NANO ONE MATERIALS CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2016

(Expressed in Canadian dollars)

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NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

The accompanying unaudited condensed interim financial statements of Nano One Materials Corp. (the "Company") for the period ended September 30, 2016 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.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)
(Expressed in Canadian Dollars)

	September 30, 2016	December 31, 2015
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	3,360,098	1,316,506
Receivables	59,720	63,855
Prepaids	334,990	16,425
Total current assets	3,754,808	1,396,786
Equipment, net	211,400	199,499
Intangible assets	1,314	1,314
	212,714	200,813
Total assets	3,967,522	1,597,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	113,722	147,465
Deferred government grant	337,965	-
Total current liabilities	451,687	147,465
Shareholders' equity		
Share capital (Note 7)	11,750,981	7,093,942
Equity reserves (Note 7)	1,599,902	1,880,545
Deficit	(9,835,048)	(7,524,353)
Total shareholders' equity	3,515,835	1,450,134
Total liabilities and shareholders' equity	3,967,522	1,597,599

Nature and continuance of operations (Note 1)

Events after the reporting date (Note 12)

Approved and authorized by the Board on November 15, 2016

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

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015
	$	$	$	$
OPERATING EXPENSES				
Consulting	58,613	48,735	202,793	120,535
Depreciation	2,751	-	7,746	-
Filing and regulatory fees	10,326	(2,716)	53,487	17,274
Office and general	14,515	7,687	33,284	32,702
Professional fees	10,642	42,864	129,355	171,268
Rent	4,500	2,500	21,000	17,500
Research and development (Note 5)	190,347	99,346	867,483	259,653
Salary and benefits	74,893	93,109	235,975	205,301
Shareholder communication and investor relations	54,128	846	339,047	33,773
Share-based payments (Note 7)	232,095	177,549	414,091	578,087
Travel	435	6,650	14,274	10,172
Operating expenses	(653,245)	(476,570)	(2,318,535)	(1,446,265)
Interest income	4,890	27	7,840	2,244
Listing expense	-	-	-	(2,556,808)
	4,890	27	7,840	(2,554,564)
Loss and comprehensive loss for the period	(648,355)	(476,543)	(2,310,695)	(4,000,829)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.04)	(0.10)
Weighted average number of common shares outstanding	57,838,634	44,793,599	53,324,854	40,785,611

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

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

	2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(2,310,695)	(4,000,829)
Items not affecting cash:		
Depreciation	35,529	32,141
Share-based payments	414,091	578,087
Listing expense	-	2,556,808
Changes in non-cash working capital items:		
Increase in receivables	4,135	17,391
Increase in prepaids	(318,565)	(822)
Increase in deferred government grant	337,965	-
Decrease in accounts payable and accrued liabilities	(33,743)	(274,677)
Cash used in operating activities	(1,871,283)	(1,091,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash assumed on RTO	-	27,932
Purchase of equipment	(47,430)	(23,489)
Intangible assets	-	(657)
Cash provided by investing activities	(47,430)	3,786
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	3,969,383	3,000,000
Share issuance costs	(7,078)	(269,164)
Cash provided by financing activities	3,962,305	2,730,836
Change in cash during the period	2,043,592	1,642,721
Cash, beginning of period	1,316,506	153,311
Cash, end of period	3,360,098	1,796,032

Supplemental disclosures with respect to cash flows (Note 9)

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

NANO ONE MATERIALS CORP.
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, 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 $74,164)	12,000,000	2,768,828	157,008	-	2,925,836
Finders' fee	-	(195,000)	-	-	(195,000)
Loss for the period	-	-	-	(4,000,829)	(4,000,829)
Balance at September 30, 2015	**44,793,599**	**7,093,942**	**1,773,032**	**(6,910,979)**	**1,955,995**
Share-based payments	-	-	107,513	-	107,513
Loss for the period	-	-	-	(613,374)	(613,374)
Balance at December 31, 2015	**44,793,599**	**7,093,942**	**1,880,545**	**(7,524,353)**	**1,450,134**
Share-based payments	-	-	414,091	-	414,091
Exercise of stock options	400,000	157,607	(59,607)	-	98,000
Exercise of warrant	9,860,761	3,567,586	(601,853)	-	2,965,733
Exercise of finder warrants'	165,300	115,924	(33,274)	-	82,650
Private placements	2,649,583	823,000	-	-	823,000
Share issuance costs	-	(7,078)	-	-	(7,078)
Loss for the period	-	-	-	(2,310,695)	(2,310,695)
Balance at September 30, 2016	**57,869,243**	**$ 11,750,981**	**$ 1,599,902**	**$ (9,835,048)**	**$ 3,515,835**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Nano One Materials Corp. (the "Company") was incorporated under the laws of the Province of Alberta on November 5, 1987 and continued under the laws of the Province of British Columbia on September 8, 2004. The Company trades on the TSX Venture Exchange. To date, the Company has not earned significate revenues.

The Company's head office address is Unit 101B, 8575 Government Street, Burnaby, BC V3N 4V1, Canada. The registered and records office address is Suite 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3. The 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. 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 the Company as at and for the period ended December 31, 2015.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2015 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 4.

3. RECENT ACCOUNTING STANDARDS

The following standards have 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.

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.

IFRS 16, Leases is a new standard, which replace IAS 17, Leases, and the related interpretations on leases such as IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – Incentives and SIC 27, Evaluating the substance of transactions in the legal form of a lease. This new standard specifies how to recognize, measure, present and disclose leases. It also provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a small value. Accounting for the lessor remain substantially unchanged. The standard is effective for periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, Revenue from Contracts with Customers.

Amendments to IAS 7, Statements of cash flows: the amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies and sources of estimation uncertainty that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are the same as those that applied to the Company's 2015 annual financial statements.

5. 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 $25,103 (2015 - $150,523) was claimed by the Company during the period ending September 30, 2016.

Effective June 1, 2016, the Company was granted by the National Research Council of Canada Industrial Research Assistance Program ("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 High Voltage Cobalt Free 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 $38,035 (2015 - $Nil) was claimed by the Company during the period ending September 30, 2016.

Effective June 1, 2016, the Company executed a contribution agreement with Sustainable Development Technology Canada for $2.08 million technology commercialization grant and received the initial instalment of $488,994 for the first phase of a lithium battery materials pilot plant project. Funds are dispersed at the beginning of each phase and are subject to the Company meeting milestones and having matching funds in place. A total of $337,965 has been allocated as deferred government grant as at September 30, 2016.

6. 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.

(Expressed in Canadian Dollars)

The following transactions were carried out with related parties:

(a) Purchases of services

	September 30, 2016 $	September 30, 2015 $
An entity where an executive director is an officer, for consulting fees	-	40,000
An entity where an executive director is an officer, for consulting fees	45,000	30,000
An entity where an executive director is an officer, for employee benefits	15,246	-
	60,246	70,000

(b) Key management compensation

Key management includes directors (executive and non-executive), the Chief Executive Officer, President and Chief Financial Officer. The compensation paid or payable to key management for employee services is shown below:

	September 30, 2016 $	September 30, 2015 $
Salary and benefits to an officer	54,000	63,900
Salary and benefits to an officer and executive director	56,250	23,738
Salary and benefits to and officer and executive director	93,750	106,692
Share-based payments to officers and directors	62,367	473,017
	266,367	667,347

7. 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, 2016, 2,898,861 (December 31, 2015 – 4,831,436) of the Company's issued common shares were held in escrow and restricted from trading. These trading restrictions expire as follows:

March 5, 2017	966,287
September 5, 2017	966,287
March 5, 2018	966,287
	2,898,861

Changes in issued share capital and equity reserves for the period ended September 30, 2016 were as follows:

1. 300,000 stock options with an exercise price of $0.25 were exercised for gross proceeds of $75,000. Accordingly, $54,776 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. 2,980,152 warrants with an exercise price of $0.30 were exercised for gross proceeds of $894,046. Accordingly, $586,746 was transferred from equity reserves to share capital.

4. 6,843,084 warrants with an exercise price of $0.30 were exercised for gross proceeds of $2,052,925.

5. 75,050 warrants exercisable into 37,525 common shares at an exercise price of $0.50 per share were exercised for gross proceeds of $18,762. Accordingly, $15,107 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.

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

1. On March 5, 2015, the Company consolidated the existing 10,285,976 common shares into 5,142,949 common shares as part of the reverse takeover.

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

3. The Company completed a financing (the "Financing") of 12,000,000 units at $0.25 per unit for gross proceeds of up to $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.

(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 enabling them to acquire up to 5,375,236 common shares. 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.

(Expressed in Canadian Dollars)

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, 2015	3,375,000	$	0.25
Granted	1,525,000		0.35
Exercised	(400,000)		0.25
Balance at September 30, 2016	4,500,00		0.28
Exercisable as at September 30, 2016	3,362,500	$	0.26

At September 30, 2016 the following stock options were outstanding:

Number of Options	**Exercise Price**	**Expiry Date**
2,825,000	$0.25	March 5, 2020
150,000	$0.25	December 1, 2020
225,000	$0.25	January 19, 2021
1,050,000	$0.35	February 25, 2021
100,000	$0.38	April 8, 2021
50,000	$0.50	September 13, 2021
100,000	$0.53	May 11, 2021
4,500,000		

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was $474,841 (2015 – $745,957). The share-based payments expense for the period was $414,091 (2015 - $578,087). 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 and vested during the period are as follows:

	January 19, 2016	February 25, 2016	April 8, 2016	May 11, 2016	September 13, 2016
Risk-free interest rate	0.58%	0.63%	0.71%	0.68%	0.76%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Annualized volatility	188.82%	179.06%	63.51%	75.22%	88.52%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%

(Expressed in Canadian Dollars)

(d) Warrants

During the period, the Company amended the terms of 12,396,283 outstanding warrants issued in connection with a reverse takeover and private placement announced as follows:

- 1,253,334 warrants with an original exercise price of $0.35 per share until February 26, 2016 are now exercisable at $0.30 per share until April 15, 2016;

- 5,142,949 warrants with an original exercise price of $0.40 per share until March 5, 2016 and thereafter until March 5, 2017 into one-half of one (1/2) share at an exercise price of $0.50 per whole share are now exercisable at $0.30 per share until April 15, 2016 and thereafter until March 5, 2017 into one-half of one (1/2) share at an exercise price of $0.50 per whole share; and

- 6,000,000 warrants with an original exercise price of $0.40 per share until March 5, 2016 and thereafter until March 5, 2017 at $0.50 per share are now exercisable at $0.30 per share until April 15, 2016 and thereafter until March 5, 2017 at $0.50 per share.

At September 30, 2016, warrants were outstanding enabling holders to acquire the following number of shares:

Issued date	Balance, December 31, 2015	Issued	Exercised	Expired	Exercise price $	Balance, September 30, 2016	Expiry date
August 26, 2014	1,253,334	-	1,253,334	-	0.30	-	April 15, 2016
March 5, 2015	5,142,949	-	2,989,952	-	0.30*	2,152,997	March 5, 2017
March 5, 2015	6,000,000	-	5,655,000	-	0.30**	345,000	March 5, 2017
March 5, 2015	780,000	-	165,300	-	0.40***	614,700	March 5, 2017
	13,176,283	-	10,063,586	-		3,112,697	

* Exercise price is $0.30 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 $0.30 per share until March 5, 2016 and thereafter 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

8. 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.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions for the period ended September 30, 2016 included:

a) The Company allocated $59,607 for stock option exercised during the period to share capital from equity reserves.

b) The Company allocated $635,127 for warrant exercised during the period to share capital from equity reserves.

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.

10. 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 8 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 cash equivalents, 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 and cash equivalents is held with major Canadian based financial institutions.

Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company operates in Canada and has minimal exposure to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash and cash equivalents, and accounts payable and accrued liabilities are exposed to the financial risk related to the fluctuation of foreign exchange rates.

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 and cash equivalents 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, 2016	Stated in Canadian Dollars		
Carrying Value	Canadian Dollar	US Dollar	Total
Cash and cash equivalents	3,356,399	3,699	3,360,098
Receivables	59,720	-	59,720

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, 2016	Stated in Canadian Dollars		
Carrying Value	Canadian Dollar	US Dollar	Total
Accounts payable and accrued liabilities	113,722	-	113,722
Deferred government grant	337,965	-	337,965

11. SEGMENTED INFORMATION

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

12. EVENTS AFTER THE REPORTING DATE

The Company entered into two operating lease agreements with expiry dates of October 31, 2019.