NANO ONE MATERIALS CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(Expressed in Canadian dollars)

Nano One Materials Corp.
Unit 101B
8575 Government Street
Burnaby, BC V3N 4V1, Canada

p 604-420-2041
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, 2017

The accompanying unaudited condensed interim financial statements of Nano One Materials Corp. (the "Company") for the period ended September 30, 2017 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, 2017	December 31, 2016
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	5,074,024	2,439,244
Receivables	35,172	483,131
Prepaids	53,288	78,070
Total current assets	5,162,484	3,000,445
Equipment, net (Note 5)	413,340	301,305
Pilot plant, net (Note 6)	1,369,008	844,774
Intangible assets	3,534	1,314
	1,785,882	1,147,393
Total assets	6,948,366	4,147,838
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	57,737	449,735
Accounts payable to related parties	-	7,650
Deferred government grant (Note 7)	200,051	200,341
Total current liabilities	257,788	657,726
Shareholders' equity		
Share capital (Note 10)	17,699,588	11,846,703
Equity reserves (Note 10)	1,075,085	1,710,320
Deficit	(12,084,095)	(10,066,911)
Total shareholders' equity	6,690,578	3,490,112
Total liabilities and shareholders' equity	6,948,366	4,147,838

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on November 20, 2017

On behalf of the Board of Directors:

"Dan Blondal"	"Lyle Brown"
Director	Director

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	
	2017	2016	2017	2016
	$	$	$	$
OPERATING EXPENSES				
Consulting	97,200	58,613	214,542	202,793
Depreciation	5,017	2,751	12,446	7,746
Filing and regulatory fees	11,544	10,326	33,672	53,487
Office and general	18,572	14,515	60,246	33,284
Professional fees	70,071	10,642	188,163	129,355
Rent	17,045	4,500	46,177	21,000
Research and development (Note 5)	149,119	190,347	682,063	867,483
Salary and benefits	134,023	74,893	363,727	235,975
Shareholder communication and investor relations	187,586	54,128	294,697	339,047
Share-based payments (Note 7)	70,514	232,095	195,866	414,091
Travel	10,037	435	55,842	14,274
Operating expenses	(770,728)	(653,245)	(2,147,441)	(2,318,535)
Interest income	3,647	4,890	8,501	7,840
Loss and comprehensive loss for the period	(767,081)	(648,355)	(2,138,940)	(2,310,695)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average number of common shares outstanding	61,175,618	57,838,634	59,831,056	53,324,854

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

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(2,138,940)	(2,310,695)
Items not affecting cash:		
Depreciation	479,365	35,529
Share-based payments	195,866	414,091
		-
Changes in non-cash working capital items:		
Decrease in receivables	447,959	4,135
Decrease (increase) in prepaids	24,782	(318,565)
Decrease in accounts payable and accrued liabilities	(391,998)	(33,743)
Decrease in accounts payable to related parties	(7,650)	-
(Decrease) increase in deferred government grant	(290)	337,965
Cash used in operating activities	(1,390,906)	(1,871,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(168,949)	(47,430)
Purchase of pilot plant	(946,685)	-
Intangible assets	(2,220)	-
Cash used in investing activities	(1,117,854)	(47,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	5,315,389	3,969,383
Share issuance costs	(171,849)	(7,078)
Cash provided by financing activities	5,143,540	3,962,305
Change in cash during the period	2,634,780	2,043,592
Cash, beginning of period	2,439,244	1,316,506
Cash, end of period	5,074,024	3,360,098
Cash	210,795	224,523
Cash equivalents	4,863,229	3,135,575
Cash and cash equivalents, end of period	5,074,024	3,360,098

Supplemental disclosures with respect to cash flows (Note 12)

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, 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**
Share-based payments	-	-	193,495	-	193,495
Exercise of stock options	50,000	27,018	(14,518)	-	12,500
Exercise of warrants	291	68,704	(68,559)	-	145
Loss for the period	-	-	-	(231,863)	(231,863)
Balance at December 31, 2016	**57,919,534**	**11,846,703**	**1,710,320**	**(10,066,911)**	**3,490,112**
Share-based payments	-	-	195,866	-	195,866
Exercise of stock options	800,000	549,814	(261,814)	-	288,000
Exercise of warrants	1,099,682	910,607	(360,766)	-	549,841
Exercise of finders warrants	595,096	417,336	(119,788)	-	297,548
Expiry of warrants	-	6,652	(128,408)	121,756	-
Private placements	4,180,000	4,140,325	39,675	-	4,180,000
Share issuance costs	-	(171,849)	-	-	(171,849)
Loss for the period	-	-	-	(2,138,940)	(2,138,940)
Balance at September 30, 2017	**64,594,312**	**$ 17,699,588**	**$ 1,075,085**	**$(12,084,095)**	**$ 6,690,578**

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 year ended December 31, 2016.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company’s 2016 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 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 goods or services to a customer. IFRS 15 is effective for periods beginning on or after January 1, 2018.

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 these standards will have on its financial statements. 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 2016 annual financial statements.

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Computer software	Computer hardware	Research and development equipment	Office equipment	Total
Cost	$	$	$	$	$
Balance, December 31, 2015	7,424	23,489	424,180	-	455,093
Additions	-	15,702	135,037	2,645	153,384
Disposals	-	-	-	-	-
Balance, December 31, 2016	7,424	39,191	559,217	2,645	608,477
Additions	-	34,508	131,803	2,638	168,949
Disposals	-	-	-	-	-
Balance, September 30, 2017	7,424	73,699	691,020	5,283	777,426
Accumulated depreciation					
Balance, December 31, 2015	928	3,327	251,339	-	255,594
Depreciation for the year	3,248	7,750	40,492	88	51,578
Disposals	-	-	-	-	-
Balance, December 31, 2016	4,176	11,077	291,831	88	307,172
Depreciation for the period	1,218	10,618	44,468	610	56,914
Disposals	-	-	-	-	-
Balance, September 30, 2017	5,394	21,695	336,299	698	364,086
Carrying amounts					
As at December 31, 2016	3,248	28,114	267,386	2,557	301,305
As at September 30, 2017	2,030	52,004	354,721	4,585	413,340

$44,468 (2016 - $26,587) of depreciation has been recorded in research and development expenses.

(Expressed in Canadian Dollars)

6. PILOT PLANT

	Forklift and equip	Pilot plant equip	Total
Cost	$	$	$
Balance, December 31, 2015	-	-	-
Additions	27,480	821,874	849,354
Disposals	-	-	-
Balance, December 31, 2016	27,480	821,874	849,354
Additions	-	946,685	946,685
Disposals	-	-	-
Balance, September 30, 2017	27,480	1,768,559	1,796,039
Accumulated depreciation			
Balance, December 31, 2015	-	-	-
Depreciation for the year	4,580	-	4,580
Disposals	-	-	-
Balance, December 31, 2016	4,580	-	4,580
Depreciation for the period	8,587	413,864	422,451
Disposals	-	-	-
Balance, September 30, 2017	13,167	413,864	427,031
Carrying amounts			
As at December 31, 2016	22,900	821,874	844,774
As at September 30, 2017	14,313	1,354,695	1,369,008

$422,451 (2016 - $1,145) of depreciation has been recorded in research and development expenses.

7. GOVERNMENT ASSISTANCE

Effective June 1, 2016, the Company was granted by the NRC-IRAP a non-repayable contribution of up to $222,857 (claimed - $191,719). 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 $114,619 (2016 - $38,035) was claimed by the Company during the period ending September 30, 2017.

Effective June 1, 2016, the Company executed a contribution agreement with Sustainable Development Technology Canada for up to $2.08 million technology commercialization grant and received the two instalments totaling $1,113,022 for the first and second 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 $200,051 has been allocated as deferred government grant as at September 30, 2017.

Effective June 1, 2016, the Company was awarded up to $1.9 million (claimed - $679,233) from Innovation, Science and Economic Development Canada (ISED). Automotive Supplier's Innovation Program (ASIP) requires that the proceeds from the grant be applied to the preparation, design, construction, optimization and operation of a pilot plant. A total of $315,032 (2016 - $Nil) was claimed by the Company during the period ending September 30, 2017.

(Expressed in Canadian Dollars)

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.

Total government assistance recognized for the period ended September 30, 2017 was $1,066,812 (2016 - $214,167). The amount is offset against research and development expense on the statement of loss and comprehensive loss.

8. COMMITMENTS

During the year ended December 31, 2016, the Company entered into an operating lease for its corporate head office. During the period ended September 30, 2017 the Company incurred $35,111 (2016 - $Nil) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	$ 37,702
Within two to three years	41,485
Total	$ 79,187

During the year ended December 31, 2016, the Company entered into an operating lease for its lab and pilot plant facility. During the period ended September 30, 2017 the Company incurred $52,236 (2016 - $Nil) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	$ 61,410
Within two to three years	56,293
Total	$ 117,703

On April 15, 2011, the Company entered into an Assignment and Royalty Agreement (the “Agreement”) with Lithium Ion Power LLC (“LIP”) and Teresita F. Kullberg (“Kullberg”) that will survive until the last patent issued under any of the technologies expires. In accordance with the Agreement, Kullberg and LIP assigned to the Company all of its rights, title and interest in and to the technologies and all such rights in and to any and all improvements. The Company must pay a royalty of 3% on net revenues from all consideration collected or received from the marketing, manufacturing, sale or distribution of or licensing the right to do any of the same of the goods manufactured with the use of all or some of the technologies. As at September 30, 2017, the Company had not yet generated any revenue, therefore, no royalties have been paid or accrued.

(Expressed in Canadian Dollars)

9. 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, 2017 $	September 30, 2016 $
An entity where an executive director is an officer, for consulting fees	45,000	45,000
An entity where an executive director is an officer, for miscellaneous operating expenses	4,575	6,818
An entity where an executive director is an officer, for employee benefits	11,418	15,246
	60,993	67,064

(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, 2017 $	September 30, 2016 $
Salary and benefits to an officer	65,667	54,000
Salary and benefits to an officer and executive director	56,250	56,250
Salary and benefits to and officer and executive director	93,750	93,750
Share-based payments to officers and directors	-	62,367
	215,667	266,367

10. 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, 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 will expire on March 5, 2018.

Changes in issued share capital and equity reserves for the period ended September 30, 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 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.

(Expressed in Canadian Dollars)

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.

(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 10% of the issued and outstanding 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.

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, 2016	4,450,000	0.29
Granted	417,500	0.91
Exercised	(800,000)	0.36
Balance at September 30, 2017	4,067,500	0.33
Exercisable as at September 30, 2017	3,431,667	0.28

(Expressed in Canadian Dollars)

At September 30, 2017, 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
450,000	$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	$1.15	August 11, 2022
4,067,500		

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was $208,446 (2016 – $474,841). The share-based payments expense for the period was $195,866 (2016 - $414,091). 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:

	March 10, 2017	May 4, 2017	June 5, 2017	August 11, 2017	September 13, 2011
Risk-free interest rate	1.26%	0.99%	1.58%	1.46%	1.78%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Annualized volatility	69.05%	53.30%	55.76%	57.28%	61.15%
Dividend rate	0.00%	0.00	0.00	0.00	0.00

(d) Warrants

At September 30, 2017, warrants were outstanding enabling holders to acquire the following number of shares:

Issued date	Balance, December 31, 2016	Issued	Exercised	Expired	Exercise price $	Balance, September 30, 2017	Expiry date
March 5, 2015	2,152,414	-	1,609,364	543,050	0.25*	-	March 5, 2017
March 5, 2015	345,000	-	295,000	50,000	0.50	-	March 5, 2017
March 5, 2015	614,700	-	595,096	19,604	0.50	-	March 5, 2017
September 8, 2017	-	2,235,880	-	-	1.25	2,235,880	September 8, 2019
	3,112,114	2,235,880	2,499,460	612,654		2,235,880	

*one-half of one common share at an exercise price of $0.50 per share

11. 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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions for the period ended September 30, 2017 included:

a) The Company allocated $119,788 for finder's warrants exercised during the period to share capital from equity reserves.

b) The Company allocated $360,766 for warrants exercised during the period to share capital from equity reserves.

c) The Company allocated $261,814 for stock options exercised during the period to share capital from equity reserves.

d) The Company recorded $39,675 for finder's warrants issued during the period to equity reserves from share capital.

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.

13. 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 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. The Company considers credit risk with respect to the receivables to be minimal.

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.

Cash and cash equivalents are measured at fair value 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, 2017	Stated in Canadian Dollars		
Carrying Value	Canadian Dollar	US Dollar	Total
Cash	207,381	3,414	210,795
Cash equivalents	4,863,229	-	4,863,229
Cash and cash equivalents	5,070,610	3,414	5,074,024
Receivables	35,172	-	35,172

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, 2017	Stated in Canadian Dollars
Carrying Value	Canadian Dollar
Accounts payable and accrued liabilities	57,737
Deferred government grant	200,051

14. SEGMENTED INFORMATION

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