NANO ONE MATERIALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Nano One Materials Corp. ("Nano One" or the "Company") and compares the Company's 2016 financial results with those of the previous years. This MD&A should be read in conjunction with the Company's audited financial statements and the related notes for the year ended December 31, 2017 which have been prepared under International Financial Reporting Standards ("IFRS").

These and additional documents are for viewing on SEDAR at www.sedar.com. All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including April 19, 2018 (the "Report Date").

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute "forward-looking statements". Such term is defined in applicable securities laws. The forward-looking information includes, without limitation, the success of research and development activities and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward-looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Such factors include, among others, risks relating to research and development; the Company's intellectual property applications being approved, the Company's ability to protect its proprietary rights from unauthorized use or disclosure, the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; fluctuations in currency exchange rates; operating hazards and risks; competition; and other risks and uncertainties. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

OVERVIEW

The Company is engaged in developing novel, scalable and low-cost processing technology for the production of high performance nano-structured materials. Nano One's mission is to establish its patent pending technology as a leading platform for the global production of a new generation of nano-structured composite materials. Nano One is building a portfolio of intellectual property and technology "know-how" for applications in markets that include energy storage, specialty ceramics, pharmaceutical, semiconductors, aerospace, dental, catalysts and communications. The technology simplifies the assembly of complex formulations of organic and inorganic ceramic powders and is suited to growth markets where the commercialization of advanced materials is inhibited by costly and entrenched industrial fabrication methods. Nano One's first market is lithium ion cathode materials in the energy storage sector, where its advantageous technology can bring sustainable differentiation and value to early adopters.

OVERALL PERFORMANCE

The Company has no revenues, so its ability to ensure continuing operations is its ability to obtain necessary financing to complete the development of novel, scalable and low-cost processing technology for the production of high performance nano-structured materials.

Nano One's innovative processing technology can be used to produce materials used in a wide range of markets. Nano One's first addressable market is cathode materials for lithium ion rechargeable batteries for electric vehicles (EV) and energy storage systems (ESS). There is growing demand in the lithium ion battery

market for more cost effective and higher performance energy storage solutions. Nano One is well positioned to address these needs with its patented and patent pending technology and anticipates growth potential for the technology in many other materials markets beyond energy storage, including dental, catalysts, specialty ceramics, pharmaceutical, semiconductors, agriculture, aerospace and communications.

Nano One has developed a new process of producing high performance cathode materials, which uses standard equipment and simple methods that are known to scale in a wide range of industrial applications. The process can produce higher performance composite materials while using lower cost feedstock and simpler processing. Nano One's patented and patent pending technology is a flexible manufacturing platform that enables lithium carbonate (or hydroxide) to be used as feedstock alongside other raw materials such as nickel, manganese, cobalt, iron, phosphate and/or aluminum. It is a water based process operating at mild pH and temperature that forms the energy storing cathode materials used in lithium ion batteries. The process can be configured to produce a range of different nanostructured materials and has the flexibility to shift with emerging and future battery market trends and a diverse range of other growth opportunities.

The process consists of three stages, and the major innovations lie in the first stage where a special mode of combining reactants controls crystal nucleation and growth of particles. Nucleation is the self-assembly of molecules into an organized structure. The desired nano-scale or superfine structure is formed in the initial stage of the production cycle and eliminates many steps common to the incumbent industrial processes.

The underlying structure and morphology of the materials is preserved through a wide range of thermal processing steps, eliminating the need for long and repeated firings and indicative of a robust and more durable material. The process produces materials with stable phase composition and high porosity, but which is configurable to meet a variety of energy density requirements.

The presence of nano-structures early in the process and prior to calcination (i.e. heating to high temperature) simplifies processing and is advantageous for material performance, process throughput and scale-up. Characterization of the materials by electron microscope and x-ray characterizes the size, the composition and the kind of structure, providing evidence of a robust structure that withstands the rigours of drying and calcination and maintains the integrity of its advantageous structure through thousands of charge cycles.

Typically, synthesis of nano-materials at the benchscale are performed in small quantities anywhere from milligrams to grams of material. Subsequent scale-up from these small quantities often leads to detrimental changes in thermodynamics (heat, temperature, energy, work) and reaction kinetics (reaction rates and chemical change). Nano One recognizes that synthesis of materials must begin at a larger scale where the properties of the system are much closer to production conditions. For this reason, Nano One designed a 6-litre bench scale reactor that is capable of producing up to 150 grams per hour (150 g/hr) or 3 kilograms per day (3 kg/day), with drying and firing stages easily scaled to match. At this scale, there is sufficient volume to emulate the thermodynamic and reaction kinetics expected in pilot and full-scale production.

Pilot Plant Project

In 2016, Nano One, NORAM Engineering and Constructors Ltd. ("NORAM") and B.C. Research Inc. ("BCRI") entered into a collaboration agreement whereby the parties would design, procure, construct, optimize and operate a pilot production plant. The goal of the pilot plant is to simulate full scale production of lithium ion cathode materials, showcase Nano One's patented technology and demonstrate the cost, scalability, performance and novelty of Nano One's technology to strategic industry players. The pilot plant is capable of producing hundreds (100's) of kilograms batches of various lithium mixed metal cathode materials that are strategically critical to electric vehicle, grid storage and consumer electronic batteries. The procurement and construction phase of the pilot project began on June 1, 2016. The construction and commissioning of the pilot plant was completed in June 2017.

A scaled-up production of lithium ion cathode materials that meet Nano One's processing and battery capacity targets has been demonstrated. Preliminary analysis of the pilot scale process is consistent with the chemistry and operating parameters developed in the laboratory. Evaluations of the pilot produced cathode

materials shows crystallinity, elemental composition and battery capacity in line with Nano One's laboratory scale process and materials.

The pilot plant project is being supported by the Government of Canada through grants of up to $2.08M from Sustainable Development Technology Canada ("SDTC") and up to $1.9M from the Automotive Supplier Innovation Program ("ASIP"), a program of Innovation, Science and Economic Development Canada ("ISED").

SDTC funds will be payable in installments over the three (3) phases of the project, namely: "build", "commission" and "validation" with a 10% holdback awarded upon completion of the project in mid-2018. The funds are dispersed at the beginning of each phase, and are subject to Nano One meeting milestones and having matching funds in place. To date, the Company has received two instalments totaling $1,113,022 (2016 – one instalment of $488,994) for the first and second phase of a lithium battery materials pilot plant project. A total of $Nil (2016 - $200,341) has been allocated as deferred government grant as at December 31, 2017.

ASIP funds will be applied to the three project phases described above with an additional phase 4 involving the validation of materials specific to the electric vehicle market. To date, a total of $995,221 has been claimed (2016 - $364,201).

Effective June 1, 2016, the Company was granted by the NRC-IRAP a non-repayable contribution of up to $222,857. NRC-IRAP requires that the proceeds from the grant be applied towards the development of cobalt free High Voltage Spinel (HVS) cathode materials. Under the terms of the agreement, NRC-IRAP has agreed to reimburse the Company for 80% of salaries paid to Company employees and 50% of supported contractor fees involved in this pilot facility. A total of $130,349 (2016 - $77,100) was claimed by the Company during the year ending December 31, 2017.

Effective June 5, 2017, the Company entered into an agreement with NRC-IRAP whereby NRC-IRAP will fund a non-repayable contribution of up to $8,400 (claimed - $7,040). The contribution is funded by the Youth Employment Strategy of the Government of Canada. Under the terms of the agreement, NRC-IRAP has agreed to reimburse the Company 100% of salaries paid to a process engineering assistant between the ages of 15 to 30.

During the year ended December 31, 2017, the Company received additional government grants for training and employment grants totaling $13,543 (2016 - $Nil).

Total government assistance recognized for the year ended December 31, 2017 was $1,066,321 (2016 - $828,615). The amount is offset against research and development expense on the statement of loss and comprehensive loss.

Technology

The electric vehicle industry is demanding higher energy density lithium ion cathode materials at a lower cost. This is being achieved with increasing proportions of nickel relative to cobalt, manganese or aluminum. Current industrial methods require higher cost lithium hydroxide as feedstock for these nickel-rich cathode materials. The flexibility of Nano One's process enables the use of lithium feedstock in form of either carbonate or hydroxide for the production of high performance cathode materials which could reduce constrains on the supply of battery grade lithium by enabling new sources. Nano One has begun working with a range of lithium sources from various producers to demonstrate the flexibility of its processing technology.

Nickel rich cathode materials include nickel cobalt aluminate (NCA) and nickel manganese cobaltate (NMC-532, 622 and 811). Note: "NMC-xyz", where x, y and z refers to ratios of nickel, manganese and cobalt , respectively. These materials are expected to play an increasingly dominant role in the lithium ion batteries used by major electric vehicle manufacturers.

During the period ended December 31, 2017, Nano One demonstrated the synthesis of high energy cathode material for electrical vehicles using lithium carbonate feedstock with energy densities on par with industry standards. This demonstration underlines the opportunity of Nano One's technology to enable a wider range of lithium sources for the rapidly growing electric vehicle market and supplements Nano One's other opportunities in the space including improved cathode material durability, power, energy and processing cost.

Nano One successfully piloted NMC111 and NMC622 with nickel content at 33% and 60%, respectively. These pilot tests were conducted at approximately 100 times normal lab scale and the results provide added confidence that these nickel rich materials can be manufactured at commercial scale. Electrochemical testing of battery cells made with these pilot materials is showing initial energy capacity measurements in excess of that achieved in the laboratory.

Nano One is also developing other important cathode materials at the laboratory scale in preparation for piloting that include NMC811, NCA, LMNO (high voltage spinel), LFP (lithium iron phosphate), LMO (lithium manganese oxide), and NCM325 (lithium manganese rich).

Nano One's laboratory batches of NCA and NMC811 made with lithium carbonate have energy densities of 710 and 750 Wh/kg, respectively. This is comparable to the same materials made with higher cost lithium hydroxide and demonstrates a cost effective lithium alternative.

Nano One successfully completed an 18 month project developing cobalt free HVS cathode material for lithium ion batteries, with the support NRC-IRAP. HVS is suited to fast charging and high power applications and is a candidate cathode material in next generation solid state lithium ion batteries for automotive, consumer electronics and energy storage applications. HVS differs from other cathodes because it is made from lithium, manganese and nickel, without the high cost and supply chain risk of cobalt.

Nano One has met its objectives in the HVS project and made a number of significant breakthroughs. Battery performance is excellent when our HVS is tested with lithium, graphite and LTO (lithium titanium oxide anodes). The process can control particle size and output voltage; and stabilizes HVS for high temperature applications. All of these advances are critical to battery manufacturers.

Nano One can control HVS particle size to tailor it for energy storage or power applications and its higher voltage enables simpler energy management systems and delivers increased power at high rates of discharge. HVS production is now ready for demonstration at pilot scale.

Operating the pilot has also enabled Nano One to complete preliminary engineering plans for a modular 3,300 tonne/year cathode production unit that could supply materials for roughly 24,000 60kWh electric vehicle batteries. Nano One has also begun work on detailed plant engineering in support of technology licensing proposals to global industrial interests.

The Proprietary Protection

Nano One believes that monetization of its technology is best pursued by protecting its proprietary position with patents and by pursuing a licensing strategy. This is seen as a capitally efficient means to leverage the supply chain, manufacturing, distribution and legal strengths of multinational materials producers, while allowing Nano One and its collaborators to focus on core strengths in technology development.

As at the Report Date, Nano One has been issued six patents. Nano One also has related patent applications pending throughout the world with filings in Canada, the United States, Europe, China, Japan and Korea. As at the Report date, the following patents have been granted and issued to Nano One:

- U.S. Patent No. 9,136,534 entitled "*Complexometric Precursor Formulation Methodology For Industrial Production Of High Performance Fine And Ultrafine Powders And Nanopowders For Specialized Applications*". This patent is directed to an innovative method for forming powders

particularly well suited for use as a lithium ion cathode material in next generation lithium ion batteries.

- U.S. Patent No. 9,159,999 entitled "*Complexometric Precursor Formulation Methodology For Industrial Production Of Fine And Ultrafine Powders And Nanopowders Of Lithium Metal Oxides For Battery Applications*". This patent is specific to the formation of lithium metal oxides using the proprietary methods described in Nano One's U.S. Patent No. 9,136,534.

- Taiwanese Patent No. 201207152 entitled "*Complexometric Precursor Formulation Methodology for Industrial Production of Fine and Ultrafine Powders and Nanopowders of Layered Lithium Mixed Metal Oxides for Battery Applications*". This patent relates to batteries utilizing the proprietary lithium mixed metal oxides discussed in U.S. Patent No. 9,159,999. This battery patent gives Nano One intellectual property protection in a commercially significant application of its proprietary technology.

- U.S. Pat. No. 9,698,419 entitled *"Complexometric Precursor Formulation Methodology for Industrial Production of Fine and Ultrafine Powders and Nanopowders of Layered Lithium Mixed Oxides for Battery Applications"*. This patent expands Nano One's propriety position to include the improvements in battery performance provided by the lithium ion cathode materials produced using Nano One's process.

- Japanese Patent No. JP6271599 entitled "Complexometric Precursor Formulation Methodology for Industrial Production of High Performance Fine and Ultrafine Powders and Nanopowders of Layered Lithium Mixed Oxides for Battery Application". This patent is directed at a lithium ion battery using cathode materials made by Nano Ones' proprietary process.

- Canadian Patent No. 2,906,009 entitled "Complexometric Precursor Formulation Methodology for Industrial Production of High Performance Fine and Ultrafine Powders and Nanopowders for Specialized Applications". This patent is directed at a method for forming a mixed metal powder, particularly for use as a cathode material in next generation lithium ion batteries

Nano One has filed a patent relating to its innovative method of synthesizing Lithium Iron Phosphate (LFP) cathode material. The new process uses fewer steps with lower cost raw materials while eliminating waste streams, costly equipment and manufacturing complexities. LFP is considered the safest of all cathode materials in the lithium ion battery space. It is made from abundant sources of iron and phosphate, is cobalt-free, and has excellent cyclability, power and charging characteristics. It has been used extensively in electric vehicle batteries in China and will apply to those battery applications where power, charging and longevity are most critical.

Nano One has filed a patent related to yield improvements in its process for the manufacture of lithium metal oxide cathode materials for use in advanced lithium ion batteries. The process improvements in this patent application have been demonstrated in the lab. Extrapolating the lab results, Nano One anticipates a 100-fold increase in the material throughput of its core technology at the reactor stage of the process. Specifically, the throughput of the existing pilot reactor could be increased from 10 kg/day, as initially conceived, to as high as 1400 kg/day. This yield is in line with current commercial production rates of cathode materials ranging from 1,000 to 10,000 kg/day. The remaining process steps are readily scalable to support the design of a full-scale plant. From industry reports, Nano One estimates that the global addressable market for cathode materials is approximately 500,000 kg/day. The pilot was designed and built to accommodate these concepts and demonstration of the elevated throughputs is expected this year. The technology was developed under the collaboration agreement between Nano One, NORAM and BCRI. Under the agreement, Nano One is assigned right, title and interest in arising intellectual property and accordingly a patent application has been filed with the U.S. Patent Office.

Nano One has filed a patent related to a developed technology that stabilizes lithium metal oxides for use in advanced lithium ion batteries. This innovation alleviates degradation mechanisms that cause energy stored in lithium ion batteries to fade with each charge cycle. The improvements are most dramatic at higher

operating temperatures, such as those seen in electric vehicles and could significantly increase the durability and the number of times that a battery can be recharged over its lifetime. The technology applies to lithium mixed metal cathode materials containing manganese and is particularly advantageous with Nano One's HVS.

The intellectual property was developed and is wholly owned by Nano One. Nano One has filed other patent applications and may file additional patents at a later date to further strengthen its intellectual property and technology going forward, although no assurances can be given that it will be successful in such endeavours. Nano One seeks to limit disclosure of its intellectual property by requiring employees, consultants and partners with access to the technology to execute confidentiality agreements and non-competition agreements and by restricting access to PLC's intellectual property and technology.

Despite Nano One's efforts to protect its intellectual property and technology, unauthorized parties may attempt to copy aspects of its technology or to obtain and use information that Nano One regards as proprietary. The laws of many countries do not protect proprietary rights to the same extent as the laws of the United States or Canada. Litigation may be necessary in the future to enforce Nano One's intellectual property rights, to protect Nano One's trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Any such litigation could result in substantial costs and diversion or resources and could have a material adverse effect on Nano One's business, operating results and financial condition. There can be no assurance that Nano One's means of protecting its proprietary rights will be adequate or that competitors will not independently develop similar services or products. Any failure by Nano One to adequately protect its intellectual property could have a material adverse effect on its business, operating results and financial condition.

FUTURE PLANS

Nano One will continue to develop, optimize and demonstrate the benefits of producing various cathode materials using its processing technology, for use in lithium ion batteries including the development of high voltage cobalt free cathode materials.

Nano One will continue to collaborate with NORAM and BCRI to operate the pilot plant to demonstrate the production of lithium ion battery cathode powders and to demonstrate technology improvements as they arise. The engineering design and specifications of equipment follow from commercial scale concepts developed by Nano One and NORAM. Nano One will continue to provide preliminary output and optimization of cathode materials. Nano One will also continue the evaluation of other next generation lithium ion battery materials as dictated by commercial interests. Nano One intends to ramp up the internal testing requirements with test cell assembly and electrochemical characterization.

Nano One has collaborated with Simon Fraser University to advance the understanding of the physical and chemical characteristics of lithium ion batteries as they charge and discharge. The two-year collaboration with SFU will be supervised by Associate Professor Dr. Byron Gates and Dr. Stephen Campbell, Nano One's Principal Scientist, with financial support from the Mitacs Elevate Postdoctoral Fellowship Program.

As the lithium ion battery market evolves, Nano One believes its key opportunities lie in (i) manufacturing of value added and differentiable cathode materials, (ii) enabling lithium feedstocks that others cannot use, and (iii) customizing materials for solid state, fast charging and next generation batteries. Nano One is adjusting financial models and development programs to pursue these opportunities.

Nano One intends to leverage progress on these plans and approach potential strategic interests and key market pull players to collaborate as partners in the demonstration pilot.

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

The following table sets out selected historical financial information of Nano One. Such information is derived from the audited financial statement of Nano One. The Company's annual financial statements are prepared in accordance with IFRS and are expressed, in Canadian dollars.

	December 31, 2017 $	December 31, 2016 $	December 31, 2015 $
Loss and comprehensive loss	(2,699,344)	(2,542,558)	(4,614,203)
Net loss per share, basic and fully diluted	(0.04)	(0.05)	(0.11)
Total assets	6,329,907	4,147,838	1,597,599
Total liabilities	136,269	657,726	147,465
Shareholders' equity	6,193,638	3,490,112	1,450,134

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Period	Interest and other items $	General admin $	Share-based payment $	Loss for the period $	Net loss per share, basic and fully diluted $
December 31, 2017	11,040	(499,236)	(72,208)	(560,404)	(0.01)
September 30, 2017	3,647	(700,214)	(70,514)	(767,081)	(0.01)
June 30, 2017	2,064	(638,806)	(60,566)	(697,308)	(0.01)
March 31, 2017	2,790	(612,555)	(64,786)	(674,551)	(0.01)
December 31, 2016	4,130	(42,498)	(193,495)	(231,863)	(0.004)
September 30, 2016	4,890	(421,150)	(232,095)	(648,355)	(0.01)
June 30, 2016	1,142	(997,812)	(31,347)	(1,028,017)	(0.02)
March 31, 2016	1,808	(485,482)	(150,649)	(634,323)	(0.01)

RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared To Year Ended December 31, 2016

Loss and comprehensive loss for the year ended December 31, 2017 increased by $156,786. The change was primarily due to the following:

- General and administrative costs of $2,450,811 (2016 - $1,946,942) increasing as follows:
  - Research and development increased by $119,343 primarily due to the following:
    - Hiring additional staff in connection with the pilot plant project;
    - Commissioning of the pilot plant during the year ended December 31, 2017;
    - NRC-IRAP grant of $130,349 (2016 - $77,100) was claimed by the Company during the year ending December 31, 2017 and was a reduction to research and development costs;
    - SDTC grant of $912,681 (2016 - $200,341) was allocated as a reduction to research and development costs;
  - ASIP grant of $631,020 (2016 - $364,201) was claimed by the Company and was a reduction to research and development costs;

- During the year ended December 31, 2017, the Company received $Nil (2016 – $98,661) from the Scientific Research and Experimental Development (SR&ED) Program;
- Filing and regulatory fees decreased by $24,081 primarily due to the 2016 warrant exercised in connection to the 2015 reverse takeover.
- Professional fees increased by $88,929, primarily due to the legal work in connection with the 2017 patent applications and grants; and
- Consulting increased by $45,238 primarily due to consulting fee paid in connection to IT consulting services in 2016.

- The Company recorded a non-cash share-based payment of $268,074 (2016 - $607,586).

Three Months Ended December 31, 2017 Compared To Three Months Ended December 31, 2016

Loss and comprehensive loss for the period ended December 31, 2017 increased by $328,541. The change was primarily due to the following:

- General and administrative costs of $499,236 (2016 - $42,498) increasing as follows:
  - Research and development increased by $304,763 primarily due to the following:
    - Hiring additional staff in connection with the pilot plant;
    - Commissioning of the pilot plant during the year ended December 31, 2017;
    - NRC-IRAP grant of $39,065 was claimed by the Company during the year ended December 31, 2016 and was a reduction to research and development costs;
    - ASIP grant of $364,201 was claimed by the Company during the year ended December 31, 2016 and was a reduction to research and development costs;
    - SDTC grant of $200,051 (2016 - $137,624) was allocated during the year ended December 31, 2017 as a reduction to research and development costs;
  - Rent increased by $6,320 primarily due to the corporate office relocating and receiving two months free rent;
  - Professional fees increased by $30,121 primarily due to the legal work in connection with the 2017 patent applications and grants; and
  - Salary and benefits increased by $47,781 due to the increase in Company activity resulting in hiring additional staff.
- The Company recorded a non-cash share-based payment of $72,208 (2016 - $193,495).

Research and Development Expense For The Fiscal Year Ended December 31, 2017 Compared To December 31, 2016:

	Year Ended December 31, 2017 $	Year Ended December 31, 2016 $
Analytical services	29,993	357,879
Consulting	373,336	357,186
Depreciation	711,348	45,072
Government grant recovery	(1,606,321)	(828,615)
Lab rent	63,064	45,304
Office and lab expense	302,187	199,478
Salaries and benefits related to R&D	908,654	506,316
Travel	27,845	8,143
	810,106	690,763

LIQUIDITY

The Company started 2017 with a working capital of $2,342,719, and as at December 31, 2017, the Company had working capital of $4,643,789. The increase in the working capital of $2,301,070 was primarily due to:

- 595,096 finders' warrants with an exercise price of $0.50 were exercised for gross proceeds of $297,548;
- 1,099,682 warrants with an exercise price of $0.50 were exercised for gross proceeds of $549,841;
- total government assistance recognized of $1,606,321;
- general and administrative costs of $2,450,811;
- 800,000 stock option were exercised for gross proceeds of $288,000;
- completed a non-brokered private placement for gross proceeds of $4,180,000;
- share issuance costs of $180,593;
- issuance of a patent for $2,220; and
- purchase of equipment and pilot plant of $1,129,524

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising. Management estimates the Company has sufficient working capital to maintain its operations for the upcoming year.

	December 31, 2017 $	December 31, 2016 $
Working capital	4,643,789	2,342,719
Deficit	(12,644,499)	(10,066,911)

CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in granted and pending patents, and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

RELATED PARTY DISCLOSURES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following transactions were carried out with related parties:

(a) Purchases of services

	December 31, 2017 $	December 31, 2016 $
Center Cut Capital, an entity controlled by John Lando, an executive director, for employee benefits	11,418	23,853
Sterling Pacific Capital, an entity controlled by John Lando, an executive director, for miscellaneous operating expenses	4,575	9,315
Patent Filing Specialists Inc, an entity where a Joseph Guy, a director, is a director, for legal fees	13,857	-
	29,850	33,168

(b) Key management compensation

Key management includes directors (executive and non-executive), and officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	December 31, 2017 $	December 31, 2016 $
Consulting fees paid to Bedrock Capital Corp., an entity controlled by the Chairman and Director	60,000	60,000
Salary and benefits to the CFO	92,512	72,000
Salary and benefits to the President and Director	76,953	75,000
Salary and benefits to the CEO and Director	126,953	125,000
Share-based payments to officers and directors	-	62,367
	356,418	394,367

(c) Accounts payable to related parties

As at December 31, 2017, accounts payable to related parties consisted of $13,857 (2016 - $7,650) owing to a director and companies controlled by a director and officer of the Company.

OUTSTANDING SHARE DATA

The authorized share capital of the Company is unlimited common shares, without par value. As at the Report Date, there were 65,313,137 (December 31, 2017 – 64,594,312) common shares outstanding.

As at December 31, 2017, 966,287 (December 31, 2016 – 2,898,861) of the Company's issued common shares were held in escrow and restricted from trading. These trading restrictions expire on March 5, 2018 (released subsequent to the year ended December 31, 2017).

Changes in issued share capital and equity reserves for the year ended December 31, 2017 were as follows:

1. 595,096 finder's warrants with an exercise price of $0.50 were exercised for gross proceeds of $297,548. Accordingly, $119,788 was transferred from equity reserves to share capital

2. 295,000 warrants with an exercise price of $0.50 were exercised for gross proceeds of $147,500

3. 1,609,364 warrants exercised into 804,682 common shares at an exercise price of $0.50 per share were exercised for gross proceeds of 402,341 Accordingly, $360,766 was transferred from equity reserves to share capital.

4. 100,000 stock options with an exercise price of $0.25 were exercised for gross proceeds of $25,000. Accordingly, $29,036 was transferred from equity reserves to share capital.

5. 100,000 stock options with an exercise price of $0.53 were exercised for gross proceeds of $53,000. Accordingly, $32,140 was transferred from equity reserves to share capital.

6. 600,000 stock options with an exercise price of $0.35 were exercised for gross proceeds of $210,000. Accordingly, $200,638 was transferred from equity reserves to share capital.

7. The Company completed a non-brokered private placement of 4,180,000 units of the Company at a price of $1.00 per unit for gross proceeds of $4,180,000. Each unit consists of one share and one-half of a share purchase warrant. Each whole warrant is exercisable until September 8, 2019 to acquire one share at an exercise price of $1.25 per share. The Company paid finders' fee of $145,880 and issued 145,880 finders' warrants with a value of $39,675. Each finders' warrant is exercisable until September 8, 2019 to acquire one share at an exercise price of $1.25 per share.

Changes in issued share capital and equity reserves for the year ended December 31, 2016 were as follows:

1. 350,000 stock options with an exercise price of $0.25 were exercised for gross proceeds of $87,500. Accordingly, $69,294 was transferred from equity reserves to share capital.

2. 100,000 stock options with an exercise price of $0.23 were exercised for gross proceeds of $23,000. Accordingly, $4,831 was transferred from equity reserves to share capital.

3. 2,914,902 warrants with an exercise price of $0.30 were exercised for gross proceeds of $874,470. Accordingly, $653,478 was transferred from equity reserves to share capital.

4. 6,908,334 warrants with an exercise price of $0.30 were exercised for gross proceeds of $2,072,500.

5. 75,633 warrants exercisable into 37,816 common shares at an exercise price of $0.50 per share were exercised for gross proceeds of $18,908. Accordingly, $16,934 was transferred from equity reserves to share capital.

6. 165,300 finders' warrants with an exercise price of $0.50 were exercised for gross proceeds of $82,650. Accordingly, $33,274 was transferred from equity reserves to share capital.

7. The Company completed a non-brokered private placement of 1,243,333 common shares of the Company at a price of $0.30 per share for gross proceeds of $373,000.

8. The Company completed a non-brokered private placement of 1,406,250 common shares of the Company at a price of $0.32 per share for gross proceeds of $$450,000.

Events after December 31, 2017:

1. The Company granted 150,000 stock options to a consultant of the Company. The options are exercisable until January 3, 2023 at a price of $1.14 per share and vest over twelve months.

2. The Company granted 100,000 stock options to a consultant of the Company. The options are exercisable until January 9, 2023 at a price of $1.19 per share and vest over twelve months.

3. The Company issued 400,000 common shares pursuant to the exercise of stock options at $0.35 for gross proceeds of $140,000.

4. The Company issued 270,000 common shares pursuant to the exercise of warrants at $1.25 for gross proceeds of $337,500.

5. The Company issued 48,825 common shares pursuant to the exercise of finders' warrants at $1.25 for gross proceeds of $61,031.

As at the Report Date, the following stock options were outstanding:

Number of Options	Exercise Price $	Expiry Date
2,825,000	0.25	March 5, 2020
225,000	0.25	January 19, 2021
50,000	0.35	February 25, 2021
100,000	0.38	April 8, 2021
50,000	0.50	September 13, 2021
45,000	0.67	June 5, 2022
147,500	0.70	March 10, 2022
25,000	0.74	May 4, 2022
50,000	1.08	September 13, 2022
150,000	1.14	January 3, 2023
150,000	1.15	August 11, 2022
100,000	1.19	January 9, 2023
3,917,500		

As at the Report Date the following warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
2,062,935	1.25	September 8, 2019

MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce to the cost of capital. The Company's capital is composed of equity in the statement of financial position.

The Company is not subject to externally imposed capital requirements. In managing capital structure, the company manages its capital through regular reports to the Board of Directors, as well as management

review of monthly or quarterly financial information. The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in note 1 of the financial statements.

FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined above. Accounts payable and accrued liabilities are due within one year.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of their short-term maturity.

Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company closely monitors the individual equity movements to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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

The fair values of cash is based on level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accounts payable to related parties approximate their vair values due to the short-term nature of these instruments.

RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

Intellectual Property Protection

The Company cannot provide any assurance that any intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the inventors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

Access to Proprietary Information

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

Performance and Scalability

To be successful, Nano One will have to successfully scale its internally developed technology while maintaining high product quality and reliability. If Nano One cannot maintain high product quality on a large scale, the Company will be adversely affected. Nano One may encounter difficulties in scaling up cathode materials that are typically required to prototype full size battery cells. Even if Nano One is successful in developing its technologies, Nano One does not know whether the Company will do so in time to satisfy the requirements of the electric vehicle industry. The current facility is a pilot plant and lab with limited production capacity.

Any interruption in operations at the current facility could result in the inability to successfully execute the business plan. A number of factors could cause interruptions, including, but not limited to, equipment malfunctions or failures, work stoppages or slow-downs, damage to or destruction of the facility or regional power shortages. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies.

Environmental Regulation

The Company's business and operations are subject to environmental regulation in the areas in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

Additionally, applicable regulations may change, and additional government regulations may be enacted that could impact the Company. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action. If we are not able to maintain regulatory compliance, are slow or unable to adopt new requirements or policies, or effect changes to existing requirements, the Company may be adversely affected.

Commodity Price, Raw Materials

Industrial chemicals used in the Nano One technology are subject to market price fluctuations. Market price fluctuations could have a material adverse effect on Nano One's business plan execution. There can be no assurance that the price of the raw materials will not increase in the future.

Competition

Despite efforts by the Company to protect its proprietary rights on which the Company's business is dependent, competitive products may be developed in the future. Competition could adversely affect the Company's ability to acquire market share.

Early Stage

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company currently has no source of revenue and expects to obtain financing in the future primarily through further equity and/or debt financing. While it has been successful in obtaining financing in the past, there is no guarantee that the Company will be successful now, or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its assets.

Management of Growth

The Company could experience growth that could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. In addition, the Company expects that its operational and management systems will face increased strain as a result of the expansion of the Company's technologies. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition will suffer. Failure to effectively manage growth could also result in difficulty in launching new processing technology or enhancing existing processing technology, declines in quality or end-user satisfaction, increases in costs or other operational difficulties, and any of these difficulties could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

Dependence on Management and Key Personnel

The Company's success depends largely upon the continued services of its executive officers and other key employees. From time to time, there may be changes in the Company's executive management team resulting from the hiring or departure of executives, which could disrupt its business. If the Company is unable to attract and retain top talents, its ability to compete may be harmed. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel. Competition for highly skilled technical, research and development, management, sales and other employees is high in the Company's industry, and the Company may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

Economic Conditions

Current and future unfavourable economic conditions could negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

Additional Capital Requirements

The Company has incurred annual losses over a number of years and it plans on continuing to make significant expenditures to support its business growth and may require additional funds to respond to business challenges, including the need to expand sales and marketing activities, develop new processing technologies to enhance its existing technology, enhance its operating infrastructure, and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issuances of equity or convertible debt securities, the Company's existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences and privileges superior to those of holders of the Company Shares. Any debt financing secured by the Company in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational

matters, which might make it more difficult for it to obtain additional capital and to pursue business opportunities.

The Company can provide no assurance that sufficient debt or equity financing will be available on reasonable terms or at all to support its business growth and to respond to business challenges and failure to obtain sufficient debt or equity financing when required could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

The Company expects its cash reserves will be reduced due to future operating losses and working capital requirements, and it cannot provide certainty as to how long the Company's cash reserves will last or that it will be able to access additional capital when necessary.

The Company expects to incur continued losses and generate negative cash flow until it can produce sufficient revenues to cover its costs. The Company may never become profitable. Even if it does achieve profitability, the Company may be unable to sustain or increase its profitability in the future. For the reasons discussed in more detail below, there are substantial uncertainties associated with the Company achieving and sustaining profitability. the Company expects its cash reserves will be reduced due to future operating losses and working capital requirements, and it cannot provide certainty as to how long its cash reserves will last or that it will be able to access additional capital if and when necessary.

The Company may not be able to successfully execute its business plan

The execution of the Company's business plan poses many challenges and is based on a number of assumptions. the Company may not be able to successfully execute its business plan. If the Company experiences significant cost overruns on its programs, or if its business plan is more costly than it anticipates, certain research and development activities may be delayed or eliminated, resulting in changes or delays to its commercialization plans, or the Company may be compelled to secure additional funding (which may or may not be available) to execute its business plan. the Company cannot predict with certainty its future revenues or results from its operations. If the assumptions on which its revenues or expenditures forecasts are based change, the benefits of the Company's business plan may change as well. In addition, the Company may consider expanding its business beyond what is currently contemplated in its business plan. Depending on the financing requirements of a potential acquisition or new product opportunity, the Company may be required to raise additional capital through the issuance of equity or debt. If the Company is unable to raise additional capital on acceptable terms, it may be unable to pursue a potential acquisition or new product opportunity.

Information Technology Interruptions or Breaches

The Company's business operations are managed through a variety of information technology systems. These systems govern all aspects of its operations. While the Company has implemented a number of measures to keep its technology systems fully operational and to mitigate the risks associated with a failure of its systems, the Company's systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by its employees. If the Company's information technology systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in its information technology systems could have a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows.

Conflicts of Interest

Certain of the directors, officers and other members of management of the Company serve (and may in the future serve) as directors, officers and members of management of other companies and therefore, it is possible that a conflict may arise between their duties as a director, officer or member of management of the Company and their duties as a director, officer or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of

directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

CHANGES IN ACCOUNTING POLICIES AND CRICITAL ACCOUNTING ESTIMATES

Critical judgments and sources of estimation uncertainty

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statement, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. the inputs used in the accounting for share-based payments expense in the statements of comprehensive loss; and
2. the inputs used in the accounting for finders' warrants in share capital.

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1. going concern of operations;
2. determining whether or not development costs meet the criteria to be capitalized; and
3. determining the provisions for income taxes and the recognition of deferred income taxes.

RECENT ACCOUNTING STANDARDS

The following standards have been issued but are not yet effective:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers is a new standard which establishes a new five-step model for revenue arising from contracts with customers. Revenue is recognized as the amount that reflects the consideration to which any entity expects to be entitled to in exchange for transferring gods or services to a customer. IFRS 15 is effective for periods beginning on or after January 1, 2018.

The Company has analyzed the impact of adopting IFRS 9 and IFRS 15 and anticipates there will be no material changes as a result of adopting these new standards.

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on the financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying 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.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.