NANO ONE MATERIALS CORP.
(formerly Dundarave Resources Inc.)

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2015

(Expressed in Canadian dollars)

Nano One Materials Corp.
P.O. Box 11604
Suite 620 – 650 West Georgia Street
Vancouver, BC, V6B 4N9, Canada

p 604-669-2701
f 604-687-4670
info@nanoone.ca
www.nanoone.ca

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

The accompanying unaudited condensed interim financial statements of Nano One Materials Corp. (formerly Dundarave Resources Inc.) (the “Company”) for the period ended September 30, 2015 have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity’s auditor.

NANO ONE MATERIALS CORP. (formerly Dundarave Resources Inc.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)
(Expressed in Canadian Dollars)

	September 30, 2015	December 31, 2014
	$	$
ASSETS		
Current assets		
Cash	1,796,032	153,311
Receivables	6,854	4,543
Prepaids	16,056	13,817
Total current assets	1,818,942	171,671
Equipment	205,486	214,138
Intangible assets (Note 6)	657	-
	206,143	214,138
Total assets	2,025,085	385,809
LIABILITIES AND SHAREHOLERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	69,090	115,128
Shareholders' equity		
Share capital (Note 9)	7,093,942	3,178,127
Equity reserves (Note 9)	1,773,032	42,144
Deficit	(6,910,979)	(2,949,590)
Total shareholders' equity	1,955,995	270,681
Total liabilities and shareholders' equity	2,025,085	385,809

Nature and continuance of operations (Note 1)
Events after the reporting date (Note 14)

Approved and authorized by the Board on November 23, 2015

The accompanying notes are an integral part of these condensed interim financial statements.

NANO ONE MATERIALS CORP. (formerly Dundarave Resources Inc.)
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)
(Expressed in Canadian Dollars)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014
	$	$	$	$
OPERATING EXPENSES				
Consulting	48,735	49,660	120,535	92,410
Filing and regulatory fees	(2,716)	-	17,274	21,130
Office and general	7,687	3,048	32,702	13,201
Professional fees	42,864	22,071	171,268	116,331
Rent	2,500	-	17,500	-
Research and development	99,346	61,373	259,653	369,041
Salary and benefits	93,109	29,257	205,301	91,287
Shareholder communication and investor relations	846	-	33,773	-
Share-based payments (Note 9)	177,549	-	578,087	-
Travel	6,650	4,269	10,172	15,518
Operating expenses	(476,570)	(169,678)	(1,446,265)	(718,918)
Interest income	27	316	2,244	2,067
Listing expense (Note 2)	-	-	(2,556,808)	-
	27	316	(2,554,564)	2,067
Loss and comprehensive loss for the period	(476,543)	(169,362)	(4,000,829)	(716,851)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.10)	(0.03)
Weighted average number of common shares outstanding	44,793,599	26,631,437	40,785,611	26,117,522

The accompanying notes are an integral part of these condensed interim financial statements.

NANO ONE MATERIALS CORP. (formerly Dundarave Resources Inc.)
CONDENSED INTERIM STATEMENTS OF CASH FLOW (unaudited)
(Expressed in Canadian Dollars)
NINE MONTHS ENDED SEPTEMBER 30

	2015	2014
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(4,000,829)	(716,851)
Items not affecting cash:		
Depreciation	32,141	31,495
Shares issued for consulting	-	15,000
Share-based payments	578,087	-
Listing expense	2,556,808	-
Changes in non-cash working capital items:		
Increase in receivables	17,391	8,017
Increase in prepaids	(822)	(235)
(Decrease) increase in accounts payable and accrued liabilities	(274,677)	51,576
Cash used in operating activities	(1,091,901)	(610,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash assumed on RTO	27,932	-
Purchase of equipment	(23,489)	-
Intangible assets	(657)	-
Cash provided by investing activities	3,786	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	3,000,000	235,000
Share issuance costs	(269,164)	(1,963)
Cash provided by financing activities	2,730,836	233,037
Change in cash during the period	1,642,721	(377,961)
Cash, beginning of period	153,311	680,295
Cash, end of period	1,796,032	302,334

Supplemental disclosures with respect to cash flows (Note 11)

The accompanying notes are an integral part of these condensed interim financial statements.

NANO ONE MATERIALS CORP. (formerly Dundarave Resources Inc.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (unaudited)
(Expressed in Canadian Dollars)

	SHARE CAPITAL		Equity Reserves		
	Number of Shares outstanding	Amount	Share-based payments	Deficit	Total equity
Balance at December 31, 2013	**25,755,968**	**$ 2,898,558**	**$ 55,532**	**$ (2,026,906)**	**$ 927,184**
Expiry of stock options	-	-	(9,131)	9,131	-
Private placements (net of share issuance costs of $479)	1,253,334	234,521	-	-	234,521
Commitments, (net of share issuance costs of $1,484)	416,348	45,048	-	-	45,048
Loss for the period	-	-	-	(716,851)	(716,851)
Balance at September 30, 2014	**27,425,650**	**3,178,127**	**46,401**	**(2,734,626)**	**489,902**
Expiry of stock options	-	-	(4,257)	4,257	-
Loss for the period	-	-	-	(219,221)	(219,221)
Balance at December 31, 2014	**27,425,650**	**3,178,127**	**42,144**	**(2,949,590)**	**270,681**
Share-based payments	-		578,087	-	578,087
Cancellation of stock options	-	-	(39,440)	39,440	-
Shares issued for acquisition of the Company (Note 2)	5,142,949	1,285,737	-	-	1,285,737
Warrants issued for acquisition of the Company (Note 2)	-	-	1,035,233	-	1,035,233
Finders' fee in connection with RTO	225,000	56,250	-	-	56,250
Private placement (net of share issuance costs of $74,164)	12,000,000	2,768,828	157,008	-	2,925,836
Finders' fee	-	(195,000)	-	-	(195,000)
Loss for the period	-	-	-	(4,000,829)	(4,000,829)
Balance at September 30, 2015	**44,793,599**	**$ 7,093,942**	**$ 1,773,032**	**$ (6,910,979)**	**$ 1,955,995**

The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Nano One Materials Corp (formerly, Dundarave Resources Inc.) (the "Company") was incorporated under the laws of the Province of Alberta on November 5, 1987 and continued under the laws of the Province of British Columbia on September 8, 2004. On March 5, 2015, the Company completed a combination with Perfect Lithium Corp. ("PLC") whereby it acquired all the issued and outstanding shares of PLC in exchange for issuing Company shares to the former shareholders of PLC (Note 2). As a result, PLC is considered the accounting parent and in March 2015 changed its fiscal year-end from March 31 to December 31.

On July 1, 2015, the Company amalgamated with PLC and continued as one company under the name, Nano One Materials Corp. The Company's head office address is Suite 620, 650 West Georgia Street, Vancouver, BC V6B 4N9, Canada. The registered and records office address is Suite 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3. The condensed interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated.

At the date of the condensed interim financial statements, 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 pending patents and 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.

These condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, or other business and financial transactions which would assure continuation of the Company's operations. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. REVERSE TAKEOVER ("RTO")

On March 5, 2015, the Company acquired PLC by way of a business combination (the "Transaction"). Pursuant to the Transaction, the Company, through its wholly-owned subsidiary, 1019491 B.C. Ltd, acquired all the issued and outstanding shares of PLC.

To complete the Transaction, the following occurred:

- The Company consolidated its share capital on a 2:1 basis such that after consolidation the shareholders of the Company held 5,142,949 post-consolidation common shares and were issued 5,142,949 warrants. Each warrant is exercisable until March 5, 2016 into one post-consolidation common share at an exercise price of $0.40 per share and thereafter until March 5, 2017 into one-half of one (1/2) post-consolidation share at an exercise price of $0.50 per whole share.

(Expressed in Canadian Dollars)

- The Company exchanged common shares for the shares of PLC at a ratio of 0.80 post-consolidation share of the Company for each PLC share. The Company issued 27,452,640 post-consolidation shares for the 34,282,051 outstanding shares of PLC. In addition, outstanding PLC warrants were exchanged for warrants of the Company with adjustments made to the number and exercise price for the 0.80 to 1 exchange ratio.

- Outstanding stock options of the Company and PLC were cancelled.

- The Company engaged Mackie Research Capital Corporation ("Mackie") to act as an advisor and paid Mackie a work fee of $22,600 and a finder's fee of 225,000 post-consolidation shares.

In connection with the Transaction, the Company completed a concurrent financing (the "Financing") of 12,000,000 units at $0.25 per unit for gross proceeds of $3,000,000. Each unit consists of one post consolidation share and one-half of a share purchase warrant. Each whole warrant is exercisable into one post consolidation share at an exercise price of $0.40 per share until March 5, 2016 and thereafter until March 5, 2017 at $0.50 per share. The Company engaged Mackie to act as the lead agent to the private placement. As consideration, the Company paid Mackie and several other agents a commission of 6.5% of the proceeds of the Financing in cash and 6.5% of the number of units sold in warrants.

As a result of the Transaction, PLC shareholders controlled the Company and the Company's named changed to "Nano One Materials Corp." and 1019491 B.C. Ltd.'s named changed to "Perfect Lithium Corp.". Since the mining exploration business of the Company had been suspended and the Company had become a dormant public shell, the Company did not meet the definition of a business and the Transaction was accounted for as the purchase of the Company's net liabilities by PLC. The net purchase price was determined as an equity settled share-based payment, under *IFRS 2, Share-based Payment,* at the fair value of the equity instruments of the Company retained by the shareholders of the Company, based on the market value of the Company's common shares on the date of closing the RTO.

The Transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid and the net liabilities acquired has been recognized as listing expense, in the statement of loss and comprehensive loss. These financial statements reflect the assets, liabilities and operations of PLC since its incorporation and of the Company from March 5, 2015.

The value of net liabilities of the Company acquired in exchange for all of the issued and outstanding common shares of PLC is set out as follows:

Cash	$	27,932
Receivables		19,702
Prepaids		1,417
Accounts payable		(218,639)
Accrued liabilities		(10,000)
Net Liabilities	$	(179,588)

(Expressed in Canadian Dollars)

The breakdown of the listing expense, in the interim condensed financial statement of loss and comprehensive loss, is as follows:

Purchase price of equity acquired:	
5,142,949 common shares at $0.25 per share	$ 1,285,737
5,142,949 warrants issued in connection with the RTO	1,035,233
225,000 common shares issued as finders' fee	56,250
Net liabilities acquired	179,588
Listing expense	$ 2,556,808

The fair value of the 5,142,949 common shares was determined to be $1,285,737 based on the fair value of the common shares issued through the private placement on March 5, 2015.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted pursuant to the RTO during the period:

	2015
Risk-free interest rate	0.61%
Expected life of warrants	2 year
Annualized volatility	156.77%
Dividend rate	0.00%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements should be read in conjunction with the audited financial statements of Perfect Lithium Corp. as at and for the period ended December 31, 2014.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Perfect Lithium Corp.'s 2014 audited financial statements.

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4. RECENT ACCOUNTING STANDARDS

The following standard has been issued but is 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.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim 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 condensed interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the condensed interim 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. whether or not an impairment has occurred in its equipment and intangible assets;
2. the inputs used in the accounting for share-based payments expense in the statements of comprehensive loss; and
3. the inputs used in the accounting for finders' warrants in share capital and equity reserves.

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; and
2. determining the provisions for income taxes and the recognition of deferred income taxes.

6. INTANGIBLE ASSETS

Intangible assets include patents associated with the Company's technology. Intangible assets are measured at cost less any accumulated impairment losses. Indefinite life intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. As of the period ended September 30, 2015, the Company has not recorded any impairment.

(Expressed in Canadian Dollars)

7. GOVERNMENT ASSISTANCE

Effective October 15, 2014, the Company was granted by the National Research Council of Canada Industrial Research Assistance Program ("NRC-IRAP") a non-repayable contribution of up to $250,000. NRC-IRAP requires that the proceeds from the grant be applied towards the optimization and design of a demonstrated pilot facility. 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 $150,523 was claimed by the Company during the period ending September 30, 2015, which was recorded as a reduction to related research and development costs.

8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities 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

	September 30, 2015 $	September 30, 2014 $
An entity where an executive director is an officer, for consulting fees	40,000	45,000
An entity where an executive director is an officer, for consulting fees	30,000	-
	70,000	45,000

(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:

	September 30, 2015 $	September 30, 2014 $
Salary and benefits to an officer	63,900	-
Salary and benefits to an executive director	23,738	-
Salary and benefits to an executive director	106,692	50,000
Share-based payments	473,017	-
	667,347	50,000

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND EQUITY RESERVES

(a) Common shares

The authorized share capital of the Company consists of unlimited common shares without par value.

As at September 30, 2015, 4,831,436 (December 31, 2014 – Nil) of the Company's issued common shares were held in escrow and restricted from trading. These trading restrictions expire as follows:

March 5, 2016	966,288
September 5, 2016	966,287
March 5, 2017	966,287
September 5, 2017	966,287
March 5, 2018	966,287
	4,831,436

Changes in issued share capital and equity reserves for the period ended September 30, 2015 were as follows:

i) On March 5, 2015, the Company consolidated the existing 34,282,051 common shares into 27,425,650 common shares as part of the Transaction (Note 2).

ii) On March 5, 2015, the Company issued 5,142,949 common shares as part of the Transaction (Note 2).

iii) Pursuant to the Transaction, the Company issued 225,000 common shares as consideration for the finder fee (Note 2). The total $56,250 fair value of these shares, estimated at $0.25 per common share, was recorded as a cost of the Transaction.

iv) The Company completed a financing (the "Financing") of 12,000,000 units at $0.25 per unit for gross proceeds of $3,000,000. Each unit consists of one share and one-half of a share purchase warrant. Each whole warrant is exercisable until March 5, 2016 to acquire one share at an exercise price of $0.40 per share and thereafter until March 5, 2017 at $0.50 per share. The Company engaged Mackie to act as the lead agent to the Financing. As consideration, the Company paid to Mackie and several other agents a commission of $195,000 and issued 780,000 finders' warrants with a value of $157,000. Each finders' warrant is exercisable until March 5, 2016 to acquire one share at an exercise price of $0.40 per share and thereafter until March 5, 2017 at $0.50 per share.

Changes in issued share capital and equity reserves for the period ended September 30, 2014 were as follows:

i) The Company issued 336,348 common shares with a value of $31,532 pursuant to service agreements between the Company and Lithium Ion Power LLC.

ii) The Company issued 80,000 common shares with a value of $15,000 pursuant to a consulting agreement between the Company and Eon Consulting.

iii) the Company completed a non-brokered private placement of 1,253,334 units of the Company at a price of $0.1875 each, for gross proceeds of $235,000. Each unit consisted of one common share and one common share purchase warrant to purchase an additional common share for a period of 18 months at a price of $0.35. In the event that the Company had not listed on a stock exchange by 12 months from closing, each purchaser of units shall receive an adjustment of the common shares received in connection with the subscription agreement equal to an additional 35% of the common share originally issued to each purchaser.

(Expressed in Canadian Dollars)

(b) Stock option plan

The Company has a stock option plan under which it is authorized to grant options to directors, officers, consultants and employees to acquire up to 10% of the issued and outstanding shares at the time of each grant. The exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years. All options are to be settled by physical delivery of shares.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2014	950,000	$	0.10
Granted	3,175,000	$	0.25
Cancelled	(950,000)	$	0.10
Balance at September 30, 2015	3,175,000	$	0.25
Exercisable as at September 30, 2015	1,725,000	$	0.25

At September 30, 2015 the following stock options were outstanding:

Number of Options	**Exercise Price**	**Expiry Date**
100,000	$0.23	June 10, 2020
2,825,000	$0.25	March 5, 2020
250,000	$0.25	September 15, 2020
3,175,000		

(Expressed in Canadian Dollars)

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was $745,957 (2014 – $Nil). The share-based payments expense for the period was $578,087 (2014 - $Nil). Fair value at grant date of the stock option plan was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

	September 15, 2015	June 10, 2015	March 5, 2015
Risk-free interest rate	1.09	1.09%	0.94%
Expected life of options	2 years	5 years	5 years
Annualized volatility	149.39%	80.76%	156.77%
Dividend rate	0.00	0.00	0.00%

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted pursuant to the finders' fee in relation to the private placement and the RTO completed during the period:

	2015
Risk-free interest rate	0.61%
Expected life of warrants	2 year
Annualized volatility	156.77%
Dividend rate	0.00%

(d) Warrants

At September 30, 2015, warrants were outstanding enabling holders to acquire the following number of shares:

	Exercise price $	Expiry date
5,142,949	0.40*	March 5, 2017
6,780,000	0.40**	March 5, 2017
22,400	0.3125	November 27, 2015
1,253,334	0.35	February 26, 2016
13,198,683		

* Exercise price is $0.40 per share until March 5, 2016 and thereafter into one-half of one common share at an exercise price of $0.50 per share

** Exercise price is $0.40 per share until March 5, 2016 and thereafter at an exercise price of $0.50 per share

10. 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.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions for the period ended September 30, 2015 included:

a) The Company recorded $157,008 as the fair value for finders' warrants granted pursuant to the finders' fee in relation to the private placement completed during the period in share capital and equity reserves (Note 8).

Significant non-cash transactions for the period ended September 30, 2014 included:

a) The Company issued 336,348 common shares with a value of $31,532 pursuant to service agreements between the Company and Lithium Ion Power LLC.

b) The Company issued 80,000 common shares with a value of $15,000 pursuant to a consulting agreement between the Company and Eon Consulting.

12. 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 in Note 10 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.

Currency Risk

The Company operates in Canada and the United States, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash, accounts payable and accrued liabilities are exposed to the financial risk related to the fluctuation of foreign exchange rates. Most significantly, the Company is exposed to potential currency fluctuations between the US and Canadian dollars as research and development expenses transacted in US dollars represented approximately Nil% (2014 – 34%) of the Company's operating results.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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.

Financial Assets

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

September 30, 2015	Stated in Canadian Dollars		
Carrying Value	Canadian Dollar	US Dollar	Total
Cash	1,792,121	3,911	1,796,032
Receivables	6,854	-	6,854

Financial Liabilities

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were held in the following currencies:

September 30, 2015	Stated in Canadian Dollars		
Carrying Value	Canadian Dollar	US Dollar	Total
Accounts payable and accrued liabilities	69,090	-	69,090

13. SEGMENTED INFORMATION

The Company operates in one business segment, developer of patent pending technology for the production of nanostructured materials.

14. EVENTS AFTER THE REPORTING DATE

The Company issued 200,000 stock options to consultants of the Company. Each stock option is exercisable until November 1, 2020 to acquire one common share at an exercise price of $0.25 per share.