



NANO ONE MATERIALS CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2016

(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 SIX MONTHS ENDED JUNE 30, 2016**

The accompanying unaudited condensed interim financial statements of Nano One Materials Corp. (the “Company”) for the period ended June 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)

	June 30, 2016	December 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	3,692,103	1,316,506
Receivables	27,678	63,855
Prepays	78,471	16,425
Total current assets	<u>3,798,252</u>	<u>1,396,786</u>
Equipment, net	190,303	199,499
Intangible assets	<u>1,314</u>	<u>1,314</u>
	<u>191,617</u>	<u>200,813</u>
Total assets	<u>3,989,869</u>	<u>1,597,599</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>67,721</u>	<u>147,465</u>
Shareholders' equity		
Share capital (Note 7)	11,734,029	7,093,942
Equity reserves (Note 7)	1,374,812	1,880,545
Deficit	<u>(9,186,693)</u>	<u>(7,524,353)</u>
Total shareholders' equity	<u>3,922,148</u>	<u>1,450,134</u>
Total liabilities and shareholders' equity	<u>3,989,869</u>	<u>1,597,599</u>

Nature and continuance of operations (Note 1)

Events after the reporting date (Note 12)

Approved and authorized by the Board on August 18, 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 JUNE 30		SIX MONTHS ENDED JUNE 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
OPERATING EXPENSES				
Consulting	103,880	46,800	144,180	71,800
Depreciation	2,671	-	4,995	-
Filing and regulatory fees	24,550	12,850	43,161	19,990
Office and general	10,336	11,736	18,769	25,013
Professional fees	86,841	19,776	118,713	128,404
Rent	10,000	15,000	16,500	15,000
Research and development	558,764	129,416	677,136	160,307
Salary and benefits	81,964	46,107	161,082	112,192
Shareholder communication and investor relations	104,967	32,927	284,919	32,927
Share-based payments (Note 7)	31,347	25,295	181,996	400,538
Travel	13,839	(13,723)	13,839	3,522
Operating expenses	(1,029,159)	(326,184)	(1,665,290)	(969,693)
Interest income	(1,142)	(1,861)	(2,950)	(2,217)
Listing expense	-	-	-	2,556,808
	1,142	1,861	2,950	(2,554,591)
Loss and comprehensive loss for the period	(1,028,017)	(324,323)	(1,662,340)	(3,524,284)
Basic and diluted loss per common share	(0.02)	(0.01)	(0.03)	(0.09)
Weighted average number of common shares outstanding	56,611,143	44,793,599	51,043,163	38,748,401

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)
SIX MONTHS ENDED JUNE 30

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(1,662,340)	(3,524,284)
Items not affecting cash:		
Depreciation	21,346	21,427
Share-based payments	181,996	400,538
Listing expense	-	2,556,808
Changes in non-cash working capital items:		
Decrease (increase) in receivables	36,177	(6,977)
Increase (decrease) in prepaids	(62,046)	1,895
Decrease in accounts payable and accrued liabilities	(79,744)	(300,868)
Cash used in operating activities	<u>(1,564,611)</u>	<u>(851,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash assumed on RTO	-	27,932
Purchase of equipment	<u>(12,150)</u>	<u>-</u>
Cash used in investing activities	<u>(12,150)</u>	<u>27,932</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	3,959,120	3,000,000
Share issuance costs	<u>(6,762)</u>	<u>(268,914)</u>
Cash provided by financing activities	<u>3,952,358</u>	<u>2,731,086</u>
Change in cash during the period	2,375,597	1,907,557
Cash, beginning of period	1,316,506	153,311
Cash, end of period	3,692,103	2,060,868

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		Total equity
	Number of Shares outstanding	Amount	Share-based payments	Deficit	
Balance at December 31, 2014	27,425,650	\$ 3,178,127	\$ 42,144	\$ (2,949,590)	\$ 270,681
Share-based payments	-	-	400,538	-	400,538
Cancellation of stock options	-	-	(39,440)	39,440	-
Shares issued for acquisition of the Company	5,142,949	1,285,737	-	-	1,285,737
Warrants issued for acquisition of the Company	-	-	1,035,233	-	1,035,233
Finders' fee in connection with reverse takeover	225,000	56,250	-	-	56,250
Private placement (net of share issuance costs of \$73,914)	12,000,000	2,769,078	157,008	-	2,926,086
Finders' fee	-	(195,000)	-	-	(195,000)
Loss for the period	-	-	-	(3,524,284)	(3,524,284)
Balance at June 30, 2015	44,793,599	7,094,192	1,595,483	(6,434,434)	2,255,241
Share-based payments	-	-	285,062	-	285,062
Share issuance costs	-	(250)	-	-	(250)
Loss for the period	-	-	-	(1,089,919)	(1,089,919)
Balance at December 31, 2015	44,793,599	7,093,942	1,880,545	(7,524,353)	1,450,134
Share-based payments	-	-	181,996	-	181,996
Exercise of stock options	368,750	144,762	(54,575)	-	90,187
Exercise of warrant	9,855,861	3,563,163	(599,880)	-	2,963,283
Exercise of finder warrants'	165,300	115,924	(33,274)	-	82,650
Private placements	2,649,583	823,000	-	-	823,000
Share issuance costs	-	(6,762)	-	-	(6,762)
Loss for the period	-	-	-	(1,662,340)	(1,662,340)
Balance at June 30, 2016	57,833,093	\$ 11,734,029	\$ 1,374,812	\$ (9,186,693)	\$ 3,922,148

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 significant revenues.

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 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 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.

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.

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

NANO ONE MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED JUNE 30, 2016
Page 3

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 - \$105,944) was claimed by the Company during the period ending June 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 \$Nil (2015 - \$Nil) was claimed by the Company during the period ending June 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.

The following transactions were carried out with related parties:

(a) Purchases of services

	June 30, 2016	June 30, 2015
	\$	\$
An entity where an executive director is an officer, for consulting fees	-	30,000
An entity where an executive director is an officer, for consulting fees	30,000	15,000
An entity where an executive director is an officer, for employee benefits	15,246	-
	45,246	45,000

(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:

	June 30, 2016	June 30, 2015
	\$	\$
Salary and benefits to an officer	36,000	40,500
Salary and benefits to an officer and executive director	37,500	-
Salary and benefits to and officer and executive director	62,500	65,000
Share-based payments to officers and directors	56,700	400,538
	192,700	506,038

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 June 30, 2016, 3,865,148 (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:

September 5, 2016	966,287
March 5, 2017	966,287
September 5, 2017	966,287
March 5, 2018	966,287
	<u>3,865,148</u>

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

1. 268,750 stock options with an exercise price of \$0.25 were exercised for gross proceeds of \$67,187. Accordingly, \$49,744 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. 65,250 warrants exercisable into 32,625 common shares at an exercise price of \$0.50 per share were exercised for gross proceeds of \$16,312. Accordingly, \$13,134 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 June 30, 2015 were as follows:

- ii) 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.
- iii) 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.

NANO ONE MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED JUNE 30, 2016
Page 5

iv) 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.

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	1,475,000	0.35
Exercised	(368,750)	0.24
Balance at June 30, 2016	4,481,250	0.28
Exercisable as at June 30, 2016	3,156,250	\$ 0.28

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

Number of Options	Exercise Price	Expiry Date
2,825,000	\$0.25	March 5, 2020
31,250	\$0.25	September 15, 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
100,000	\$0.53	May 11, 2021
4,481,250		

NANO ONE MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED JUNE 30, 2016
Page 6

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was \$457,748 (2015 – \$705,699). The share-based payments expense for the period was \$181,996 (2015 - \$400,538). 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
Risk-free interest rate	0.58%	0.63%	0.71%	0.68%
Expected life of options	5 years	5 years	5 years	5 years
Annualized volatility	188.82%	179.06%	63.51%	75.22
Dividend rate	0.00%	0.00%	0.00%	0.00%

(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 June 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, June 30, 2016	Expiry date
August 26, 2014	1,253,334	-	1,253,334	-	0.30	-	April 15, 2016
March 5, 2015	5,142,949	-	3,045,402	-	0.30*	2,097,547	March 5, 2017
March 5, 2015	6,000,000	-	5,589,750	-	0.30**	410,250	March 5, 2017
March 5, 2015	780,000	-	165,300	-	0.40***	614,700	March 5, 2017
	13,176,283	-	10,053,786	-		3,122,497	

* 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 June 30, 2016 included:

- a) The Company allocated \$54,575 for stock option exercised during the period to share capital from equity reserves.
- b) The Company allocated \$633,154 for warrant exercised during the period to share capital from equity reserves.

Significant non-cash transactions for the period ended June 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 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:

	Stated in Canadian Dollars		
June 30, 2016			
Carrying Value	Canadian Dollar	US Dollar	Total
Cash and cash equivalents	3,688,404	3,699	3,692,103
Receivables	27,678	-	27,678

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:

	Stated in Canadian Dollars		
June 30, 2016			
Carrying Value	Canadian Dollar	US Dollar	Total
Accounts payable and accrued liabilities	67,721	-	67,721

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

Subsequent to June 30, 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 \$488,944 for the first phase of a lithium battery materials pilot plant project.