Nano One Materials Corp.

Management's Discussion & Analysis

For the nine months ended

September 30, 2024

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

The following Management's Discussion & Analysis ("MD&A") of Nano One® Materials Corp. ("Nano One", "we", "our", the "Company") for the nine months ended September 30, 2024, should be read in conjunction with its condensed interim consolidated financial statements for the nine months ended September 30, 2024, and its audited annual financial statements for the year ended December 31, 2023, (collectively, the "financial statements") and related notes thereto. The financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A are expressed in Canadian dollars, unless otherwise indicated. The information contained herein is presented as at **November 12, 2024** (the "MD&A Date"), unless otherwise indicated.

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

Continuous disclosure documents including the Company's most recent Annual Information Form ("AIF"), annual MD&A, and audited annual consolidated financial statements, are filed with Canadian securities regulatory authorities on SEDAR+ (www.sedarplus.ca) and on its website at www.nanoone.ca.

Abbreviations

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

Forward-Looking Statements

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

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: the performance of the Company's business and operations; the Company's ability to raise sufficient financing, if any when necessary, to continue its operations; estimated future working capital, funds available, uses of funds, and future capital expenditures and other expenses; the intention to grow the business, operations and potential activities of the Company; the anticipated demand of the industry and market acceptance of Nano One's products; the functions and intended benefits of the Company's technology and products; the commercial development of the Company's technology and products; the commencement of a commercialization phase and entering into a definitive agreement with a counterparty to plan, design, finance, construct and/or operate a cathode production facility/plant; the Company's research and development programs; collaboration with material producers; regulatory changes; the competitive conditions of the industry and the Company's competitive position in the industry; intellectual property protection; anticipated joint development programs; the Company's short- and long-term business objectives and milestones, and the events that must occur to accomplish them; prospective partnerships and the anticipated benefits of those partnerships; the Company's licensing, supply chain, and potential royalty arrangements; the purpose for expanding the Company's facilities; and the anticipated future gross revenues and profit margins of the Company's operations. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. There are risks, uncertainties, and other factors, some of which are beyond the Company's control, which could cause actual results, performance, or achievements of the Company, as applicable, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this MD&A and those factors identified in the section "Risks and Uncertainties" in this MD&A and in the section titled "Risk Factors" in the Company's most recently filed AIF on SEDAR+.

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BUSINESS OVERVIEW

Nano One's head office is located at Unit 101B, 8575 Government Street, Burnaby, British Columbia V3N 4V1, and the registered and records office is located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

Nano One is a clean technology company with a patented, scalable, and low carbon intensity industrial process for the low-cost production of high-performance lithium-ion battery cathode materials. The Company has several strategic collaborations and partnerships, including automotive OEMs and strategic industry supply chain companies like Sumitomo Metal Mining ("SMM"), BASF, Umicore, Rio Tinto and Worley Chemetics (a wholly owned Canadian subsidiary of Worley Limited, a global engineering leader in sustainability solutions).

Nano One's technology is applicable to lithium-ion battery cathode materials used in EV, ESS, and consumer electronic applications, reducing costs and carbon intensity while improving environmental impact and security of critical mineral supply. The Company has a plant facility in Candiac, Québec that serves as a platform to (a) pilot and demonstrate commercial scale production, (b) sample product for the purposes of evaluation and future sales, and (c) optimize and launch the marketing and licensing of its CAM packages. Nano One aims to create shareholder value by diversifying future revenue streams to include licensing fees along with equipment procurement and sales from its plant in Candiac.

Nano One is piloting its technology at various scales ranging from 1 to 200 tpa and demonstrating its technology using full scale commercial equipment as modular production solutions for license, joint venture, and independent production opportunities, leveraging Canadian talent and critical minerals for emerging markets in North America, Europe, and the Indo-Pacific region.

The Q4 2022 acquisition and conversion of the Candiac facility in Québec to the One-Pot process has accelerated Nano One's path to commercialization. Production trials conducted in 2023 using the One-Pot process in our commercial scale reactors have successfully de-risked the production of LFP at full scale with performance results consistent to lab scale. This advancement enabled commercial scale LFP samples to be sent to qualified customers in Q1 2024 for the purposes of evaluation, validation and entering into potential binding offtake agreements.

Nano One began operating a 200 tpa LFP pilot plant ("pilot plant") in Candiac, Québec in Q4 2023 and is progressing a feasibility (FEL3) study announced on February 27, 2024, for a 25,000 tpa LFP commercial plant (the "Development Project").

Nano One remains steadfast in its licensing strategy, together with its alliance partner Worley Chemetics, and a "Design One, Build Many" growth strategy that is cost competitive, capital light, and globally significant. While there remains a modest effort still on NMC to support the Company's OEM and strategic partners in developing cost effective and sustainable process technology solutions for the future, the technology and commercialization focus has shifted mostly to LFP for the time being.

Technology and Intellectual Property

One-Pot Process and M2CAM® Technologies

Nano One's patented One-Pot process is engineered to make cathode materials directly from non-sulfate forms of battery metals, which eliminates all wastewater and sodium sulfate by-product which can amount to three times the product stream. This avoids the need for capitally and environmentally intensive waste handling, recycling and discharging solutions, costly site-specific custom engineering and for prolonged permitting in jurisdictions with strict environmental regulations such as Canada, USA, and Europe. The One-Pot process simplifications also reduce operating costs, capital equipment costs, energy intensity, water use and GHG emissions. Furthermore, the process uses lithium feedstock in the form of carbonate rather than hydroxide, which is costly, corrosive and harder to handle.

Nano One's M2CAM technology aims to reduce cost, waste, logistics and the carbon footprint in the lithium-ion battery supply chain.

Nano One's patented One-Pot process forms durable single crystal cathode powders and protective coatings simultaneously and the process has been adapted for M2CAM, enabling these materials to be made directly from nickel, manganese, and cobalt metal powder feedstocks rather than metal sulfates or other salt powders. Metal powders are one-fifth of the weight of metal sulfates, avoiding the added costs, energy, and environmental impact of converting to sulfate and shipping and handling of waste.

Life Cycle Assessment (LCA)

In December 2023, Nano One announced the results of a third-party LCA report which showed that the One-Pot process could cut GHG emissions by up to 60% for NMC811 CAM, and up to 50% for LFP CAM, and significantly reduce water use for both CAMs when benchmarked against the complexity and energy intensity of conventional pCAM and CAM processes operating in various jurisdictions. These environmental improvements are augmented by the other benefits of the One-Pot process including reduced cost, complexity, and dependency on foreign supply chains of concern.

Intellectual Property

Nano One's intellectual property was developed and is wholly owned by Nano One. The Company continues to expand patent coverage of its proprietary technology and has various patents which have been granted or approved across the globe. There are also many pending patent applications throughout the world. On February 21, 2024, the Company announced the expansion of its patent portfolio adding further intellectual property protection of the One-Pot process, single crystal coating process and M2CAM process technologies.

Patents, trade secrets, flowsheets, knowhow, plant design and people are at the core of what Nano One's partners, shareholders, and prospective customers value. Not only are these intellectual property assets critical to Nano One's leadership position, but they have also enabled the Company to pilot LFP using its technology and demonstrate at scales that are relevant to the automotive industry. When bundled with detailed engineering plans, innovative supply chains, and performance targets, Nano One believes that its technology could be widely licensed for a new generation of sustainable and cost-effective CAM production that is cleaner, more easily permitted and securely established in North America, Europe, and the Indo-Pacific region.

Key Business Developments

While Nano One remains committed to its 2024 objectives and commercialization plans as described below, market and business conditions as mentioned herein have resulted in shifting timelines and capital allocations to better align with the evolving energy transition.

License and Alliance Agreement with Worley Chemetics®

On May 1, 2024, Nano One executed a Strategic Alliance Agreement and License Agreement with Worley Chemetics. Under the Strategic Alliance Agreement, Nano One and Worley Chemetics 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.

The parties will jointly develop a holistic technology CAM package that incorporates Nano One's proprietary One-Pot process into a modular process engineering design package with intellectual property rights, flow sheets, detailed engineering, the operational know-how of both parties and applicable proprietary equipment. Worley Chemetics will also design and fabricate One-Pot reactors made with customized metal alloys. The License Agreement oversees the sale of CAM packages, including necessary cross-licensing of intellectual property, license fees and remuneration to both parties over a term of up to 20 years. The collaboration with Worley Chemetics is expected to generate revenues through upfront fees, equipment sales, and technology licensing fees from production.

On June 20, 2024, the Company issued a news release with a video link to a detailed discussion on the strategic partnership, technology, plans, and potential for the future of sustainable battery materials production. The full fireside chat featuring Dan Blondal, CEO and Founder of Nano One, and Laura Leonard, Group President, Technology Solutions at Worley Chemetics is available via a video link within the news release.

NGen awards Nano One and Worley Chemetics® $2,800,000

On August 13, 2024, Nano One and Worley Chemetics announced the award (effective July 16, 2024) of approximately $2,072,000 and $888,000, respectively in non-dilutive and non-repayable funding by Next Generation Manufacturing Canada (NGen) through its Electric Vehicle Manufacturing Program (EVMP). The funding stream is through to March 31, 2028, and aids in the development of the Canadian Electric Vehicle supply chain and manufacturing ecosystem. NGen is an industry-led, non-profit organization that supports development of world-leading advanced manufacturing capabilities in Canada. The funding will advance a new project to help both companies develop, market, and sell CAM facility packages that incorporate Nano One's proprietary One-Pot process into a process engineering design package.

Drawing on its specialized capabilities, experience and knowledgeable team, Worley Chemetics will support Nano One in identifying the best materials of construction, and fabrication methods for key equipment required for the One-Pot process, and in engineering and delivering the technology and its associated equipment. The project's goal is to integrate both companies' advanced process and equipment knowledge into the CAM manufacturing ecosystem, enabling the joint marketing and sale of equipment in Canada and around the world. Design specifications will be determined through rigorous reactor studies, analysis and selection of appropriate materials of construction, ensuring compatibility with feedstocks and reagents, as well as operating conditions.

Nano One sells vacant land for gross proceeds of $5,000,000

On September 12, 2024, further to a definitive agreement signed on August 12, 2024, Nano One closed on the sale of a vacant lot on its land in Candiac, Québec for gross proceeds of $5,000,000 ($4,834,550, net after closing costs).

The sale by Nano One provides non-dilutive funds to its treasury without compromising its growth strategy, while leveraging access to alternative sites with better utility infrastructure, improved constructability and room to expand well beyond 25,000 tpa of LFP capacity. The LFP cathode manufacturing facility on the remaining property in Candiac remains the launch pad for the Nano One's growth strategy and a clear path to first revenue and larger offtakes. See "Production Updates" below for a further discussion.

Department of Defense (DoD) of the United States of America awards US$12,900,000 to Nano One

On September 26, 2024, Nano One announced the funding award from the DoD (approximately $17,800,000) through the Defense Production Act Investments (DPAI) office's Title III program. The project will support work underway at the Company's facilities in Burnaby, British Columbia, and Candiac, Québec, and is effective for the period from July 1, 2024 through 2027. The funds will expand capacity at the Candiac, Québec facility, which is North America's only LFP production facility. The award is broadly focused on improving energy security by accelerating the formation of a resilient industrial base and LFP battery supply chain in the United States and Canada. The project also addresses the energy security requirements of the defense sector by supporting product validation and potential sales with customers that include, as previously disclosed, suppliers to the US government.

SDTC First Amendment to Project Funding Agreement

Under its February 2023 agreement with Sustainable Development Technology Canada (SDTC), Nano One was to be reimbursed for up to $10,000,000 in eligible project expenses to support the conversion of Nano One's Candiac facility to the patented One-Pot process for industrial-scale pilot production of LFP. The SDTC project was to also include financial reimbursement for expenses incurred in the design, construction, and operation of a multi-cathode piloting hub (MCPH) at the Company's facility in Candiac, Québec.

To re-align the SDTC program with the Company's focus on LFP and Commercialization as announced on August 22, 2024, Nano One and SDTC executed an amended agreement, on November 6, 2024, that changed the scope of the project to exclude the MCPH component of the program and include certain feasibility and engineering expenses ("FEL3") related to the development of a larger LFP CAM facility (Development Project). This amendment helped reduce overall project costs to Nano One and as such, it also reduced the projected reimbursements from SDTC for these expenses to approximately $6,700,000.

The amended agreement signed on November 6, 2024, supersedes the original agreement signed on February 13, 2023. Of the total available funding of $6,735,987, Nano One has received $3,284,507 through to the MD&A Date, September 30, 2024 and December 31, 2023, representing the first instalment payment for Milestone 1.

Nano One anticipates receiving the instalment payment for Milestone 2 totaling $1,453,891 prior to December 31, 2024.

COMMERCIALIZATION UPDATES

Timing, scope and spend on the below initiatives are discretionary and flexible, enabling Nano One to adjust and align its strategy with the evolving battery market landscape and timelines. Given conditions in the capital markets, the Company is also evaluating options to conserve capital while it focuses on product evaluation, first sales, offtake from existing assets in Candiac, licensing opportunities and government support. The goal is to launch LFP in North America, followed by Europe and the Indo-Pacific region.

Pilot Plant - 200 tpa capacity

Nano One acquired the 10-year-old facility in Candiac, Québec in Q4 2022 and repurposed it to demonstrate its One-Pot process at a commercially valid scale. The waste handling systems were no longer needed and subsequently decommissioned, and the Company completed the commissioning of new 200 tpa One-Pot reactors in Q4 2023. The pilot facility is now being used to facilitate demonstration, sampling and evaluation while also informing FEL design studies and the LFP CAM package with Worley Chemetics (see "Key Business Developments" above). There are plans to further expand the capacity of the existing facility up to 2,000 tpa, as demand for LFP takes hold, leveraging existing full-scale equipment and facility capacity with further automation (see discussion below).

Through to September 30, 2024, Nano One had cumulatively incurred on a cash-basis approximately $8,600,000 in converting and commissioning the One-Pot 200 tpa LFP pilot plant. Of this amount, approximately $870,000 was paid during the nine months ended September 30, 2024. These costs were largely aligned with forecasts and budgets.

Expansion – 1,000 to 2,000 tpa capacity

The existing facility in Candiac, Québec remains the launch pad for Nano One's growth strategy and a clear path to first revenue and larger offtakes. The existing facilities are equipped with commercial scale equipment that have significantly de-risked the ability to scale, and there are confirmed orders for tonne-scale sample evaluations. These facilities could support small scale offtakes and production for first revenues, large scale offtakes for the 25,000 tpa Development Project (see below), and even larger scale offtakes for the technology licensing business in alliance with Worley Chemetics.

Through to September 30, 2024, Nano One has incurred approximately $307,000 in engineering and planning costs related to this potential expansion effort to up to 2,000 tpa. A Front End Engineering and Design (FEED) study is planned for completion in Q2 2025 which will result in pre-feasibility level costing and nameplate capacity estimation. Together with the results of the study, the Company will consider the funding sources secured at the time and customer demand to determine the rate and phases of the incremental capacity increase.

Existing capacity and the future expansion in Candiac, together with Nano One LFP know-how, plays a strategic and critically valuable role in driving potential revenues via small customer sales and A to C sample production, validation and qualification support with its licensee opportunities.

Commercial Plant (Development Project) - 25,000 tpa capacity

The Company's FEL2 pre-feasibility study, as reported in October 2023, modelled a 25,000 tpa LFP plant on the unused portion of its land in Candiac, Québec (which land was sold in September 2024), and later in February 2024, a FEL3 feasibility study was launched with consideration being given to lower-cost alternative sites that would better accommodate growth, utility requirements and future market needs. The Company reported that its FEL3 study to date is showing lower capital costs and operating expenses than its earlier FEL2 study. This further enhances the One-Pot value proposition and supports the Strategic Alliance with Worley Chemetics. Spending has been deferred on lower priority aspects of the FEL3 study and will be resumed at Nano One's discretion based on market conditions and receipt of the Milestone 2 payment under the aforementioned amended SDTC Project Funding Agreement.

For the abovementioned FEL3 study, $1,835,000 had been paid through to September 30, 2024 (all during 2024), in relation to the 25,000 tpa Development Project.

Nano One continues to work on the Development Project and is considering various paths forward including the project becoming a separate stand-alone operating company. As such, Nano One would significantly reduce its capital needs and could earn a license fee for the use of its One-Pot process technology. This would be in addition to a development fee for its efforts on the 25,000 tpa Development Project which could be settled by either an equity interest in the operating company, cash, or a combination thereof. Nano One believes that this approach offers its partners and stakeholders significant value through licensing, technology, know-how, customer engagements and project finance solutions while minimizing equity dilution. The FEL3 study will also support the "Design One, Build Many" growth strategy to develop, market, license and deploy CAM packages globally in partnership with Worley Chemetics.

The Development Project leverages Nano One's existing piloting and commercialization facility in Candiac, Québec together with target customer engagements and project finance initiatives. A financial decision to apply significant resources to the Development Project will require further progress on agreements for customer offtake, feedstock supply, and government support, as well as final site selection.

With regards to site selection for the Development Project, Nano One is in active dialogue with governments, their agencies and third-party strategic interests with regards to incentive programs and the evolving market needs in North America. Key considerations include automotive OEM timing, their LFP battery manufacturing and procurement strategies, government tariffs and production tax incentives, government incentives in the form of grants and forgivable loans, municipal collaboration, and access to low-cost land, sufficient utilities (power, water, natural gas), footprint for expansion to align with longer-term objectives and location preferences from collaborating stakeholders. With the active support of provincial and municipal governments and its strategic partners, Nano One has identified and narrowed down potential site options in Québec and Ontario and is also exploring government incentive programs in other North American and lower-cost jurisdictions where a focus also exists on attracting investment in the midstream.

Optimization and product validation work at the facilities in Candiac, Québec will continue into 2025 for the purposes of:

- Generating product sales and first revenues;
- Expanding capacity from 200 tpa up to 2,000 tpa, subject to sales commitments, customer technology validation, capital support from government, and financial returns;
- Securing larger volume customer offtakes in support of the Development Project;
- Informing the FEL3 design study and progression of the Development Project and to support the Strategic Alliance with Worley Chemetics (see "*License and Alliance Agreement with Worley Chemetics*" above); and
- Developing, marketing, licensing, and deploying of One-Pot enabled LFP CAM packages (engineering process design packages) in collaboration with Worley Chemetics.

Nano One has the goal of licensing its One-Pot LFP CAM packages, globally, to chemicals, materials and energy companies looking to produce CAM for battery applications for the EV and ESS markets. Shareholder value will be created with increased market penetration through the Company's partnership channels, with the low cost of capital from its licensees, and by diversifying revenue exposure via the World Chemetics alliance to include equipment procurement, along with licensing fees and revenues from its plant in Candiac, Québec.

Market Conditions and Business Environment

Business Environment and Opportunities

In response to various macroeconomic and market factors, Nano One announced the streamlining of its operations on August 22, 2024, allowing for increased focus on LFP, joint ventures, contracted projects, accelerated path to first revenue generation, and growth through licensing. Nano One's strategic plan has an increased focus on LFP with prioritization on third party product validation, future sales, and commercialization opportunities at the production facilities in Candiac, Québec. To accelerate near-term growth opportunities, Nano One has also taken the necessary steps to streamline its operations and as part of its broader strategic plan, Nano One is committed to controlling costs and focusing on near-term commercialization targets. This includes streamlining operational and corporate costs, with a workforce reduction of approximately 20%.

Nano One continues to execute on its plans and bring value to its shareholders by advancing its commercial scale demonstration and production capabilities in Candiac, by enhancing its pipeline of potential customers and licensees, by furthering its product and techno-economic evaluations and by developing increasingly compelling business opportunities.

Market Conditions

Throughout the second half of 2023 through 2024, many ambitious targets for EV, battery and critical minerals production have been scaled-back. This despite over 3M EVs sold in the first quarter of 2024, which represents an increase of over 25%[1] over the same period in 2023, marking demand for batteries and cathode materials that continues to grow, year over year, with a looming shift towards LFP. This has led to media coverage for Nano One and increased brand recognition.

The Government of Canada has recognized the emerging importance of the LFP supply chain by placing lithium, phosphorous and high-purity iron on the Critical Minerals list.[2]

The global market has seen a decisive shift towards LFP technology, which offers significant advantages in terms of cost, safety, security of supply, and environmental impact compared to traditional NMC cathode materials. LFP is suited to high-volume, heavy-duty applications in stationary ESS and EVs. In China's local market, LFP batteries accounted for 65% of the country's total battery output in the first six months of 2023[3]. Globally, China dominates approximately 95% of the world's LFP production capacity[4]. North America and other jurisdictions are responding to this competitive threat and preparing for similar levels of demand by supporting companies like Nano One and first-of-a-kind technologies that can help establish reliable, secure and independent supply chains.

Nano One's patented One-Pot process eliminates wastewater treatment and upstream chemical conversion steps by combining the production of pCAM and CAM. These innovations drive down cost, energy intensity and environmental permitting challenges at an industrial scale; could enable free-trading sources of raw material inputs; and could accelerate the adoption of LFP for stationary ESS and EV applications in North America. The One-Pot process positions Nano One favorably, with a more environmentally friendly and competitive production process, to meet the emerging demand for LFP in North America, Europe and the Indo-Pacific region. NMC remains important for applications in long range, energy dense batteries and Nano One will keep modest efforts on its One-Pot process NMC program to support collaborators and stakeholders in developing sustainable process solutions for the future.

Nano One believes that the LFP market will be catalyzed and enhanced by stationary storage needs in the coming years, to provide organic growth, and downside protection. Nano One continues to advance its business opportunities with automotive companies, while in parallel pursuing the industrial and stationary storage sectors that can start small, move quicker and grow large while enabling the security of supply that is ultimately needed by the automotive companies.

[1] https://www.iea.org/energy-system/transport/electric-vehicles
[2] https://www.canada.ca/en/natural-resources-canada/news/2024/06/government-of-canada-releases-updated-critical-minerals-list.html
[3] https://www.fastmarkets.com/insights/lfp-batteries-extend-dominance-over-ncm-batteries-china/
[4] https://iea.blob.core.windows.net/assets/a9e3544b-0b12-4e15-b407-65f5c8ce1b5f/GlobalEVOutlook2024.pdf

REVIEW OF FINANCIAL RESULTS

The financial statements include disclosure based on the Company's two operating segments. The CAM manufacturing business is organized into two operating segments: a research and innovation operation; and a piloting and pre-commercialization operation. Segment performance is evaluated based on various measures including assets and liabilities, operating expenses, and cash flows. Refer to Note 13 to the financial statements for details.

As mentioned, the Company restructured during August 2024 reducing its workforce by approximately 20%. This resulted in the recognition of severance expenses during Q3 2024 amounting to approximately $600,000 and is expected to result in a reduction to personnel costs for fiscal 2025 of approximately $2,100,000 to $2,500,000, before considering any cash-based short-term incentives which are subject to variability.

Q3 2024 compared to Q2 2024

Three months ended	**September 30, 2024 $**	June 30, 2024 $	Change $
Expenses			
Amortization	1,126	909	217
Business development and investor relations	85,102	237,878	(152,776)
Depreciation	69,180	67,909	1,271
Finance costs	45,235	47,838	(2,603)
General and administrative expenses	645,717	644,861	856
Professional and consulting, net	410,145	604,601	(194,456)
Research and operational expenses, net	1,667,433	2,446,718	(779,285)
Share-based payments	763,134	403,093	360,041
Wages, benefits and fees, net	4,633,735	4,164,090	469,645
Loss from operating expenses	**(8,320,807)**	(8,617,897)	297,090
Interest income	111,466	214,111	(102,645)
Gain (loss) on disposal of property, plant and equipment	3,581,393	-	3,581,393
Other income	17,410	34,006	(16,596)
Loss and comprehensive loss	**(4,610,538)**	(8,369,780)	3,759,242

- Business development and investor relations decreased primarily as a result of Q2 2024 having had payments for specific short-term services and subscriptions relating to capital markets advisory and consulting that were not applicable to Q3 2024.
- Professional and consulting fees decreased as a result of an effort to reduce the level of consulting and advisory engagements in place, and active efforts in negotiating fee reductions with certain ongoing consultants. Additionally, there were no fees incurred with the Company's auditors during Q3 2024 relative to fees being incurred during Q2 2024 for audit-related services.
- Research and operational expenses continued a decreasing trend during Q3 2024 over and above a quarter over quarter decrease between Q2 2024 and Q1 2024. This is a result of engineering studies and services being reduced throughout the year as part of a sharper focus on LFP commercialization. Noting Q1 and Q2 2024 had costs relating to the feasibility study (FEL3) for a 25,000 tpa LFP plant Development Project.
- Wages, benefits and fees increased primarily as a result of the preceding Q2 2024 period including an accrued reduction for Scientific Research and Experimental Development (SR&ED) in relation to Candiac's operations resulting in a credit of approximately $311,000 during Q2 2024. Additionally, the Company restructured during August 2024 resulting in the recognition of severance expenses during Q3 2024 amounting to approximately $600,000.
- The gain on disposal of property, plant and equipment was driven by the disposal of land in Candiac, Québec as discussed within "Key Business Developments" above.

Q3 2024 compared to Q3 2023

Three months ended	**September 30, 2024 $**	September 30, 2023 $	Change $
Expenses			
Amortization	1,126	812	314
Business development and investor relations	85,102	158,830	(73,728)
Depreciation	69,180	56,948	12,232
Finance costs	45,235	56,223	(10,988)
General and administrative expenses	645,717	512,959	132,758
Professional and consulting, net	410,145	664,024	(253,879)
Research and operational expenses, net	1,667,433	1,955,350	(287,917)
Share-based payments	763,134	404,441	358,693
Wages, benefits and fees, net	4,633,735	3,771,933	861,802
Loss from operating expenses	**(8,320,807)**	(7,581,520)	(739,287)
Interest income	111,466	321,726	(210,260)
Gain (loss) on disposal of property, plant and equipment	3,581,393	(42,851)	3,624,244
Other income	17,410	-	17,410
Loss and comprehensive loss	**(4,610,538)**	(7,302,645)	2,692,107

- Business development and investor relations decreased primarily due to a reduction of costs relating to marketing communications, and the amortization of certain prepaid subscriptions and services during 2023 which were not renewed at comparable levels during 2024. Moreover, the Company incurred higher branding and website development costs during 2023 relative to 2024.
- General and administrative expenses are higher in Q3 2024 than the comparative period which is correlated with the general growth factors the Company has experienced in the past year including advancing scale-up and piloting activities, personnel expansion and hiring, and the resulting increased general overheads related to expanded operations.
- Professional and consulting decreased due to reduced corporate advisory engagements and services, and a reduction in the reliance of external third-party IT contractor services as the Company has moved a greater portion of IT activity in-house with the growth of the IT department internally.
- A reduction in the activity levels at the Company's innovation hub has contributed to a decrease in research and operational expenses as engineering and related studies and engagements were reduced to conserve treasury. An outlier for Q1 and Q2 2024 was increased engineering and related studies including the FEL3 feasibility study on the 25,000 tpa Development Project in Candiac, Québec. The overall decrease in costs over the comparative period is greater due to the recognition of approximately $800,000 in the SDTC holdback payment received in Q3 2023 which reduces the comparative figure.
- Wages, benefits and fees increased namely due to the comparative size of the organizational structure during 2024 compared to 2023 with a higher average headcount in 2024 (prior to the restructuring) in addition to annual wage adjustments, and short-term incentive bonus accruals being recorded quarterly during 2024 while historically being accrued annually in Q4. Moreover, the 2023 comparative included allocations of deferred SDTC proceeds throughout the progress of the Milestone 1 activity. Additionally, the Company restructured during August 2024 resulting in the recognition of severance expenses during Q3 2024 amounting to approximately $600,000.
- The gain on disposal of property, plant and equipment was driven by the disposal of land in Candiac, Québec as discussed within "Key Business Developments" above.

Nine months ended 2024 compared to 2023

Nine months ended	**September 30, 2024 $**	September 30, 2023 $	Change $
Expenses			
Amortization	2,853	2,113	740
Business development and investor relations	420,998	511,677	(90,679)
Depreciation	203,234	176,687	26,547
Finance costs	143,271	107,867	35,404
General and administrative expenses	1,984,200	1,800,144	184,056
Professional and consulting, net	1,597,341	1,913,596	(316,255)
Research and operational expenses, net	6,734,245	5,954,731	779,514
Share-based payments	2,431,940	1,071,715	1,360,225
Wages, benefits and fees, net	13,809,629	12,615,924	1,193,705
Loss from operating expenses	**(27,327,711)**	(24,154,454)	(3,173,257)
Interest income	671,214	1,141,600	(470,386)
Gain (loss) on disposal of property, plant and equipment	3,555,790	(53,637)	3,609,427
Other income	94,399	-	94,399
Loss and comprehensive loss	**(23,006,308)**	(23,066,491)	60,183

The direction of the variances for the year to date period Q3 2024 compared to Q3 2023, relative to the quarter to date period Q3 2024 compared to Q3 2023 are highly aligned which is due to the same key business drivers contributing to fluctuations in the results of operations for the year to date period as those that impacted variances for the three months ended September 30, 2024 and September 30, 2023 (quarter to date period).

The only exceptions to the above being share-based payments expense (see paragraph below) and the decrease in research and operational expenses for the quarter to date Q3 2024 vs. Q3 2023 period compared to the increase for the year to date periods due to $965,000 in credits recognized during 2023 for SDTC proceeds and cost recoveries, as well as approximately $577,000 in credits recognized for the amortization of SDTC amounts formerly within deferred liabilities. Overall, decreased spending in research and operational expenses is the trend for 2024.

Additionally, Share-based payments increased primarily due to the grant of stock options to executive officers during Q1 2024 which vested immediately as this was a short-term incentive award in lieu of a cash-based award, whereas during the comparative period the stock options granted during Q1 2023 vest annually over three years. Further, a post-AGM grant of RSUs and DSUs to Company Directors occurred in August 2024 (Q3 2024), compared to a similar grant which occurred in October 2023 (Q4 2023) instead.

REVIEW OF FINANCIAL CONDITION

Summary Financial Position and Key Metrics

	September 30, 2024 $	December 31, 2023 $	December 31, 2022 $	2024 to 2023 Change $	2023 to 2022 Change $
Cash and cash equivalents	13,467,011	31,868,882	39,445,395	(18,401,871)	(7,576,513)
Restricted cash	-	575,000	-	(575,000)	575,000
Current assets (all others)	1,198,814	1,835,321	3,182,564	(636,507)	(1,347,243)
Non-current assets	17,058,453	18,695,565	13,448,401	(1,637,112)	5,247,164
Total assets	**31,724,278**	52,974,768	56,076,360	(21,250,490)	(3,101,592)
Current liabilities	3,808,465	4,143,968	2,039,869	(335,503)	2,104,099
Non-current liabilities (lease liabilities)	1,003,525	1,344,144	587,122	(340,619)	757,022
Total liabilities	**4,811,990**	5,488,112	2,626,991	(676,122)	2,861,121
Total shareholders' equity	**26,912,288**	47,486,656	53,449,369	(20,574,368)	(5,962,713)
Key Financial Metrics:					
Working capital[1]	**10,857,360**	30,135,235	40,588,090	(19,277,875)	(10,452,855)
Liquid working capital[2]	**9,889,271**	28,691,624	38,891,919	(18,802,353)	(10,200,295)

[1] Represents current assets (including cash and cash equivalents and restricted cash) minus current liabilities.

[2] Represents working capital minus prepaid expenses and inventory.

For all periods presented, total assets are substantially comprised of cash and cash equivalents, and property, plant and equipment. Property, plant and equipment had decreased in 2024 compared to 2023 due to the disposal of land and other items of equipment, coupled with depreciation which exceeded capital expenditure additions in 2024.

During 2023 compared to 2022, the decrease in total assets was attributable to decreases in cash and cash equivalents, and receivables and prepayments exceeding the increases in property, plant and equipment and inventory. Receivables and prepayments for 2022 comprised approximately $800,000 in trade receivables that were acquired in the November 2022 acquisition of Johnson Matthey Battery Materials Ltd. and collected during 2023.

During 2024, the reduction of all components of current assets in addition to the net reduction in the carrying value of property, plant and equipment were drivers of the decrease in total assets. Cash and cash equivalents were used in operating activities including technology research and advancements, inventory levels were reduced as raw materials were consumed in production trials and not replenished to the same extent as previous. There were also write-downs to the cost of certain raw materials to market prices. Prepaid expenses have reduced as various insurance policies are near maturity and up for renewal, sales tax recoverable decreased in correlation with reduced operating activity levels and normal course timing variances, and purchases and inventory levels of spare parts (non-current) related to production machinery increased.

Total liabilities decreased in 2024 from 2023 as payables were paid down during Q3 2024 which also correlates with the reduced operating activity levels and cost containment.

Total liabilities increased in 2023 compared to 2022, as additional office and research facilities were leased commencing in Q1 2023, and other facility leases were renewed during 2023. Additionally, payables increased in the normal course of business as the level of operating and investing expenditures increased in alignment with operational growth during those periods.

Review of Cash Inflows

(Amounts are rounded)	**Three months ended September 30, 2024 $**	Three months ended June 30, 2024 $	**Nine months ended September 30, 2024 $**	Nine months ended September 30, 2023 $
Sources of cash and cash equivalents:				
Government programs (operating and investing activities)	339,000	38,000	426,000	4,280,000
Interest income (investing activities)	111,000	214,000	671,000	1,142,000
Cost recoveries from strategic partners (operating activities)	-	-	-	162,000
Disposal of land (investing activities)	4,835,000	-	4,835,000	-
Exercises of stock options and warrants (financing activities)	-	-	-	7,128,000
	5,285,000	252,000	**5,932,000**	12,712,000

For both the three and nine month comparisons above, interest income has reduced as a result of decreasing market rates of interest for deposit accounts as well as lower average cash and cash equivalent balances on which interest is earned.

Q3 2024 compared to Q2 2024

Government programs: Higher proceeds were received in Q3 2024 compared to the preceding Q2 2024 and Q1 2024 periods in 2024. The increase in Q3 2024 was driven by the receipt of proceeds from SR&ED (approximately $311,000), and NGen (approximately $13,000). Amounts relating to wage reimbursements for internships and other qualified employment positions from NRC-IRAP or other programs have been consistently received throughout 2024.

Nine months ended Q3 2024 compared to Q3 2023

Government programs: In 2023, the SDTC Milestone 1 grant (approximately $3,300,000) was received during Q1 2023, and approximately $800,000 was received in Q3 2023 for the SDTC holdback amount on the previously completed program. Amounts for 2024 relate to SR&ED, NRC-IRAP, NGen, and other non-repayable grants relating to employment and wage reimbursements.

Exercises of stock options and warrants: During Q1 2023, warrants were exercised generating proceeds of approximately $3,651,000, and stock options were exercised on various dates throughout the first three quarters of 2023 generating proceeds of approximately $3,477,000.

Summary of Cash Flows

Q3 2024 compared to Q2 2024

Three months ended	**September 30, 2024 $**	June 30, 2024 $	Change $
Operating activities			
Loss for the period	(4,610,538)	(8,369,780)	3,759,242
Adjustments for non-cash items	(2,172,403)	836,566	(3,008,969)
Interest income (reclassified to investing activities below)	(111,466)	(214,111)	102,645
Net change in non-cash working capital items	65,774	708,938	(643,164)
	(6,828,633)	(7,038,387)	209,754
Investing activities			
Interest income	111,466	214,111	(102,645)
Disposal of land, net	4,834,550	-	4,834,550
Capital expenditures[1]	(219,974)	(995,253)	775,279
Standby letter of credit (restricted cash)	575,000	-	575,000
	5,301,042	(781,142)	6,082,184
Financing activities			
Payments for facility leases	(148,241)	(130,961)	(17,280)
	(148,241)	(130,961)	(17,280)
Change in cash and cash equivalents	**(1,675,832)**	(7,950,490)	6,274,658
Cash and cash equivalents, beginning	**15,142,843**	23,093,333	
Cash and cash equivalents, ending	**13,467,011**	15,142,843	

[1] Capital expenditures includes purchases of equipment, payments on deposits and other assets, and payments for intangible assets. Engineering costs and FEL2 and FEL3 studies are included within operating activities.

Allocation of cash inflows from government assistance and cost recoveries **Three months ended**	**September 30, 2024 $**	June 30, 2024 $
Operating activities	**338,903**	38,125

The $210,000 decrease in cash used in operating activities was driven by a $301,000 net increase in government funding received in Q3 2024 compared to Q2 2024, despite the quarter over quarter reduction in net loss after adjustments for non-cash items. A more favourable fluctuation in working capital items occurred in Q2 2024 as a greater net reduction of payables occurred during Q3 2024.

The disposal of land in Candiac, Québec was the driver of the net cash inflows from investing activities. Capital expenditure variances include payments of amounts included in payables at Q4 2023 which were paid largely in Q2 2024 as the initial 200 tpa pilot plant expansion project came to an end.

Nine months ended 2024 compared to 2023

Nine months ended	**September 30, 2024 $**	September 30, 2023 $	Change $
Operating activities			
Loss for the period	(23,006,308)	(23,066,491)	60,183
Adjustments for non-cash items	368,287	2,291,557	(1,923,270)
Interest income (to investing activities)	(671,214)	(1,141,600)	470,386
Net change in non-cash working capital items	888,494	3,893,968	(3,005,474)
	(22,420,741)	(18,022,566)	(4,398,175)
Investing activities			
Interest income	671,214	1,141,600	(470,386)
Disposal of land, net	4,834,550	-	4,834,550
Capital expenditures[1]	(1,652,117)	(3,389,069)	1,736,952
Standby letter of credit (restricted cash)	575,000	-	575,000
	4,428,647	(2,247,469)	6,676,116
Financing activities			
Exercise of stock options and warrants	-	7,128,722	(7,128,722)
Payments for facility leases	(409,777)	(302,179)	(107,598)
	(409,777)	6,826,543	(7,236,320)
Change in cash and cash equivalents	**(18,401,871)**	(13,443,492)	(4,958,379)
Cash and cash equivalents, beginning of period	**31,868,882**	39,445,395	
Cash and cash equivalents, end of period	**13,467,011**	26,001,903	

[1] Capital expenditures includes purchases equipment, payments on deposits and other assets, and payments for intangible assets. Engineering costs and FEL2 and FEL3 studies are included within operating activities.

Allocation of cash inflows from government assistance and cost recoveries **Nine months ended**	**September 30, 2024 $**	September 30, 2023 $
Operating activities	425,654	2,566,549
Investing activities	-	1,713,530
	425,654	4,280,079

The favourable fluctuation in working capital items for the comparative 2023 period is due to the favourable fluctuation combined between receivables and prepayments (collection of approximately $800,000 in receivables acquired in the November 2022 acquisition of Johnson Matthey Battery Materials Ltd.), and accounts payable and accrued liabilities. Additionally, approximately $700,000 in SDTC funding remained capitalized to deferred liabilities.

After adjusting for the impact of government funding allocations that reduced operating expenses to a greater extent in 2023, the year to date 2024 operating activities (burn rate) is only approximately $2,200,000 higher than the 2023 comparative. The operating expenses driving this variance are primarily related to personnel costs (including Q3 2024 severance), research, engineering and technology development, and general and administrative.

The reduction in capital expenditures reflects payments of amounts included in payables at Q4 2023 which were paid largely in Q2 2024 as the initial 200 tpa pilot plant expansion project concluded which carried significant investment during the 2023 comparative period. Additionally, as at Q3 2024 the Company had not incurred significant investment in the proposed plant expansion up to 2,000 tpa.

Capital management

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 production and licensing. 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, 2024.

The Company currently invests 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 12 months.

Capital Sources

Nano One is in active dialogue with government agencies in Canada and Québec who are aligned with growing a domestic, environmentally focused, and economically viable battery ecosystem, and with project finance lenders and strategic partners to secure funding for growth activities, the Development Project (see "Commercialization Updates" above), and ongoing innovations. The Company is evaluating various non-dilutive funding programs, structures and government incentives to bolster and complement its treasury and continue advancing the commercialization of its LFP One-Pot process and CAM product.

In addition to receiving over $300,000 from SR&ED during Q3 2024, the Company announced milestone funding arrangements with Next Generation Manufacturing Canada (NGen) ($2,072,000 awarded to the Company) and the Department of Defense (DoD) of the United States of America (US$12,900,000), which both are set to provide funding over several years. The Company also sold land in Q3 2024 generating gross proceeds of $5,000,000. The Company expects to receive a milestone payment of approximately $1,500,000 from SDTC prior to December 31, 2024.

In April 2024, Nano One filed a short form base shelf prospectus ("Shelf Prospectus") which permits it to make offerings of various financial securities, up to an aggregate total of $175,000,000 at its discretion, at any time during the 25-month period (to May 2026 (Q2 2026)) that the Shelf Prospectus remains valid. During the 25-month period that the Shelf Prospectus remains valid, the nature, size and timing of any financings would be dependent on Nano One's assessment of requirements for funding and general market conditions. At the time any securities covered by the Shelf Prospectus are offered for sale, a prospectus supplement containing specific information regarding the terms of the securities being offered would be provided.

Shareholders' Equity

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

	As at the MD&A Date	
	#	Weighted average exercise price $
Common shares issued and outstanding	111,347,602	n/a
Stock options outstanding	2,148,940	2.99
RSUs/DSUs outstanding	1,953,628	n/a
Warrants outstanding	-	n/a
Fully diluted	**115,450,170**	

In January 2024, the Company granted 1,566,686 stock options and RSUs in aggregate to officers, employees, and consultants as follows:

- 200,000 stock options to an officer of the Company exercisable at $1.94 each for a period five years until January 19, 2029, which vest one-third annually to January 19, 2027;
- 743,948 stock options to officers of the Company exercisable at $1.91 each for a period seven years until January 23, 2031, of which 500,000 vested immediately and the remainder vest one-third annually to January 23, 2027; and
- 622,738 RSUs to officers, employees, and consultants of the Company which vest one-third annually to January 23, 2027.

In April and September 2024, a total of 75,117 common shares were issued for $nil proceeds on the exercise of RSUs.

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 (one-third (14,493) on August 1, 2025; one-third (14,493) on August 1, 2026; and the final one-third (14,492) on August 1, 2027).This award represents the annual non-cash equity compensation to the Board of Directors.

On October 1, 2024, the Company granted 300,000 RSUs, and 108,696 DSUs upon appointing a new Chairman. These grants are subject to certain vesting conditions.

On October 23, 2024, the Company granted 37,672 RSUs and DSUs in aggregate to Directors of the Company. These grants are subject to certain vesting conditions.

On October 28, 2024, 5,708 common shares were issued for $nil proceeds upon the exercise of RSUs.

CONTRACTUAL OBLIGATIONS

As at September 30, 2024	Carrying amount $	Contractual cash flows $	Under 1 year $	1-5 years $	More than 5 years $
Accounts payable and accrued liabilities	3,360,110	3,360,110	3,360,110	-	-
Lease liabilities	1,451,880	1,791,279	599,904	1,191,375	-
Total	**4,811,990**	**5,151,389**	**3,960,014**	**1,191,375**	**-**

SUMMARY OF QUARTERLY RESULTS

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

	2024			2023				2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**-**	-	-	-	-	-	-	-
Operating expenses	**(8,320,807)**	(8,617,897)	(10,389,007)	(9,013,580)	(7,581,520)	(8,088,571)	(8,484,363)	(5,430,296)
Adjusted operating expenses[1]	**(7,487,367)**	(8,145,986)	(9,056,331)	(8,261,110)	(7,119,319)	(7,580,527)	(8,204,093)	(4,949,724)
Cash used in operating activities	**(6,828,633)**	(7,038,387)	(8,553,721)	(9,036,487)	(6,921,232)	(8,303,093)	(2,798,241)	(575,888)
Cash provided by (used in) investing activities	**5,301,042**	(781,142)	(91,253)	(1,919,234)	(1,720,180)	(193,687)	(333,592)	(6,181,208)
Cash (used in) provided by financing activities	**(148,241)**	(130,961)	(130,575)	16,822,700	240,178	2,829,193	3,757,172	265,459
Change in cash and cash equivalents	**(1,675,832)**	(7,950,490)	(8,775,549)	5,866,979	(8,401,234)	(5,667,587)	625,339	(6,491,637)
Cash from government grants[2]	**338,903**	38,125	48,626	13,666	884,300	29,448	3,366,331	102,362
Cash from disposal of land	**4,834,550**	-	-	-	-	-	-	-
Cash and cash equivalents	**13,467,011**	15,142,843	23,093,333	31,868,882	26,001,903	34,403,137	40,070,734	39,445,395
Working capital	**10,857,360**	13,229,972	21,218,588	30,135,235	22,067,827	30,049,580	35,726,607	40,588,090

[1] Operating expenses less amortization, depreciation, and share-based payments expense is adjusted operating expenses.

[2] Cash from government grants is allocated between operating and investing activities within the financial statements.

There are no significant seasonal variations in quarterly results as Nano One is not subject to significant seasonality in its operations. Historically, its cash and working capital positions have been supported by private placements, equity exercises, and government grants particularly during the 2023 and 2022 fiscal years. Specific drivers for the variances presented above and discussed below are detailed within the "Review of Financial Results" section above.

The driver of the increased operating expenses and cash used in operating activities beyond Q4 2022 is the consolidation of the Candiac subsidiary's operations (Johnson Matthey Battery Materials Ltd.) which began part way through Q4 2022 (from November 1, 2022).

Proceeds from government funding are a contributing factor to quarter over quarter fluctuations in operating expenses as a portion of the proceeds are recognized as a credit towards certain expenses. Variances in capital expenditures (investing activities) are also subject to fluctuations for government proceeds for the same reason. Fluctuations are expected to continue for future fiscal quarters into 2025 and 2027 due to recent awards from NGen, The USA Department of Defense, and SDTC.

<u>Operating expenses:</u>

Operating expenses decreased in Q3 2024 compared to Q2 2024 as business development, professional and consulting, and research and operational expenses decreased, which were partially offset by an increase in personnel costs. Despite additional severance costs being incurred in Q3 2024 as a result of organizational restructuring during the period, a less than $8,000,000 level in adjusted operating expenses is indicative of a reducing trend with a similar downward trend on operating cash flows.

Operating expenses decreased in Q2 2024 compared to Q1 2024 as share-based payments expense in Q1 2024 included a one-time $678,000 amount relating to stock options granted that had immediately vested. Despite increases in business development and investor relations, and professional and consulting, these were more than offset by the decreases in share-based payments expense, research and operational expenses, and personnel costs.

Increased operating expenses in Q1 2024 compared to Q4 2023 are attributable to the normal course increasing overheads as well as the commencement of the FEL3 study during Q1 2024 which costs are captured as operating expenses. Notably, a grant of stock options in Q1 2024 which vested immediately increased share-based payments expense and consequently operating expenses but from a non-cash perspective.

Cash used in operating and investing activities:

Variations occur in operating cash flows due to the timing and amounts received from government grants that are recognized through operating (burn rate) and/or investing activities. A less than $7,000,000 burn rate in Q3 2024 is indicative of a developing trend of a reduced quarterly burn rate. Management expects further reductions in the burn rate in 2025 due to expenditure reimbursements from the aforementioned SDTC, DoD, and NGen government programs. Q4 2023 and Q3 2023 were particularly characterized by completing the conversion and commissioning of Nano One's 200 tpa LFP pilot plant within investing activities. Q4 2022 investing activities included the final portion of the cash consideration paid for the acquisition of Johnson Matthey Battery Materials Ltd.

The most notable cash flow during Q3 2024 was the proceeds received on the disposal of land (approximately $4,800,000 within investing activities). Otherwise investing activities are presented as capital expenditures on the purchase of equipment, machinery, leasehold improvements, informational technology, patent issues, partially offset by interest income. Notably, engineering costs and studies including FEL2 and FEL3 costs are presented as a component of operating cash flows as amounts are expensed through research and operational expenses. Capital expenditures have fluctuated during 2024 totalling approximately $200,000 for Q3 2024, $1,000,000 for Q2 2024, and $400,000 for Q1 2024. Payments of amounts payable as at December 31, 2023 largely account for relatively higher spend earlier in the year. Capital expenditures are normally subject to fluctuation based on various timing and planning factors.

Cash provided by financing activities:

Amounts include proceeds received from the Q4 2023 private placement with Sumitomo Metal Mining (SMM), warrant exercises in Q4 2022 and Q1 2023, and stock option exercises throughout 2023. No proceeds have been received in 2024 from the issuance or exercise of equity securities. Financing activities are partially offset by monthly payments for leased facilities which have increased as additional facilities were added in 2023 along with certain lease renewals in 2023 that carry higher rates.

The SMM equity financing in Q4 2023 largely accounts for the variance in the change in cash and cash equivalents between Q1 2024 and Q4 2023 given the proceeds from the SMM financing of approximately $17,000,000. When removing the SMM proceeds the change in cash and cash equivalents for Q4 2023 would have been approximately $11,000,000 in cash used, which for Q1 2024 is a net reduction in cash used compared to Q4 2023.

TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

The following transactions involved key management (gross amounts):

	Transactions nine months ended September 30, 2024	Transactions nine months ended September 30, 2023	**Balances outstanding September 30, 2024**	Balances outstanding December 31, 2023
	$	$	**$**	$
Bedrock Capital	112,500	112,500	-	-
DBM CPA	7,500	164,500	-	11,550
Directors' fees	240,000	241,509	-	-
Management and directors' fees (within wages, benefits and fees)	360,000	518,509	-	11,550
Expense reimbursements (officer)	-	-	1,569	-
Wages, benefits and fees (officers) [1]	2,006,698	1,985,547	533,154	-
Share-based payments (directors and officers)	1,850,143	654,580	-	-
PFS (professional and consulting; and intangible assets)	240,251	351,029	71,339	34,911
	4,457,092	3,509,665	**606,062**	46,461

(1) As at September 30, 2024, $533,154 (December 31, 2023 - $nil) was accrued as short-term incentive compensation to key management relating to 2024 performance which is based on performance targets. Short-term incentive compensation is payable in cash annually during the first quarter of the fiscal year.

During the nine months ended September 30, 2024, there were no short-term incentive amounts paid to key management in relation to the year ended December 31, 2023. During the nine months ended September 30, 2023, wages benefits, and fees included $599,758 in amounts paid for short-term incentive compensation in relation to 2022.

(a) Professional and consulting, net:

- 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, net 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; 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).
- Includes the services of 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. Anthony Tse became the new Chairman of the Company effective October 1, 2024. The Company had an arrangement with Mr. Matysek for a monthly consulting fee of $12,500 ($150,000 annually) payable to Bedrock Capital. 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).
- Includes compensation to non-executive directors of the Company and committee chairpersons.
- Includes the services of Donaldson Brohman Martin, CPA Inc. (“DBM CPA”) to January 15, 2024, a firm in which Dan Martino, former CFO, is a principal and has significant influence. On January 15, 2024, the Company announced the appointment of Carlo Valente as the new CFO. Dan Martino remains with the Company as Vice President of Finance providing services through DBM CPA.
- As of January 15, 2024, Pamela Kinsman, Corporate Secretary & Director of Sustainability resigned as Corporate Secretary and remains with the Company as Director of Sustainability. As of January 15, 2024, Leanne Swanson was appointed Corporate Secretary of the Company.

(c) Share-based payments:

- Includes amounts recognized on vesting of stock options and Equity Incentives granted to directors and officers.
- Refer to “Shareholders’ Equity” above for grants of stock options, RSUs, and DSUs, certain of which involving related parties of the Company.

ACCOUNTING ESTIMATES, JUDGMENTS AND STANDARDS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Nano One’s material accounting policy information is detailed in Note 2 to the financial statements for the year ended December 31, 2023.

Key Estimates and Judgments

Fair value of equity incentives (stock options, restricted share units, deferred share units, performance share units) and compensatory warrants

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

Property, plant and equipment

The estimated useful lives of property, plant and equipment are reviewed by management and adjusted if necessary. To estimate property, plant and equipment's useful life, management may use its past experience, review engineering estimates and/or appraisal reports, and industry practices for similar items of property, plant and equipment to assist in its determination of useful life. There have been no changes to the depreciation methods used by the Company during the nine months ended September 30, 2024.

Research and operational expenses

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

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

New accounting policies

Certain pronouncements have been issued by the IASB that are effective for the Company's accounting period beginning on January 1, 2024. The Company has reviewed all other updates and determined that many of these updates are not applicable or consequential to the Company.

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.

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

CSDS 1 and CSDS 2 are proposed to be effective for annual periods beginning on or after January 1, 2025.

The Company will monitor the continued development of mandating these standards and the requisite disclosure requirements. The CSSB's standards are expected to be finalized and issued in December 2024. Upon release, the CSDSs will be voluntary initially as the CSSB continues its dialogue with governments and regulatory bodies on mandating the CSSB's standards in Canada.

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.

The Company has not yet determined the impact of these amendments on its consolidated financial statements.

CHANGE IN EXECUTIVE OFFICERS AND DIRECTORS

Effective January 15, 2024, the Company announced the appointment of Carlo Valente as the Company's CFO, replacing Dan Martino who remains with the Company as Vice President of Finance providing financial reporting and other services through DBM CPA. Additionally, Leanne Likness Swanson became the Company's Corporate Secretary effective January 15, 2024, replacing Pamela Kinsman who remains with the Company as Director of Sustainability.

Effective October 1, 2024, the Company announced the resignation of Paul Matysek as Executive Chairman from the Board of Directors, and the appointment of Anthony Tse as the successor Chairman and Board member.

RISKS AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. An investment in Nano One's common shares involves risk. Investors should carefully consider the risks and uncertainties described below, in the Company's AIF, the MD&A and audited annual financial statements for the fiscal year ended December 31, 2023, and the Shelf Prospectus, filed with Canadian securities regulators and on Nano One's website which may not be a comprehensive list of risks and uncertainties. Additional risks and uncertainties, including those unknown by Nano One at this time, or are currently considered immaterial, may exist, and other risks may apply.

Public Health Crises, Including COVID-19

A local, regional, national, or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for materials required all along the supply chain the Company currently relies upon and will rely upon for its development and expansion plans. COVID-19 could affect the Company's ability to conduct operations and may result in temporary shortages of staff to the extent the Company's work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on the business, financial condition, results of operations and cash flows.

Funding and Global Economy Risk

The volatility of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. The Company seeks to manage its liquidity risk through a rigorous planning, budgeting, and forecasting process to help determine the funding requirements to support its current operations, development and expansion plans. However, the factors described above may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If these levels of volatility persist or if there is a further economic slowdown, the Company's operations, the Company's ability to raise capital and the trading price of the Company's securities could be adversely impacted. As the Company's operations expand and reliance on global supply chains increases, the impact of pandemics, significant geopolitical risk and conflict globally may have a sizeable and unpredictable impact on the Company's business, financial condition and operations. The COVID-19 pandemic and the ongoing conflicts between Russia and Ukraine and between Hamas and Israel, including the global response to such conflicts as it relates to sanctions, trade embargos, export controls, military support and any restrictive actions in response thereto, have resulted in significant uncertainty as well as economic and supply chain disruptions, changes in commodity prices and implications in the financial markets. Should another significant variant of COVID-19 develop or the conflicts between Russia and Ukraine and between Hamas and Israel go on for an extended period of time or expand territorially, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects to the Company.

Risk Management

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

Climate Change Legislation

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

DISCLOSURE CONTROLS AND PROCEDURES AND ICFR

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

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

Additionally, the Company has designed internal controls over financial reporting or caused it to be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.
During the nine months ended September 30, 2024 and the year ended December 31, 2023, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A and the financial statements is the responsibility of management. In the preparation of the financial statements, estimates are sometimes necessary to determine the carrying value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

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