



NANO ONE MATERIALS CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

	September 30, 2018	December 31, 2017
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	3,502,290	4,673,301
Receivables (Note 7)	305,525	35,713
Prepaid expenses	18,525	71,044
Total current assets	<u>3,826,340</u>	<u>4,780,058</u>
Equipment, net (Note 5)	506,815	395,414
Pilot plant, net (Note 6)	487,447	1,150,901
Intangible assets	48,431	3,534
	<u>1,042,693</u>	<u>1,549,849</u>
Total assets	<u>4,869,033</u>	<u>6,329,907</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	47,350	122,412
Accounts payable to related parties (Note 9)	-	13,857
Deferred government grant (Note 7)	220,909	-
Total current liabilities	<u>268,259</u>	<u>136,269</u>
Shareholders' equity		
Share capital (Note 10)	18,453,900	17,690,844
Equity reserves (Note 10)	1,393,062	1,147,293
Deficit	(15,246,188)	(12,644,499)
Total shareholders' equity	<u>4,600,774</u>	<u>6,193,638</u>
Total liabilities and shareholders' equity	<u>4,869,033</u>	<u>6,329,907</u>

Nature and continuance of operations (Note 1)

Commitments (Note 8)

Events after the reporting date (Note 15)

Approved and authorized by the Board on November 27, 2018

On behalf of the Board of Directors:

"Dan Blondal"
Director

"Lyle Brown"
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	
	2018	2017	2018	2017
	\$	\$	\$	\$
OPERATING EXPENSES				
Consulting (Note 9)	70,222	97,200	206,253	214,542
Depreciation	6,622	5,017	16,506	12,446
Filing and regulatory fees	2,052	11,544	26,922	33,672
Office and general (Note 9)	43,274	18,572	89,331	60,246
Professional fees (Note 9)	18,429	70,071	137,530	188,163
Rent	10,953	17,045	36,408	46,177
Research & development (Note 5,6 & 7)	265,499	149,119	1,021,526	682,063
Salary and benefits (Note 9)	164,517	134,023	482,433	363,727
Shareholder communication and investor relations	59,668	187,586	142,422	294,697
Share-based payments (Note 10)	230,263	70,514	407,418	195,866
Travel	24,532	10,037	61,983	55,842
Operating expenses	(896,031)	(770,728)	(2,628,732)	(2,147,441)
Interest income	16,956	3,647	27,043	8,501
Loss and comprehensive loss for the period	(879,075)	(767,081)	(2,601,689)	(2,138,940)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average number of common shares outstanding	65,395,365	61,175,618	65,172,966	59,831,056

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

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(2,601,689)	(2,138,940)
Items not affecting cash:		
Depreciation	763,588	479,365
Share-based payments	407,418	195,866
Changes in non-cash working capital items:		
Receivables	(269,812)	447,959
Prepaid	52,519	24,782
Accounts payable and accrued liabilities	(75,062)	(391,998)
Accounts payable to related parties	(13,857)	(7,650)
Deferred government grant	220,909	(290)
Cash used in operating activities	<u>(1,515,986)</u>	<u>(1,390,906)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(191,266)	(168,949)
Purchase of pilot plant	(20,269)	(946,685)
Intangible assets	(44,897)	(2,220)
Cash used in investing activities	<u>(256,432)</u>	<u>(1,117,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	601,407	5,315,389
Share issuance costs	-	(171,849)
Cash provided by financing activities	<u>601,407</u>	<u>5,143,540</u>
Change in cash during the period	(1,171,011)	2,634,780
Cash, beginning of period	4,673,301	2,439,244
Cash, end of period	3,502,290	5,074,024
Cash	3,481,846	210,795
Cash equivalents	20,444	4,863,229
Cash and cash equivalents, end of period	<u>3,502,290</u>	<u>5,074,024</u>

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 SHAREHOLDERS'S 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, 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 option	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	4,180,000	-	-	4,180,000
Share issuance cost	-	(211,524)	39,675	-	(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
Share-based payments	-	-	72,208	-	72,208
Share issuance cost	-	(8,744)	-	-	(8,744)
Loss for the period	-	-	-	(560,404)	(560,404)
Balance at December 31, 2017	64,594,312	17,690,844	1,147,293	(12,644,499)	6,193,638
Share-based payments	-	-	407,418	-	407,418
Exercise of stock option	455,000	304,369	(148,369)	-	156,000
Exercise of warrants	307,500	384,375	-	-	384,375
Exercise of finders' warrants	48,825	74,312	(13,280)	-	61,032
Loss for the period	-	-	-	(2,601,689)	(2,601,689)
Balance at September 30, 2018	65,405,637	\$ 18,453,900	\$ 1,393,062	\$(15,246,188)	\$ 4,600,774

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

NANO ONE MATERIALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018
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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 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 to assume 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 the 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. Management estimates that the Company has sufficient working capital to maintain the operations for the upcoming year.

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, 2017.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2017 audited financial statements.

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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 Company has adopted the new and revised IFRS standards described below:

IFRS 9 – Financial Instruments

IFRS 9 replaced IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 is effective for periods beginning on or after January 1, 2018. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- i. It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- ii. Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument of the Company:

Financial Instrument	Original Classification Under IAS 39	New Classification Under IFRS 9
Cash and cash equivalents	FVTPL	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Accounts payable to related parties	Other financial liabilities	Amortized cost

Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance at January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 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 an 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. The adoption of IFRS 15 had no impact on the Company's financial statements.

The following standard has been issued but not yet effective:

IFRS 16 – Leases

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 this standard 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 a 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 2017 annual financial statements.

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5. EQUIPMENT

	Computer software	Computer hardware	Research and development equipment	Office equipment	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2016	7,424	39,191	559,217	2,645	608,477
Additions	-	36,477	137,368	2,638	176,483
Disposals	-	-	-	-	-
Balance, December 31, 2017	7,424	75,668	696,585	5,283	784,960
Additions	-	33,572	157,694	-	191,266
Disposals	-	-	-	-	-
Balance, September 30, 2018	7,424	109,240	854,279	5,283	976,226
Accumulated depreciation					
Balance, December 31, 2016	4,176	11,077	291,831	88	307,172
Depreciation for the year	1,624	15,462	64,434	854	82,374
Disposals	-	-	-	-	-
Balance, December 31, 2017	5,800	26,539	356,265	942	389,546
Depreciation for the period	609	15,245	63,360	651	79,865
Disposals	-	-	-	-	-
Balance, September 30, 2018	6,409	41,784	419,625	1,593	469,411
Carrying amounts					
As at December 31, 2017	1,624	49,129	340,320	4,341	395,414
As at September 30, 2018	1,015	67,456	434,654	3,690	506,815

\$63,360 (2017 - \$44,468) of depreciation has been recorded in research and development expenses.

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6. PILOT PLANT

	Forklift and equip	Pilot plant equip	Total
Cost	\$	\$	\$
Balance, December 31, 2016	27,480	821,874	849,354
Additions	-	953,041	953,041
Disposals	-	-	-
Balance, December 31, 2017	27,480	1,774,915	1,802,395
Additions	-	20,269	20,269
Disposals	-	-	-
Balance, September 30, 2018	27,480	1,795,184	1,822,664
Accumulated depreciation			
Balance, December 31, 2016	4,580	-	4,580
Depreciation for the year	11,450	635,464	646,914
Disposals	-	-	-
Balance, December 31, 2017	16,030	635,464	651,494
Depreciation for the period	11,450	672,273	683,723
Disposals	-	-	-
Balance, September 30, 2018	27,480	1,307,737	1,335,217
Carrying amounts			
As at December 31, 2017	11,450	1,139,451	1,150,901
As at September 30, 2018	-	487,447	487,447

\$683,723 (2017 - \$422,451) of depreciation has been recorded in research and development expenses.

7. GOVERNMENT ASSISTANCE

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 (claimed - \$222,857). NRC-IRAP required 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 agreed to reimburse the Company for 80% of salaries paid to Company employees and 50% of supported contractor fees involved in this pilot facility. The Company received a total of \$15,408 (2017 - \$114,619) during the period ended September 30, 2018.

Effective June 1, 2016, the Company executed a contribution agreement with Sustainable Development Technology Canada (SDTC) for up to \$2.08 million technology commercialization grant and received the three instalments totaling \$1,873,167 (December 31, 2017 – two instalments totaling \$1,113,022) for the three phases 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. During the period ended September 30, 2018, the Company received the third instalment of \$760,145, of which \$220,909 was recorded as deferred development grant as at September 30, 2018. The Company is entitled to receive the remaining \$208,130 upon successful completion of the project and acceptance of final reports by SDTC.

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Effective June 1, 2016, the Company was awarded up to \$1.9 million (claimed - \$1,286,920) in funding from Automotive Supplier's Innovation Program (ASIP) – a program of Innovation, Science and Economic Development Canada (ISED). The program requires that the proceeds be applied to the preparation, design, construction, optimization, and operation of a pilot plant. A total of \$291,699 (2017 - \$315,032) was claimed by the Company during the period ended September 30, 2018 and recorded a receivable as at September 30, 2018 (December 31, 2017 – Nil).

Effective August 1, 2018, the Company was granted by the NRC-IRAP a non-repayable contribution of up to \$349,000 (claimed - \$Nil). NRC-IRAP required that the proceeds for the grant be applied towards the development of coatings for high durability lithium ion battery cathodes. Under the terms of the agreement, NRC-IRAP agreed to reimburse the Company for 80% of the salaries paid to Company employees involved in this project. The Company received a total of \$nil during the period ended September 30, 2018.

During the period ended September 30, 2018, the Company received additional government grants for training and employment totaling \$34,760 (2017 - \$Nil).

Total government assistance recognized for the period ended September 30, 2018 was \$881,103 (2017- \$1,066,812). 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, 2018, the Company incurred \$27,408 (2017 - \$35,111) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	\$ 41,315
Within two to three years	-
Total	<u>\$ 41,315</u>

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, 2018, the Company incurred \$42,242 (2017 - \$52,236) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	\$ 61,410
Within two to three years	-
Total	<u>\$ 61,410</u>

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, 2018, the Company had not yet generated any revenue, therefore, no royalties have been paid or accrued.

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9. RELATED PARTY TRANSACTIONS

Key management personnel is 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, 2018	September 30, 2017
	\$	\$
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	4,321	4,575
An entity where an executive director is an officer, for legal fees	81,644	11,418
	130,965	60,993

(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, 2018	September 30, 2017
	\$	\$
Salary and benefits to an officer	53,608	65,667
Salary and benefits to an officer and executive director	60,045	56,250
Salary and benefits to an officer and executive director	97,545	93,750
	211,198	215,667

(c) Payable to related parties

As at September 30, 2018, accounts payable to related parties consisted of \$nil (December 31, 2017 – \$13,857) owing to a director and company controlled by a director and officer of the Company.

10. SHARE CAPITAL AND EQUITY RESERVES

(a) Common shares

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

Changes in issued share capital and equity reserves for the period ended September 30, 2018, were as follows:

1. The Company issued 400,000 common shares under the exercise of stock options at \$0.35 for proceeds of \$140,000, 50,000 common shares at \$0.25 for proceeds of \$12,500, and 5,000 common shares at \$0.70 for proceeds of \$3,500. Accordingly, \$148,369 was transferred from equity reserves to share capital.
2. The Company issued 307,500 common shares under the exercise of warrants at \$1.25 for gross proceeds of \$384,375.
3. The Company issued 48,825 common shares under the exercise of finders' warrants at \$1.25 for gross proceeds of \$61,032. Accordingly, \$13,280 was transferred from equity reserves to share capital.

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.

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(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	0.25
Granted	417,500	0.91
Exercised	(800,000)	0.36
Balance at December 31, 2017	4,067,500	0.33
Granted	615,000	1.38
Exercised	(455,000)	0.34
Balance at September 30, 2018	4,227,500	0.49
Exercisable as at September 30, 2018	3,877,500	0.40

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At September 30, 2018, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
2,775,000	\$0.25	March 5, 2020
225,000	\$0.25	January 19, 2021
50,000	\$0.35	February 25, 2021
100,000	\$0.38	April 8, 2021
50,000	\$0.50	September 13, 2021
45,000	\$0.67	June 5, 2022
142,500	\$0.70	March 10, 2022
25,000	\$0.74	May 4, 2022
50,000	\$1.08	September 13, 2022
150,000	\$1.14	January 3, 2023
150,000	\$1.15	August 11, 2022
100,000	\$1.19	January 9, 2023
340,000	\$1.57	July 12, 2023
25,000	\$1.08	September 10, 2023
4,227,500		

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was \$527,446 (2017 – \$208,446) or \$0.86 (2017 - \$0.50) per option. The share-based payments expense recognized for the period was \$407,418 (2017 - \$195,866). 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 3, 2018	January 9, 2018	July 12, 2018	September 10, 2018
Risk-free interest rate	1.86%	2.01%	2.07%	2.21%
Expected life of options	5 years	5 years	5 years	5 years
Annualized volatility	65.22%	56.68%	68.64%	69.81%
Dividend rate	0.00%	0.00%	0.00%	0.00%

(d) Warrants

At September 30, 2018, warrants were outstanding enabling holders to acquire the following number of shares:

Issued date	Balance, December 31, 2017	Issued	Exercised	Expired	Exercise price \$	Balance, September 30, 2018	Expiry date
September 8, 2017	2,235,880	-	356,325	-	1.25	1,879,555	September 8, 2019
	2,235,880	-	356,325	-		1,879,555	

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 shareholders' 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. There were no changes to the Company's management of capital during the period.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions for the period ended September 30, 2018 included:

- a) The Company allocated \$148,369 for stock option exercised during the period to share capital from equity reserves.
- b) The Company allocated \$13,280 for warrants exercised during the period to share capital from equity reserves.

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

- a) The Company allocated \$119,788 for finders' 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 finders' warrants issued during the period.

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 in Note 11 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.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities and accounts payable to related parties approximate their fair values due to the short-term nature of these instruments.

14. SEGMENTED INFORMATION

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

15. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2018:

1. The Company issued 650,000 common shares pursuant to the exercise of stock options for gross proceeds of \$162,500.
2. The Company granted 2,245,000 options to directors, officers and employees of the Company. The options are exercisable for \$1.28 for a term of five years.
3. The Company granted 215,000 options to consultants of the Company. The options are exercisable for \$1.28 for a term of five years.