NANO ONE MATERIALS CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2018

(Expressed in Canadian dollars)

Nano One Materials Corp.
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NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The accompanying unaudited condensed interim financial statements of Nano One Materials Corp. (the "Company") for the period ended June 30, 2018 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, 2018	December 31, 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	4,352,568	4,673,301
Receivables	24,562	35,713
Prepaid	37,351	71,044
Total current assets	4,414,481	4,780,058
Equipment, net (Note 5)	434,417	395,414
Pilot plant, net (Note 6)	871,667	1,150,901
Intangible assets	3,534	3,534
	1,309,619	1,549,849
Total assets	5,724,100	6,329,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	54,715	122,412
Accounts payable to related parties	9,192	13,857
Deferred government grant (Note 7)	426,606	-
Total current liabilities	490,513	136,269
Shareholders' equity		
Share capital (Note 10)	18,423,287	17,690,844
Equity reserves (Note 10)	1,177,412	1,147,293
Deficit	(14,367,112)	(12,644,499)
Total shareholders' equity	5,233,587	6,193,638
Total liabilities and shareholders' equity	5,724,100	6,329,907

Nature and continuance of operations (Note 1)

Events after the reporting date (Note 15)

Approved and authorized by the Board on August 29, 2018

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 JUNE 30		SIX MONTHS ENDED JUNE 30	
	2018	2017	2018	2017
	$	$	$	$
OPERATING EXPENSES				
Consulting	71,721	62,331	136,031	117,342
Depreciation	5,779	4,261	9,884	7,429
Filing and regulatory fees	10,079	5,943	24,870	22,128
Office and general	22,834	22,908	46,057	41,674
Professional fees	72,911	50,056	119,101	118,092
Rent	12,497	14,533	25,455	29,132
Research and development	151,986	267,454	756,027	532,944
Salary and benefits	191,220	121,363	317,916	229,704
Shareholder communication and investor relations	40,276	60,926	82,754	107,111
Share-based payments (Note 10)	49,601	60,566	177,155	125,352
Travel	18,691	29,031	37,451	45,805
Operating expenses	(647,595)	(699,372)	(1,732,701)	(1,376,713)
Interest income	-	2,064	10,087	4,854
Loss and comprehensive loss for the period	(647,595)	(697,308)	(1,722,614)	(1,371,859)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.03)	(0.02)
Weighted average number of common shares outstanding	65,350,637	59,614,314	65,169,572	59,147,631

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

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(1,722,613)	(1,371,859)
Items not affecting cash:		
Depreciation	347,057	232,975
Share-based payments	177,155	125,352
Changes in non-cash working capital items:		
Receivables	11,151	95,341
Prepaid	33,693	(58,370)
Accounts payable and accrued liabilities	(67,697)	165,443
Accounts payable to related parties	(4,665)	5,430
Deferred government grant	426,606	(200,341)
Cash used in operating activities	(799,312)	(1,006,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(88,464)	(31,891)
Purchase of pilot plant	(18,362)	(946,576)
Cash provided by investing activities	(106,826)	(978,576)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	585,406	847,389
Share issuance costs	-	-
Cash provided by financing activities	585,406	847,389
Change in cash during the period	(320,732)	(1,137,216)
Cash, beginning of period	4,673,301	2,439,244
Cash, end of period	4,352,568	1,302,028
Cash	588,112	242,448
Cash Equivalents	3,764,456	1,059,581
Cash and cash equivalents, end of period	4,352,568	1,302,028

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, 2016	**57,919,534**	**$ 11,846,703**	**$ 1,710,320**	**$(10,066,911)**	**$ 3,490,112**
Share-based payments	-	-	125,352	-	125,352
Exercise of warrant	1,099,682	910,607	(360,766)	-	549,841
Exercise of finder warrants	595,096	417,336	(119,788)		297,548
Share issuance cost		6,652	(128,408)	121,756	-
Loss for the period	-	-	-	(1,371,859)	(1,371,859)
Balance at June 30, 2017	**59,614,312**	**13,181,298**	**1,226,710**	**(11,317,014)**	**3,090,994**
Share-based payments			142,723		142,723
Exercise of stock options	800,000	549,814	(261,814)		288,000
Private Placements	4,180,000	4,180,000			4,180,000
Share issuance cost		(220,268)	39,675		(180,593)
Loss for the period				(1,327,485)	(1,327,485)
Balance at December 31, 2017	**64,594,312**	**17,690,844**	**1,147,293**	**(12,644,499)**	**6,193,638**
Share-based payments	-	-	177,155		177,155
Exercise of stock option	400,000	273,758	(133,758)		140,000
Exercise of finder warrants	48,825	74,310	(13,279)		61,031
Exercise of warrants	307,500	384,375			384,375
Loss for the period	-	-	-	(1,722,613)	(1,722,613)
Balance at June 30, 2018	**65,350,637**	**$ 18,423,287**	**$ 1,177,412**	**$(14,367,112)**	**$ 5,233,587**

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 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. 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, 2017.

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2017 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 and some of them have been effective since January 1, 2018:

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 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.

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 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.

(Expressed in Canadian Dollars)

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	-	23,982	64,482	-	88,464
Disposals	-	-	-	-	-
Balance, June 30, 2018	7,424	99,650	761,067	5,283	873,424
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	406	9,044	39,577	434	49,461
Disposals	-	-	-	-	-
Balance, June 30, 2018	6,206	35,583	395,842	1,376	439,007
Carrying amounts					
As at December 31, 2017	1,624	49,129	340,320	4,341	395,414
As at June 30, 2018	1,218	64,067	365,225	3,907	434,417

$39,577 (2017 - $64,434) 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, 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	-	18,362	18,362
Disposals	-	-	-
Balance, June 30, 2018	27,480	1,793,277	1,820,757
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	8,587	289,009	297,596
Disposals	-	-	-
Balance, June 30, 2018	24,617	924,473	949,090
Carrying amounts			
As at December 31, 2017	11,450	1,139,451	1,150,901
As at June 30, 2018	2,863	868,804	871,667

$297,596 (2017–$646,914) 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 - $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 claimed a total of $15,408 (2017 - $68,503) during the period ending June 30, 2018.

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 three instalments totaling $1,873,167(2016 – one instalment of $488,994; 2017 – one instalment of $624,028) 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. A total of $760,145 has been received for 3rd instalment - $333,539 was recogized as an offset to R&D expenses while the rest $426,606 was bookes as deferred government grant as as at June 30, 2018.

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.

(Expressed in Canadian Dollars)

During the period ended June 30, 2018, the Company received additional government grants for training and employment grants totaling $34,040 (2017 - $Nil).

Total government assistance recognized for the period ended June 30, 2018 was $49,448 (2017 - $586,340). 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 June 30, 2018, the Company incurred $19,455 (2017 - $21,098) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	$ 41,315
Within two to three years	10,329
Total	$ 51,644

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 June 30, 2018, the Company incurred $28,918 (2017 - $31,360) in rental expense. The annual lease commitments under the lease are as follows:

Within one year	$ 61,410
Within two to three years	15,353
Total	$ 76,763

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 June 30, 2018, the Company had not yet generated any revenue, therefore, no royalties have been paid or accrued.

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.

(Expressed in Canadian Dollars)

The following transactions were carried out with related parties:

(a) Purchases of services

	June 30, 2018 $	**June 30, 2017** $
An entity where an executive director is an officer, for consulting fees	30,000	30,000
An entity where an executive director is an officer, for miscellaneous operating expenses and employee benefits	4,321	15,993
An entity where an executive director is an officer, for legal fees	51,198	-
	85,519	45,993

(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:

	June 30, 2018 $	**June 30, 2017** $
Salary and benefits to an officer	48,220	40,667
Salary and benefits to an officer and executive director	40,167	37,500
Salary and benefits to an officer and executive director	66,295	62,500
	154,682	140,667

(c) payable to related party

As at June 30, 2018, accounts payable to related parties consisted of $9,192 (2017 – Nil) 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 June 30, 2018, were as follows:

1. The Company issued 400,000 common shares under the exercise of stock options at $0.35 for gross proceeds of $140,000. Accordingly, $133,758 was transferred from equity reserves to share capital.

(Expressed in Canadian Dollars)

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 $61,031. Accordingly, $13,279 was transferred from equity reserves to share capital.

Changes in issued share capital and equity reserves for the period ended June 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.

(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, 2017	4,067,500	0.33
Granted	250,000	1.16
Exercised	(400,000)	0.35
Balance at June 30, 2018	3,917,500	0.39
Exercisable as at June 30, 2018	3,730,000	0.35

(Expressed in Canadian Dollars)

At June 30, 2018, 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
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
147,500	$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
3,917,500		

(c) Share-based payments

The total share-based payments calculated under the fair value method for options granted during the period was $166,459 (2017 – $89,593). The share-based payments expense for the period was $177,155 (2017 - $125,352). 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
Risk-free interest rate	1.86%	2.01%
Expected life of options	5 years	5 years
Annualized volatility	65.22%	56.68%
Dividend rate	0.00%	0.00%

(d) Warrants

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

Issued date	Balance, December 31, 2018	Issued	Exercised	Expired	Exercise price $	Balance, June 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 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 June 30, 2018 included:

a) The Company allocated $133,758 for stock option exercised during the period to share capital from equity reserves.

b) The Company allocated $13,279 for warrants exercised during the period to share capital from equity reserves.

c) The Company recognised $177,155 share-based compensation expense.

Significant non-cash transactions for the period ended June 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.

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.

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 June 30, 2018:

1. The Company granted 340,000 stock options at $1.57 per share expiring July 12, 2023.

2. The Company issued 55,000 common shares pursuant to the exercise of stock options for gross proceeds of $16,000.

3. As at July 25, 2018, the Company entered into a contribution agreement with NRC-IRAP. NRC-IRAP will support Nano One's project to develop *Coatings for High Durability Lithium ion Battery Cathodes* and will contribute up to $349,000 in non-dilutive and non-repayable funds between August 1, 2018 and May 31, 2020.