



NANO ONE MATERIALS CORP.
(formerly Dundarave Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Nano One Materials Corp. (formerly Dundarave Resources Inc.) ("Nano One" or the "Company") and compares the Company's 2014 financial results with those of the previous years. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2014 which have been prepared under International Financial Reporting Standards ("IFRS").

These and additional documents are for viewing on SEDAR at www.sedar.com. All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including April 27, 2015 (the "Report Date").

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute "forward-looking statements". Such term is defined in applicable securities laws. The forward-looking information includes, without limitation, the success of research and development activities and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward-looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Such factors include, among others, risks relating to research and development; the Company's intellectual property applications being approved, the Company's ability to protect its proprietary rights from unauthorized use or disclosure, the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; fluctuations in currency exchange rates; operating hazards and risks; competition; and other risks and uncertainties. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

OVERVIEW

The Company was incorporated on November 5, 1987. On March 5, 2015, Nano One completed a reserve take-over of Perfect Lithium Corp. ("PLC") and is now engaged in developing novel, scalable and low-cost processing technology for the production of high performance nano-structured materials. Nano One mission is to establish its patent pending technology as a leading platform for the global production of a new generation of nano-structured composite materials. Nano One is building a portfolio of intellectual property and technology "know-how" for applications in markets that include energy storage, specialty ceramics, pharmaceutical, semiconductors, aerospace, dental, catalysts and communications. The technology simplifies the assembly of complex formulations of organic and inorganic ceramic powders and is suited to growth markets where the commercialization of advanced materials is inhibited by costly and entrenched industrial fabrication methods. Perfect Lithium's first market is lithium-ion cathode materials in the energy storage sector, where its advantageous technology can bring sustainable differentiation and value to early adopters.

OVERALL PERFORMANCE

Corporate Highlights:

As at the Report Date, the Company:

- (a) completed a business combination with PLC. (the "Transaction"). Pursuant to the Transaction, the Company, through its wholly-owned subsidiary, 1019491 B.C. Ltd., acquired 100% of the issued and outstanding shares of PLC in exchange for 27,425,650 Post Consolidation Shares (as defined below). All outstanding warrants of PLC were exchanged for the Company's warrants to purchase Post Consolidation

Shares with appropriate adjustments to the number and price of shares that may be acquired upon exercise thereof to reflect the Exchange Ratio. All stock options of the Company and PLC issued prior to the Agreement were cancelled upon closing of the Transaction. The Company granted 2,825,000 options to the new management of the Company upon completion of the Transaction. Immediately prior to the closing of the Transaction, the Company consolidated all of its issued and outstanding common shares on the basis of two (2) existing common share for one (1) new common share (a "Post Consolidation Share") and one (1) share purchase warrant. Each warrant is exercisable until March 5, 2016 to acquire one Post-Consolidation Share at an exercise price of \$0.40 per whole Post-Consolidation Share and thereafter until March 5, 2017 to acquire one half of one Post-Consolidation Share at an exercise price of \$0.50 per whole Post-Consolidation Share. In connection with the Transaction, the Company completed a concurrent 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 Post Consolidation Share and one-half of a share purchase warrant. Each whole warrant is exercisable into one Post Consolidation Share for a period of two (2) years at an exercise price of \$0.40 per share during the first year from the Closing Date and at an exercise price of \$0.50 per share during the second year from the Closing Date. The Company engaged Mackie Research Capital Corporation ("Mackie") to act as the lead agent to the Private Placement. As consideration, the Company paid to Mackie and several other agents a commission of 6.5% of the proceeds of the Financing in cash and 6.5% of the number of units sold in warrants. The Company engaged Mackie to act as an advisor and paid Mackie a work fee of \$20,000 and a finder's fee in the amount of 225,000 Post Consolidation Shares on closing of the Transaction.

- (b) through its subsidiary, PLC, entered into an agreement with NRC-IRAP whereby NRC-IRAP will fund a non-repayable contribution of up to \$250,000. IRAP requires that the proceeds from the grant be applied towards the optimization and design of a demonstrated pilot facility. Under the terms of the agreement, NRC-IRAP has agreed to reimburse the Company for 80% of salaries paid to Company employees and 50% of supported contractor fees involved in this pilot facility.

During the year ended December 31, 2014, the Company terminated its option to acquire 100% interest in the 18 contiguous mineral claims located near Merritt, British Columbia, known as the Jesse Creek Property.

The Technology

Nano One's innovative processing technology can be used to produce materials used in a wide range of markets. Nano One's first addressable market is cathode materials that are used to store and discharge energy in lithium-ion rechargeable batteries. There is growing demand in the lithium-ion battery market for more cost effective and higher performance energy storage solutions. Nano One is well positioned to address these needs with its patent pending technology and sees growth potential for the technology in many other materials markets that include energy storage, dental, catalysts, specialty ceramics, pharmaceutical, semiconductors, agriculture, aerospace and communications

Nano One has developed a new method of producing high performance cathode materials, which uses equipment and simple methods that are known to scale in a wide range of industrial applications. The process can produce longer lasting composite materials using lower cost feedstock and simpler processing.

With regards to performance, Nano One materials have been assessed by Nano One, by Canada's National Research Council (NRC) and by several key undisclosed materials producers. Specifically, NRC measured electrochemical performance of LNMC out to a thousand (1000) cycles and results were similar to those measured by Nano One and another undisclosed group. NRC also tested a comparable LNMC reference material prepared by a leader in battery material science and found that Nano One material performed with approximately 20% greater capacity than the reference material. Both the Nano One and NRC results show reasonable energy capacity fading to 85% after 500 1-hour charge-discharge cycles.

With regards to raw material costs, Nano One's liquid phase reaction is tolerant of raw material impurities and irregularities, enabling the use of lower grade feedstock (98-99% purity) instead of battery grade (99.9%) for an estimated ~30% reduction in terms of dollars (\$) per kilogram (kg).

With regards to processing costs, Nano One believes it can reduce the number of manufacturing steps by 75% and reduce throughput from several days to less than a day, when compared with state of the art methodologies described in patents and literature, such as solid state, hydrothermal, co-precipitation, sol-gel, spray pyrolysis and deposition methods. The overall savings in process costs is projected to be ~40% in terms of dollars (\$) per kilogram (kg). Furthermore, improvements to the nanostructure are showing 200-300% longer lasting material that can charge faster or store more energy. Nano One believes the product of these improvements can deliver a 50% reduction in the cost of storing energy in terms of dollars (\$) per kilowatt-hour (kWh).

The process consists of three (3) stages, and the major innovations lie in the first (1st) stage where a special mode of combining reactants controls crystal nucleation and growth of particles. Nucleation is the self-assembly of molecules into an organized structure. The desired nano-scale or superfine structure is formed in the first (1st) stage of the production cycle and eliminates many steps common to the dominant industrial processes.

In the first (1st) stage, salts or other reactants are added to an aqueous (water-based) or other solution located within a proprietary liquid phase reactor system. Nucleation occurs upon the presentation of feedstock and takes place rapidly. The proprietary system allows for control of structural growth and reaction kinetics, with the source materials provided either from bulk or from a continuous flow preparation process. The process is suitable for operation at mild temperatures and atmospheric pressures.

This reactor stage avoids grinding, milling, classification, supercritical conditions, filtering, separation and many other steps that are used in existing industrial methods. Reactants need not be high purity, as less expensive technical grade (as opposed to battery grade) chemicals can be used to achieve a quality output. Nano One's system is less sensitive to impurities and irregularities than other known manufacturing methods and can accommodate, for example, carbonates, hydroxides, and acetates of lithium, cobalt, nickel and manganese graded at 98% and 99% purity. These materials are less costly and more widely available than battery grade feedstock (99.9% and purer) that is commonly used to prepare cathode materials. The reactor operates at mild temperatures and atmospheric pressures, and can be sealed for inert or other environments, allowing for a much safer and simpler laboratory environment. The reactor stage also avoids complexing agents, surfactants, templates, and emulsifiers that are categories of chemicals typically used to initiate nucleation and control growth of structures. Nano One avoids these chemicals and is therefore able to deliver the desired structure using simpler methods and pass them on to the second (2nd) stage of drying and the third (3rd) stage of firing in a furnace.

In the second (2nd) stage, the reactor liquids are passed to an industrial drying system such as a spraying, freezing, evaporating, microwaving or other system.

In the third (3rd) stage, dried powders are fired in a conventional furnace such as a rotary kiln, fluidized bed, plasma or other type of furnace. This final stage is known as calcination, where the dried materials are heated to 800-900°C in either an atmospheric or inert environment and are thermally decomposed into, for instance, lithium manganese oxide, steam, ammonia and/or carbon dioxide. The formation of the underlying nano-structure is completed during calcination and the resulting powder is ready for assembly into a battery cell or other application.

The underlying structure and morphology of the materials is preserved through a wide range of thermal processing steps, eliminating the need for long and repeated firings and indicative of a robust and long lasting material. The process produces materials with stable phase composition and high porosity, but which is configurable to meet a variety of density requirements.

The presence of nano-structures early in the process and prior to calcination simplifies processing and is advantageous for performance, throughput and scale-up. Characterization of the materials by electron microscope and x-ray characterizes the size, the composition and the kind of structure, providing evidence of a robust structure that withstands the rigours of drying and calcination and maintains the integrity of its advantageous structure through thousands of charge cycles.

This innovative approach can reduce the complexity and cost of materials production, through lower cost feedstock and fewer steps, while providing nanostructured materials with superior performance characteristics. The reactor, drying and calcination stages can be easily integrated to enable materials to flow from start to finish in a continuous manner and under controlled environmental conditions. In this way, Nano One's system can be configured for many different composite materials and Nano One believes the three (3) stage process can be rapidly scaled and configured for high volume production.

Typically, synthesis of nano-materials at the benchscale are performed in small quantities anywhere from milligrams to grams of material. Subsequent scale-up from these small quantities often leads to detrimental changes in thermodynamics (heat, temperature, energy, work) and reaction kinetics (reaction rates and chemical change). Nano One recognizes that synthesis of materials must begin at a larger scale where the properties of the system are much closer to production conditions. For this reason, Nano One designed a 6-liter bench scale reactor that is capable of producing up to 150 grams per hour (150 g/hr) or 3 kilograms per day (3 kg/day), with drying and firing stages easily scaled to match. At this scale, there is sufficient enough volume to emulate the thermodynamic and reaction kinetics expected in pilot and full-scale production.

The Proprietary Protection

Through its subsidiary, PLC, Five (5) patent applications were submitted to the United States Patent and Trademark Office in March 2013, covering processes, apparatus, applications and formulations. One (1) provisional patent application was filed in the United States in November 2013 and followed with one (1) non-provisional patent filed in the United States in March of 2014 for a total of seven (7) patents pending in the United States. These patents were also filed in five (5) applications under the Patent Cooperation Treaty for worldwide coverage and one (1) Taiwanese application. The intellectual property was developed and is wholly owned by Nano One. Nano One may file additional patents at a later date to further strengthen its intellectual property and technology going forward, although no assurances can be given that it will be successful in such endeavors. Nano One seeks to limit disclosure of its intellectual property by requiring employees, consultants and partners with access to the technology to execute confidentiality agreements and non-competition agreements and by restricting access to PLC's intellectual property and technology.

Despite Nano One's efforts to protect its intellectual property and technology, unauthorized parties may attempt to copy aspects of its technology or to obtain and use information that Nano One regards as proprietary. The laws of many countries do not protect proprietary rights to the same extent as the laws of the United States or Canada. Litigation may be necessary in the future to enforce Nano One's intellectual property rights, to protect Nano One's trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on Nano One's business, operating results and financial condition. There can be no assurance that Nano One's means of protecting its proprietary rights will be adequate or that competitors will not independently develop similar services or products. Any failure by Nano One to adequately protect its intellectual property could have a material adverse effect on its business, operating results and financial condition.

Patent	Country	Status	Number	Filing Date	Publication Date
Method for Making Powders for Specialized Applications	USA	Application	13/839,374	03/15/2013	09/18/2014
	International PCT	Application	PCT/US2014/027056	03/14/2014	09/25/14
Reactor Vessel	USA	Application	13/839,110	03/15/2013	09/18/2014
	International PCT	Application	PCT/US2014/027094	03/14/2014	
Method for Making Lithium Metal Oxide Powders for Battery Applications	USA	Application	13/842,278	03/15/2013	09/18/2014
	International PCT	Application	PCT/US2014/027125	03/15/2014	09/25/2014
Method for Making Layered Lithium Mixed Metal Oxide Powders for Battery Applications	USA	Application	13/842,978	03/15/2014	09/18/2014
	International PCT	Application	PCT/IB2014/000810	03/14/2014	
	Taiwan	Application	103109198	03/14/2014	

Patent	Country	Status	Number	Filing Date	Publication Date
Method for Making Lithium Metal Oxide Powders for Battery Applications	USA		13/842,539	03/15/2013	09/18/2014
	International PCT	Application	PCT/US2014/027248	03/15/2014	
Method for Making Layered Lithium Mixed Metal Oxide Powders for Battery Applications	USA (provisional)	Application	61/902,915	11/12/2013	
Method for Making Layered Lithium Mixed Metal Oxide Powders for Battery Applications	USA	Application	14/215,657	03/17/2014	

FUTURE PLANS

Beyond the current fiscal year, Nano One will continue to focus on the validation of four (4) key areas of uncertainty: (i) performance; (ii) novelty; (iii) scalability; and (iv) cost. Nano One plans to have substantially de-risked these uncertainties by December 31, 2015.

Performance will be evaluated in full scale battery testing starting in the first half of 2015 and continuing through 2016 with modifications to existing materials and synthesis of new materials. Third parties require a minimum of one kilogram (1 kg) of cathode materials for these tests and PLC is preparing to modify existing apparatus to address immediate needs and to build a pilot line to address needs for larger volumes of test materials.

Novelty will be validated through the assessment of the published patent applications and through demonstration of production in the laboratory and piloting facility.

To address scalability and costs, the detailed design of a pilot facility will be complete by the end of 2015. Activities in 2016 will include pilot installation, commissioning and optimization, with demonstration of pilot production towards the latter half of the year to provide materials for third party evaluation. These activities are expected to lead to activities in partnership, licensing and commercialization.

EXPLORATION AND EVALUATION ASSETS

On January 27, 2012, the Company entered into an option agreement (the "Agreement") with third parties (the "Optionors") to acquire a 100% interest in 18 contiguous mineral claims located near Merritt, British Columbia, known as the Jesse Creek Property (the "Property"). Pursuant to the option agreement, the Company may acquire the Property in consideration for total cash payments of \$ 1,075,000 (\$175,000 paid) and the issuance of 1,700,000 common shares (400,000 common shares issued with a value of \$124,000) of the Company to the Optionors. The Agreement also provides for a 2% net smelter returns royalty ("NSR") in favour of the Optionors. The Company may elect to purchase, at any time from the Optionors, one-half of the NSR on the Property, thereby reducing the Optionors' NSR to 1%, upon payment to the Optionors of \$ 1,000,000. During the year ended December 31, 2014, the Company terminated the Agreement and the wrote-off all related costs to operations.

The Following table sets forth a breakdown of the Property expenditures:

	2014	2013
Balance, beginning of year	\$ 551,157	\$ 426,805
Additions		
Acquisition costs:		
Cash	-	100,000
Common shares	-	40,000
Deferred exploration expenditures		
Consulting	-	13,359
Total for the year	-	153,359
	551,157	580,164
Option out proceeds	-	(25,000)
Mining exploration tax credit claimed	-	(4,007)
Recovery of costs during the year	-	(29,007)
	551,157	551,157
Write-off during the year	(551,157)	-
Balance, end of the year	\$ -	\$ 551,157

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

The following table sets out selected historical financial information of Perfect Lithium. Such information is derived from the audited financial statement of Perfect Lithium for the years ended December 31, 2014, 2013 and 2012. The Company's annual financial statements are prepared in accordance with IFRS and are expressed in Canadian dollars.

	December 31, 2014 \$	December 31, 2013 \$	December 31, 2012 \$
Loss and comprehensive loss	(839,316)	(149,923)	(168,185)
Net loss per share, basic and fully diluted	(0.16)	(0.03)	(0.02)
Total assets	91,332	811,275	926,928
Total liabilities	128,569	9,196	14,928
Shareholders' equity (deficiency)	(37,237)	802,079	912,002

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the deferral and valuation of exploration expenditures. Actual results could differ from these estimates.

Period	Interest and other items \$	General admin \$	Loss for the period \$	Net loss per share, basic and fully diluted \$
December 31, 2014	(424)	(185,251)	(185,675)	(0.04)
September 30, 2014	6,869	(37,506)	(30,637)	(0.01)
June 30, 2014	(1,070)	(22,851)	(23,921)	(0.01)
March 31, 2014	(548,367)	(50,716)	(599,083)	(0.12)
December 31, 2013	(3,420)	(20,070)	(23,490)	(0.01)
September 30, 2013	(1,224)	(39,799)	(41,023)	(0.01)
June 30, 2013	(19,871)	(10,003)	(29,874)	(0.01)
March 31, 2013	(9,370)	(46,166)	(55,536)	(0.01)

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared To Year Ended December 31, 2013

Loss and comprehensive loss for the year ended December 31, 2014 increased by \$689,393. The change was primarily due to the following:

- General and administrative costs of \$296,324 (2013 - \$116,038) increased due to the work related to the reverse takeover with the Company and PLC increase in the monthly fee relating to financial and administrative consulting fee.
- The Company recorded a non-cash write-off of exploration and evaluation assets of \$551,157 (2013 - \$Nil) in relations to the Jesse Creek Property.

Three Months Ended December 31, 2014 Compared To Three Months Ended December 31, 2013

Loss and comprehensive loss for the three months ended December 31, 2014 increased by \$162,185. The change was primarily due to general and administrative costs increase of 165,181 due to the work related to the reverse takeover with the Company and PLC increase in the monthly fee relating to financial and administrative consulting fee.

LIQUIDITY

The Company started 2014 with a working capital of \$250,191, and as at December 31, 2014, the Company had working capital deficit of \$37,237. The decrease in the working capital of \$287,428 was primarily due to:

- \$11,427 received in relations to the sale of marketable securities; and
- general and administrative costs of \$296,324.

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising.

	December 31, 2014	December 31, 2013
Working capital (deficiency)	\$ (37,237)	\$ 250,191
Deficit	(16,682,913)	(15,843,097)

CAPITAL RESOURCES

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 other 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.

Nano One is forecasting royalties to be generated on its intellectual property starting as early as February 2018. Royalty income will be tied to the market uptake of the technology and Nano One is conservatively predicting 3.6% of the cathode material market to be benefiting from its innovative manufacturing technology by March 2019, with that market share predicted to rise to approximately 8% by the end of fiscal year ended 2019. A market share of 3.6% could translate into \$1.5 million in monthly royalty revenues, at a 7% royalty rate, with that number increasing to \$3.3 million per month by the end of fiscal year ended 2019.

In addition to royalty revenue, Nano One forecasts to earn supplementary revenues by performing contract research and by selling cathode materials produced in its research and pilot facilities. This additional revenue could be generated as early as January 2017, and is forecasted to amount to \$340,000 in annual revenue in fiscal year ended 2017, \$1.05 million in fiscal year ended 2018 and \$1.2 million in fiscal year ended 2019.

RELATED PARTY DISCLOSURES

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.

(a) Transaction with key management personnel

During 2014 and 2013 the following amounts were incurred with respect to the Company's Chief Executive Officer and Chief Financial Officer:

	December 31, 2014 \$	December 31, 2013 \$
Consulting fees	72,000	72,000

As at December 31, 2014, \$Nil (2013 - \$9,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) Transaction with other related parties

During 2014 and 2013 the following amounts were incurred with respect to other officers and directors:

	December 31, 2014 \$	December 31, 2013 \$
Consulting fees	24,000	11,420

OUTSTANDING SHARE DATA

The authorized share capital of the Company is unlimited common shares, without par value. As at the Report Date, there were 44,793,599 (December 31, 2014 – 5,142,949) common shares outstanding.

As at the Report Date, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
2,825,000	\$0.25	March 5, 2020
2,825,000		

As at the Report Date, the following warrants were outstanding:

Issued date		Exercise price \$	Expiry date
March 5, 2015	11,922,949	0.40*	March 5, 2017
March 5, 2015	22,400	0.3125	November 27, 2015
March 5, 2015	1,253,334	0.35	February 26, 2016
	13,198,683		

*Exercise price is \$0.40 per share until March 5, 2016 and thereafter at an exercise price of \$0.50 per share

MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern. The Company manages the components of shareholders' equity as capital, and makes adjustments to these components in response to the Company's business objectives and the economic climate. To maintain or adjust its capital structure, the Company may attempt to issue new common shares from treasury, issue debt instruments or borrow money or acquire or dispose of other assets. The Company does not anticipate the payment of dividends in the foreseeable future.

The Company's investment policy is to hold excess cash in highly liquid, short-term or redeemable instruments, such as high interest savings accounts and guaranteed investment certificates issued by major Canadian chartered banks.

FINANCIAL INSTRUMENTS

Fair value

The fair value of the Company's financial instruments is approximated by their carrying value as at December 31, 2014 and 2013 due to their short-term nature.

Fair value hierarchy

IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3 – inputs for the asset or liability that are not based upon observable market data

The fair value of cash and marketable securities is based on Level 1 inputs for the fair value hierarchy.

Financial risk management objectives and policies

The Company's financial instruments include cash, receivables, mining exploration tax credit receivable, marketable securities accounts payable and accrued liabilities.

Credit Risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments of the Company that are potentially subject to credit risk consists of cash, marketable securities and accounts receivable. The maximum credit risk related to the Company's financial assets is represented by their carrying amounts. The credit risk associated with cash is believed to be minimal as cash is on deposit with financial institutions that are believed to be creditworthy. The Company does not believe it is exposed to significant credit risk.

Liquidity Risk

Liquidity risk arises when adequate funds cannot be raised to settle liabilities and commitments when they become payable. The Company manages its liquidity by maintaining adequate cash to meet anticipated liquidity needs.

RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

Intellectual Property Protection

The Company cannot provide any assurance that any intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not

independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the inventors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

Access to Proprietary Information

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

Performance and Scalability

The Company does not currently have the inventory or the capacity to supply kilograms of cathode material that are typically required to prototype full size battery cells. To address this shortcoming, and to meet these needs prior to the prototype pilot line becoming operational, the Company intends to modify its current bench scale apparatus to produce kg sized batches which can be used in full cell battery testing.

The innovative methodology is based on scalable equipment and techniques already proven in other industrial processes, thereby de-risking scale-up uncertainties and cutting years off of the development cycle that other projects have to endure. The equipment being used is known to scale in other industries and the bench-scale synthesis operates in a thermodynamic and kinematic regime similar to what is expected in larger scale pilot and production facilities. Nonetheless, reaction kinetics, thermodynamic effects, consistency of product, capital costs and operating costs are all uncertainties in scaling from bench to pilot to production. To address uncertainties related to the design and cost of reactors, driers and furnaces, design reviews (or feasibility studies) will be carried out as required to mitigate uncertainties. Alternative schemes will be contemplated and the results of these studies are to inform the detail design, development and scale-up plans. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies.

Competition

Despite efforts by the Company to protect its proprietary rights on which the Company's business is dependent, competitive products may be developed in the future. Competition could adversely affect the Company's ability to acquire market share.

Early Stage

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks including under-capitalization, cash shortages, and limitations with

respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company currently has no source of revenue and expects to obtain financing in the future primarily through further equity and/or debt financing. While it has been successful in obtaining financing in the past, there is no guarantee that the Company will be successful now, or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its assets.

Management of Growth

The Company could experience growth that could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. In addition, the Company expects that its operational and management systems will face increased strain as a result of the expansion of the Company's technologies. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition will suffer. Failure to effectively manage growth could also result in difficulty in launching new processing technology or enhancing existing processing technology, declines in quality or end-user satisfaction, increases in costs or other operational difficulties, and any of these difficulties could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

Dependence on Management and Key Personnel

The Company's success depends largely upon the continued services of its executive officers and other key employees. From time to time, there may be changes in the Company's executive management team resulting from the hiring or departure of executives, which could disrupt its business. If the Company is unable to attract and retain top talents, its ability to compete may be harmed. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel. Competition for highly skilled technical, research and development, management, sales and other employees is high in the Company's industry, and the Company may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

Economic Conditions

Current and future unfavourable economic conditions could negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

Additional Capital Requirements

The Company has incurred annual losses over a number of years and it plans on continuing to make significant expenditures to support its business growth and may require additional funds to respond to business challenges, including the need to expand sales and marketing activities, develop new processing technologies to enhance its existing technology, enhance its operating infrastructure, and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issuances of equity or convertible debt securities, the Company's existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences and privileges superior to those of holders of the Company Shares. Any debt financing secured by the Company in the future could

involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for it to obtain additional capital and to pursue business opportunities.

The Company can provide no assurance that sufficient debt or equity financing will be available on reasonable terms or at all to support its business growth and to respond to business challenges and failure to obtain sufficient debt or equity financing when required could have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows.

The Company expects its cash reserves will be reduced due to future operating losses and working capital requirements, and it cannot provide certainty as to how long the Company's cash reserves will last or that it will be able to access additional capital when necessary

The Company expects to incur continued losses and generate negative cash flow until it can produce sufficient revenues to cover its costs. The Company may never become profitable. Even if it does achieve profitability, the Company may be unable to sustain or increase its profitability in the future. For the reasons discussed in more detail below, there are substantial uncertainties associated with the Company achieving and sustaining profitability. the Company expects its cash reserves will be reduced due to future operating losses and working capital requirements, and it cannot provide certainty as to how long its cash reserves will last or that it will be able to access additional capital if and when necessary.

The Company may not be able to successfully execute its business plan

The execution of the Company's business plan poses many challenges and is based on a number of assumptions. the Company may not be able to successfully execute its business plan. If the Company experiences significant cost overruns on its programs, or if its business plan is more costly than it anticipates, certain research and development activities may be delayed or eliminated, resulting in changes or delays to its commercialization plans, or the Company may be compelled to secure additional funding (which may or may not be available) to execute its business plan. the Company cannot predict with certainty its future revenues or results from its operations. If the assumptions on which its revenues or expenditures forecasts are based change, the benefits of the Company's business plan may change as well. In addition, the Company may consider expanding its business beyond what is currently contemplated in its business plan. Depending on the financing requirements of a potential acquisition or new product opportunity, the Company may be required to raise additional capital through the issuance of equity or debt. If the Company is unable to raise additional capital on acceptable terms, it may be unable to pursue a potential acquisition or new product opportunity.

Information Technology Interruptions or Breaches

The Company's business operations are managed through a variety of information technology systems. These systems govern all aspects of its operations. While the Company has implemented a number of measures to keep its technology systems fully operational and to mitigate the risks associated with a failure of its systems, the Company's systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by its employees. If the Company's information technology systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in its information technology systems could have a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows.

Environmental Regulation

The Company's business and operations are subject to environmental regulation in the areas in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

Conflicts of Interest

Certain of the directors, officers and other members of management of the Company serve (and may in the future serve) as directors, officers and members of management of other companies and therefore, it is possible that a conflict may arise between their duties as a director, officer or member of management of the Company and their duties as a director, officer or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Critical judgments and sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined to voluntarily withdraw from the Jesse Creek Property option agreement during the year ended December 31, 2014. Consequently, all related costs were written off to operations.

- i. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.
- ii. The determinations of the eligibility of the expenditures which generate the mining exploration tax credit receivable involve judgments or assessments made by management.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

STANDARDS AND AMENDMENTS NOT YET EFFECTIVE

Effective January 1, 2014; the Company adopted the following new standard:

IAS 32, Financial Instruments: Presentation clarifies the application of the offsetting rules and requires additional disclosure on financial instruments subject to netting arrangements.

The amendment did not have a significant impact on the Company's consolidated financial statements.

The following standards have been issued but are not yet effective:

IAS 36 Impairment of Assets has been amended to address the disclosures required regarding the recoverable amount of impaired assets of cash generating units (CGUs) for the periods in which an impairment loss has been recognized or reversed. The standard is effective for annual periods beginning on or after July 1, 2014.

IFRS 7, Financial Instruments – Disclosure. Amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective for annual periods beginning on or after January 1, 2015.

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.

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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the

budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.