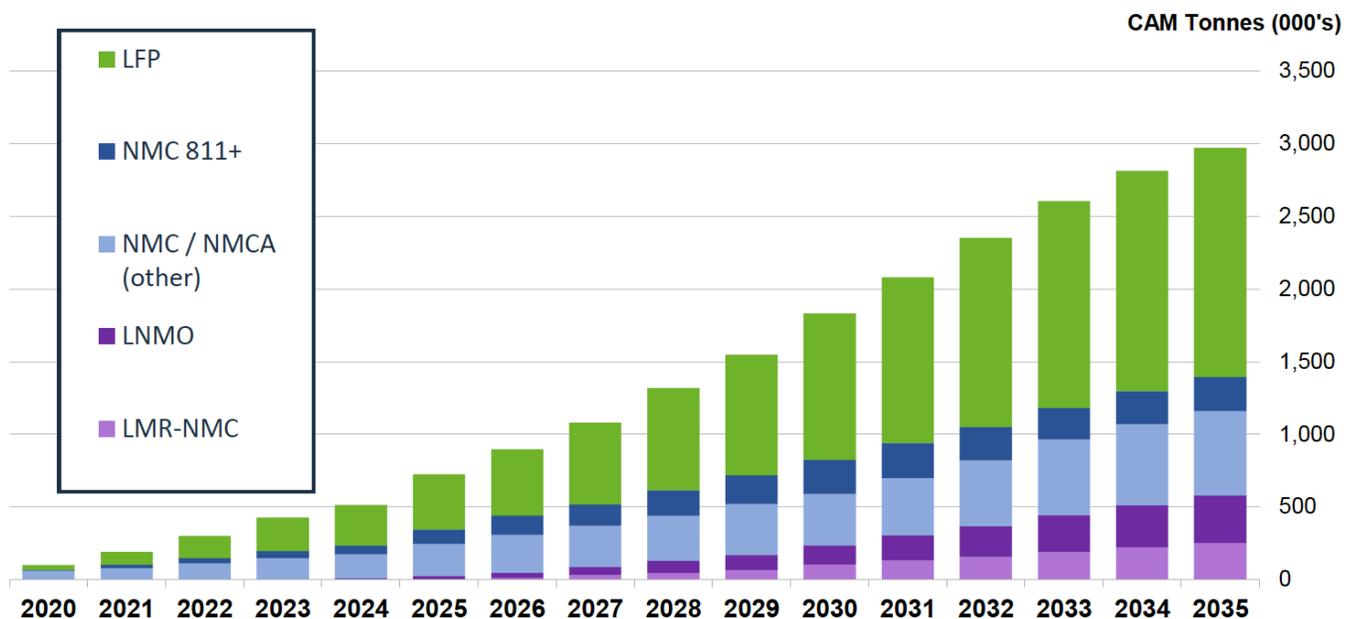


Figure 2 – North America & Europe TAM (Demand in Tonnes 2020-2035)* (BloombergNEF, 2022)

*Excludes LNO, LMO, LCO cathode chemistries

3. Provide a turn-key cathode manufacturing line blueprint offering a packaged process solution that epitomizes operational excellence.

Once established, we plan on using our commercial One-Pot LFP cathode production line as a blueprint, or modular building block, for future replication in multi-production-line facilities, with capacities that could range from 50,000 to 100,000 TPA. Additionally, our Candiatic facilities will serve as a *Centre of Excellence* to train future plant operators, facilitate continuous improvement and to offer our customers, partners and licensees access to experienced implementation teams, engineering, procurement, construction and operation.

This will come with a ready-to-deploy manufacturing training team that can either train our customer's operators at our Centre for Excellence in Québec, or work at their plant location for start-up support. All of this will be backed by the continuous innovation of our researchers. Over the next 2 years, the execution of this plan will inform the strategies we deploy to guide our day-to-day actions.

*We plan on using our commercial One-Pot LFP cathode production line as a **building block***

Alex Holmes | Chief Operating Officer



Figure 3 – Nano One's Candiatic Plant growth plans.

Conversion update of existing facility to One-Pot Process for LFP CAM

I am thrilled to announce that we are successfully producing our first tons of LFP CAM in Candiatic and the results from these trials already resemble the high quality LFP from our labs in Burnaby. This has been accomplished using our existing reactors—and we are doing this without any One-Pot retrofits—accelerating trials to 150 times larger than anything we have done to date. In the coming months, we will also be installing reactors that are specifically designed for the One-Pot process, enabling a preliminary plant capacity of 200 TPA that we will eventually push to an estimated capacity of up to 2,000 TPA.

Product from our 200 – 2,000 TPA piloting activities will be evaluated, qualified and validated by potential customers, not only for offtake in this pilot plant, but also for the future and for much larger commercial facilities that we are planning to finance, build and put into operation.

Engineering underway for a new commercial facility for One-Pot LFP

Engineering work is underway to build a commercial LFP manufacturing facility adjacent to the LFP pilot plant on land owned by Nano One. Engineering will indicate the optimal line size and the cost of one production line—which can be replicable as a building block for multi-line production plants required by the market—as well as the total building capacity available on our existing land. This first production line has the potential to generate hundreds of millions of dollars in revenues in its first years of operation. The goal of the first production line is not only to provide a competitive process, but also to be a leading example of energy efficiency and water optimization.

Near-term sales

Our team has successfully commercialized cathode active materials (CAM) manufacturing technologies twice before—from the lab, to being a commercial supplier, to becoming tier-1 cell manufacturers. Our team in Candiatic also has 10 years of experience in supplying tier-1 automotive battery companies and has the previously approved quality and product



The retrofitting of the existing Candiatic facility to using our One-Pot process is ahead of schedule, on budget and already delivering results that exceed our targets.

development systems in place that are required for automotive qualification. This depth of experience brings great comfort to prospective customers, joint venture partners and licensing partners.

Our near-term sales focus will be on low to medium-volume, non-automotive customers because they are a) faster to qualify and b) highly motivated to access North American supply to maximize [Inflation Reduction Act \(IRA\)](#) tax credits. We aim to fulfill those volumes, initially from our pilot, then from our commercial facility next door and ultimately in much larger facilities that will also have the capacity to supply the automotive market.

Our cell manufacturing clientele are focused on supplying energy grid storage systems and government contracts—which are the right size for our pilot and our first plant—and their timelines align with ours. This alignment requires strategic customer selection, collaboration and ensuring supply matches demand. We are looking to secure customer offtakes, beginning potentially by mid-2024, to align with our supply chain strategy and project financing plans.

Equipped with the world's most experienced LFP production team outside of China, we anticipate that our Candiatic site will produce the world's cleanest and most IRA-compatible CAM. We can lead the way for North America to produce its own cathode materials locally, using accessible raw material inputs while reducing energy intensity and waste, and while also remaining cost competitive.



I am thrilled to announce that we are successfully producing our first tons of LFP CAM in Candiatic.

Denis Geoffroy | Chief Commercialization Officer

Dr. Stephen Campbell, PhD, CSci, CChem, MRSC Chief Technology Officer

Nano One was founded to change how the world makes battery materials. Without effective technology, the patents to protect it, and the health, safety and environmental policies to guide us, we would not be where we are today. Our scientists and engineers are creating lasting and meaningful solutions and products that will be ready when those that want to sign offtakes need them.

First and foremost, Health and Safety are top priority for us. As we convert the Candiatic plant to the One-Pot process, we are leveraging a proven framework put in place by our teams in Burnaby and particularly in Candiatic, where they have 10 years of production, health, safety, and hazard assessment experience being applied at every stage of the plant conversion and trials.

On the environmental side, our One-Pot process can set new global standards by eliminating wastewater and waste chemical streams, by consuming less water and generating fewer GHG emissions and by reducing the overall energy intensity of making cathode materials.

Demand for lithium-ion batteries for renewable energy and electric vehicles (EVs) is far greater than was foreseen in the previous decades when the incumbent technology was developed. Challenges such as sulfate waste and greenhouse gas (GHG) emissions are becoming critical in the development of a sustainable supply chain for the battery industry both now and well into the future. Nano One has developed an innovative way to make cathode active materials (CAM) that eliminates the sulfate waste stream and reduces GHG emissions and water consumption with a One-Pot process that promotes a flexible supply chain for a wide range of composition of CAM from high nickel oxides (NMC) to low cost and durable phosphates (LFP).

We have a disruptive technology that can provide the world with sustainable energy storage for renewable energy grid storage and electric vehicles. Nano One continues to innovate for the future by applying our One-Pot process to the sustainable recycling of CAM. Our patent portfolio continues to grow and build value in the Company through wide adoption of our technology through licensing and joint ventures.

As part of our activities to scale up the One-Pot process to meet our commercialization goals, Nano One in Burnaby, BC, is supporting the transition from kilograms to large-scale efforts. We are developing and scaling up the wet reaction as well as developing innovative solutions to thermal processing of the materials. The aim is to increase throughput and



Innovation and sustainability are at our core, and we will continue to push the boundaries of environmental stewardship, energy conservation, cost and security of supply.

Dr. Stephen Campbell | Chief Technology Officer

Photo by: Vincent Nguyen, Battery Technician

Nano One Materials | Burnaby BC

reduce costs while continuously improving performance and durability. For shareholders this means a broad set of market opportunities that will yield results outside of traditional production and licensing.

We started the journey with a focus on R&D. Our team's efforts have led to what we are accomplishing in Candiatic, and we will continue to drive innovation in Burnaby that will help change the way battery materials are made.

Adam Johnson Senior Vice President External Affairs

We cannot do this alone. At Nano One, we firmly believe that our success hinges upon inspiring others to believe in our mission and drive transformative change. In 2022, we identified the need for market, public policy, and economic alignment within the sector, specifically for electric vehicles (EVs) and energy storage systems (ESS), to support our path to production. The encouraging news is that this alignment is now becoming a reality. Through strategic collaboration with partners who are in alignment with mutually defined timelines and offtakes, we are forging ahead. Governments, recognizing the imperative of a robust battery ecosystem that combats climate change and addresses national security needs, are embracing our value proposition. We are engaged with governments in the United States and Canada on important policies and programs such as the Inflation Reduction Act (IRA) and others that impact this budding industry.

It is gratifying to witness the growing recognition of our role as the right partner for auto OEMs, miners, and chemical companies. As a publicly traded company, effective communication a diverse set of stakeholders is a complex endeavour, demanding thoughtful consideration of multiple channels and approaches, all while maintaining consistency and integrity.

The overall knowledge of the battery sector is relatively low, necessitating targeted communication with policymakers, key investors and major industry players. Throughout the past year and for the rest of 2023 we have and will continue to remain focused on being engaged with governments that are pivotal to our operation. These governments have shown a commitment to supporting companies like ours—which create jobs, drive innovation and reduce emissions. The door is open, and governments are attentively listening to our advocacy efforts. By championing policies and programs that foster a robust battery ecosystem in the Western world, we have garnered support from the Government of Canada through SDTC and other programs. Additionally, we are in the process of applying for support in Canada and the United States and are confident in our prospects.

Building upon the solid brand we have established, underpinned by the reputation and dedication of our talented team, we continue to refine our storytelling abilities. Major industry players are increasingly eager to align themselves with our brand. Now that we have our commercialization hub in Candiach, and enhanced capabilities at our innovation centre in Burnaby, we are proving that we can make CAM in larger and larger quantities. We look forward to sharing more good news in the months and years to come!

We're *sharing our story* to attracting like-minded partners and advocates in finance, government, and industry.

Adam Johnson | SVP External Affairs



Kelli Forster Senior Vice President People and Culture

Acquisition of Johnson Matthey and a successful team integration

Since acquiring the Candiatic facility from Johnson Matthey, we have been focused on effectively integrating the team to provide an enhanced work environment and exciting opportunity for all our employees in BC and Québec. We believe that a successful cultural integration is a crucial element in any merger or acquisition to foster a safe environment—where knowledge and expertise are shared in a collaborative company-wide environment, while continuing to foster and reward continuous innovation. Since the acquisition, we have focused on unifying the BC and Québec teams into one Nano One team and leveraging the best of both teams' previous practices and expertise. For example, we have adopted the Candiatic team's practice of monthly company update meetings and the BC team's Diversity, Equity & Inclusion council as well as their social committee activities. So far, the turnover rate has been very low, and we have received overwhelmingly positive reactions towards the expanded team and career development opportunities that come with a growing company.

For the remainder of 2023, the People and Culture team will be focused on integrating our policies and programs to ensure that Nano One is the preferred workplace within our local markets and industry. Our team is excited about our mission and future opportunities ahead!



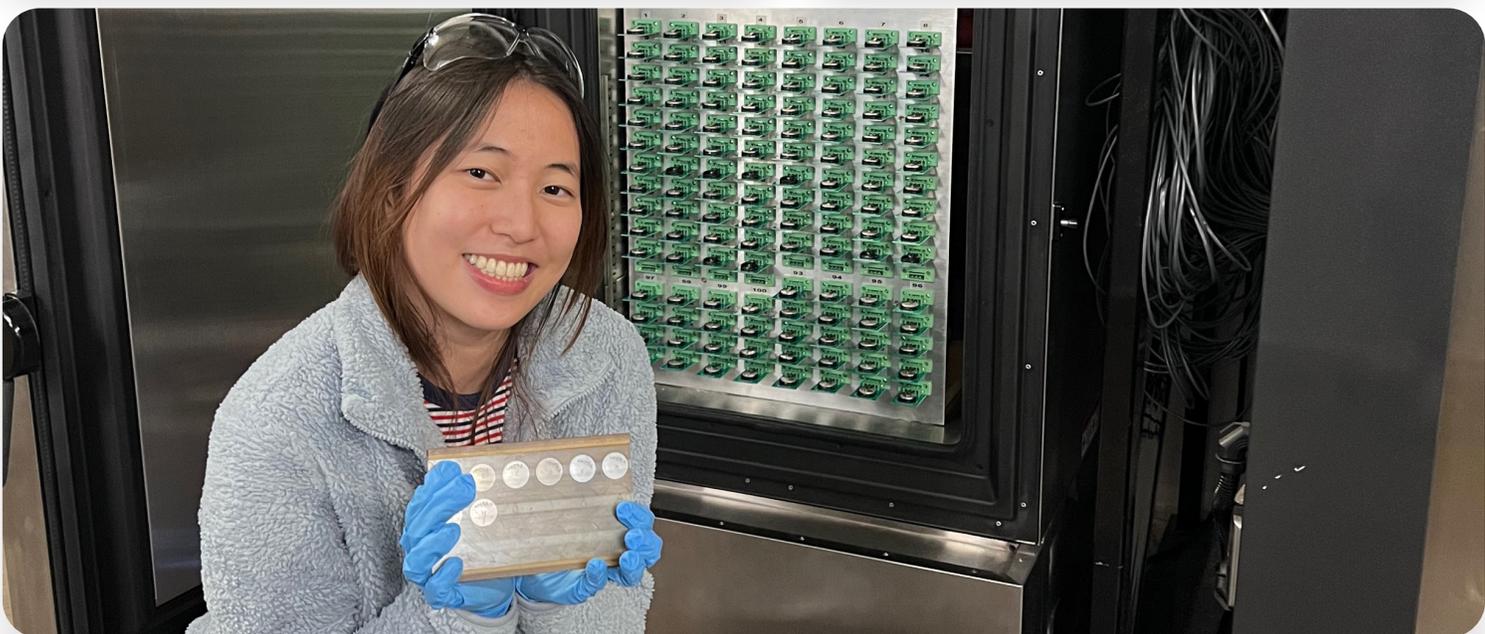
*The **inherent curiosity** of
the Nano One team drives
continuous innovation in
everything we do*

Kelli Forster | SVP People and Culture

Photo by: Vincent Nguyen, Battery Technician

Nano One Materials | Burnaby BC

Letter to Shareholders 2023



Defined Terms

In this Letter to Shareholders, “we,” “us,” “our,” “Nano One” and “the Company” each refer to Nano One Materials Corp. and its subsidiaries. The terms, “you,” “your” and “shareholder” refer to holders of Nano One shares.

Cautionary Notes and Forward-Looking Statements

Certain information contained herein may constitute “forward-looking information” and “forward-looking statements” within the meaning of applicable securities legislation. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking information in this news release includes but is not limited to: the Company’s future business and strategies; estimated future working capital, funds available, potentials for revenue, and uses of funds, and future capital expenditures and other expenses for specific operations; intellectual property protection; industry demand; ability to obtain employees, consultants or advisors with specialized skills and knowledge; anticipated joint development programs; incurrence of costs; competitive conditions; general economic conditions; the intention to grow the business, operations and potential activities of the Company; the functions and intended benefits of Nano One’s technology and products; the development of the Company’s technology and products; the commencement of a commercialization phase; prospective partnerships and the anticipated benefits of the Company’s partnerships; the Company’s licensing, supply chain, joint venture opportunities and potential royalty arrangements; the purpose for expanding its facilities; and scalability of developed technology; and the execution of the Company’s plans and strategies - which are contingent on support and grants. Generally, forward-looking information can be identified by the use of terminology such as ‘can’, ‘believe’, ‘expect’, ‘anticipate’, ‘plan’, ‘intend’, ‘continue’, ‘estimate’, ‘may’, ‘will’, ‘should’, ‘ongoing’, ‘target’, ‘goal’, ‘potential’ or variations of such words and phrases or statements that certain actions, events or results “will” occur. Forward-looking statements are based on the current opinions and estimates of management as of the date such statements are made are not, and cannot be, a guarantee of future results or events. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to: general and global economic and regulatory changes; next steps and timely execution of the Company’s business plans; the development of technology, supply chains, and plans for construction and operation of cathode production facilities; successful current or future collaborations that may happen with OEM’s, miners or others; the execution of the Company’s plans which are contingent on support and grants; the Company’s ability to achieve its stated goals; the commercialization of

the Company's technology and patents via license, joint venture and independent production; anticipated global demand and projected growth for LFP batteries; and other risk factors as identified in Nano One's MD&A and its Annual Information Form dated March 29, 2023, both for the year ended December 31, 2022, and in recent securities filings for the Company which are available at www.sedar.com. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Company does not undertake any obligation to update any forward-looking statements or forward-looking information that is incorporated by reference herein, except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements.

TSX: NANO



2023

Shareholder Letter

nanoOne.ca