Mag One Products Inc.

(Formerly Acana Capital Corp.)

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended June 30, 2015

Unaudited

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

Mag One Products Inc. (formerly Acana Capital Corp.)
Condensed consolidated interim statements of financial position
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2015	September 30, 2014
		$	$
Assets			
Current assets			
Cash	5	342,447	117,747
Marketable securities	5, 8	–	1,353,570
Other receivable	5. 9	5,805	251,428
Prepaid	14	31,690	3,739
		379,942	1,726,484
Non-current			
Properties	5, 6	–	10,711,496
Total assets		**379,942**	**12,437,980**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5, 11	75,660	94,374
Due to related party	5, 12	-	445,446
Debenture	12	-	7,064,401
Deferred income		-	5,000
		75,660	7,609,221
Non-current liabilities			
Note payable	5, 10	-	184,936
Total liabilities		75,660	7,794,157
Shareholders' equity			
Share capital	7	3,433,250	2,808,250
Reserves		3,582,963	4,545,429
Deficit		(6,711,931)	(4,620,771)
Equity attributed to shareholders		304,282	2,732,908
Non-controlling interests	5	-	1,910,915
Total Equity		304,282	4,643,823
Total liabilities and shareholders' equity		**379,942**	**12,437,980**

Nature of operations and going concern (Note 1)

Approved and authorized for issuance by the Board of Directors on August 27, 2015

"Sonny Janda"
Director

"Lucky Janda"
Director

Mag One Products Inc. (formerly Acana Capital Corp.)
Condensed consolidated interim statements of comprehensive loss
(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Nine months ended June 30, 2015	Nine months ended June 30, 2014
		$	$	$	$
Rental income	6	–	37,220	18,320	73,861
Rental expenses	6	–	7,274	3,081	16,976
Net Rental income	12	–	29,946	15,239	56,885
Expenses					
Business development	14	93,310	–	125,000	–
Office and administration		1,552	30,313	24,636	123,629
Professional and consulting fees		(63,299)	11,428	(4,106)	25,526
Trust and filing fees		51,233	11,974	66,796	22,245
Total operating expenses		82,796	53,715	212,326	171,400
Lose before other items		(82,796)	(23,769)	(197,087)	(114,515)
Dividends on retractable preferred shares		–	(127,015)	–	(339,515)
Gain on debt settlement	12	–	–	313,666	–
Gain on preferred share redemption			436,775		436,775
Gain (losses) on marketable securities	8	–	(25,488)	(521,392)	316,543
Interest		–	(1,175)	(170,555)	(4,729)
Net income (loss)		(82,796)	259,328	(575,368)	294,559
Other comprehensive loss:					
Translation gain (loss)		(962,466)	(443,738)	(962,466)	324,519
Comprehensive loss		(1,045,262)	(184,410)	(1,537,834)	619,078
Net income (loss) attributable to:					
Equity holders of the Company		(82,796)	248,440	(575,343)	298,337
Non-controlling interests		–	10,888	(25)	(3,778)
		(82,796)	259,328	(575,368)	294,559
Other comprehensive income attributable to:					
Equity holders of the Company		–	(392,391)	(1,034,038)	278,159
Non-controlling interests		–	(51,347)	71,572	46,360
		–	(443,738)	(962,466)	324,519
Comprehensive income (loss) attributable to:					
Equity holders of the Company		(82,796)	(143,951)	(1,609,381)	576,496
Non-controlling interests		–	(40,459)	71,547	42,582
		(82,796)	(184,410)	(1,537,834)	619,078
Loss per share attributable to the equity holders of the Company					
Loss per share, basic and diluted		(0.00)	0.01	(0.02)	0.01
Weighted average number of outstanding shares, basic and diluted		31,176,340	30,646,670	30,826,306	30,646,670

Mag One Products Inc. (formerly Acana Capital Corp.)

Condensed consolidated interim statements of changes in equity

(Unaudited - Expressed in Canadian Dollars except for number of shares)

	Common shares		Preferred shares		Reserve			
	Number	Amount	Number	Amount	Warrant	Loan	Translation gain (loss)	Deficit
		$			$		$	$
September 30, 2013	30,646,670	2,808,250	10,250,000	–	918,000	2,664,963	181,027	(3,979,521)
Translation from subsidiaries	–	–	–	–	–	–	278,159	–
Redemption			(10,250,000)					
Contribution by minority interests	–	–	–	–	–	–	–	–
Net loss	–	–	–	–	–	–	–	298,337
June 30, 2014	30,646,670	2,808,250	–	–	918,000	2,664,963	459,186	(3,681,184)

Balance, September 30, 2014	30,646,670	2,808,250	–	–	918,000	2,664,963	962,466	(4,620,771)
Units issuance for cash	1,250,000	625,000	–	–		–	–	–
Translation from subsidiaries	–	–	–	–	–	–	108,765	–
Completion of Plan of Arrangement	–	–	–	–	–	–	(1,071,231)	(1,515,792)
Net loss	–	–	–	–	–	–	–	(607,058)
June 30, 2015	**31,896,670**	**3,433,250**	**–**	**–**	**918,000**	**2,664,963**	**–**	**(6,743,621)**

Mag One Products Inc. (formerly Acana Capital Corp.)

Condensed consolidated interim statements of cash flows

(Unaudited - Expressed in Canadian Dollars)

	Nine months ended June 30, 2015	
	2015	**2014**
Cash (used in) provided by:	$	$
Operating activities		
Income (loss) for the period	(575,368)	298,337
Items not involving cash :		
Gain on debt settlement	(313,666)	–
Gain on preferred share redemption		(436,775)
Loss (gain) on marketable securities	521,392	(316,543)
Share of loss of non-controlling shareholders	(25)	(3,778)
Accrued debenture interest	–	–
Changes in non-cash operating working capital		
Due to related party	–	305,447
Other receivables and prepaid	(27,951)	218,551
Accounts payable and accrued liabilities and deferred revenue	58,202	102,702
Cash provided by (used in) operating activities	(337,416)	167,941
Investing activities		
Acquisition of marketable securities	(11,790)	(845,879)
Disposition of marketable securities	55,219	75,136
Transfer of cash to JG Wealth - completion of the Arrangement	(106,313)	–
Addition of properties and defered cost	–	(764,318)
Cash used in investing activities	(62,884)	(1,535,061)
Financing activities		
Cash received from private placement	625,000	–
Cash provided by investing activities	625,000	–
Effect of holding cash in foreign currency	-	104,962
Increase (decrease) of cash	224,700	(1,262,158)
Cash, beginning of period	117,747	1,363,153
Cash, end of period	342,447	100,995
Supplementary information:		
Cash paid for interest	–	4,729
Cash paid for income taxes	–	–
Redemption of preferred shares in exchange of related party loan		8,500,000

1. NATURE OF OPERATIONS AND GOING CONCERN

Mag One Products Inc., formerly Acana Capital Corp., (the "Company" or "MAG") was incorporated on June 18, 2007 in British Columbia, Canada and had its name change on March 18, 2015. The Company's head office is located at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company's shares are traded on the Canadian Securities Exchange ("CSE").

On July 15, 2014, the Company and two of its wholly owned subsidiaries, Ameri-Can Agri Co, Inc. ("Ameri-Can) and JG Wealth Management Corp. ("JG"), entered into a plan of arrangement in order to proceed with a corporate restructuring (the "Arrangement") by the way of a statutory plan of arrangement.

In accordance with the Arrangement, the Company would transfer its properties, excluding the Shangri La Unit (Note 6), to Ameri-Can; and its marketable securities (Note 8) and the Shangri La Unit (Note 6) to JG (collectively the "Assets Transfer") in return for common shares of Ameri-Can and JG which would be distributed to the shareholders of the Company on a pro-rata basis based on their relative shareholdings of the Company. Ameri-Can and JG would concurrently seek to list their shares on the CSE. Upon the completion of the Arrangement, Ameri-Can and JG would no longer be subsidiaries of the Company.

This Arrangement received the approval from the BC Supreme Court and the Company's shareholders on October 28, 2014. The Company conducted the Asset Transfer on January 1, 2015, and the Arrangement completed on March 12, 2015 when the common shares of JG and Ameri-Can commenced their trading on the CSE.

The Company's principal activity was the acquisition and development of real estate properties. After the Asset Transferred completed on January 1, 2015, the Company has been actively seeking opportunities to get into the manufacturing of magnesium and magnesium compound. (Note 14). Commencing May 28, 2015, the change of business have been approved by the CSE. The Company's trading symbol has been changed from APB to MDD consequently.

Going concern

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2015, the Company is not able to finance its day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful sale or lease of its properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months through the issuance of its common and preferred shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the three and nine months ended June 30, 2015 together with the comparative figures herein have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. STATEMENT OF COMPLIANCE (Continued)

Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended September 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has not adopted new accounting standards since its recent year ended September 30, 2014.

Basis of preparation

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value, and are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements incorporate the accounts of the Company and the following controlled subsidiaries:

		2014/6/30	2014/9/30 (Note 4)	2015/1/1 (Note 5)	**2015/6/30**
JG Wealth Management Corp.	Canada	100%	100%	Nil	**Nil**
JDLP	USA	50%	50%	Nil	**Nil**
Ameri-can Agri Co. Inc.	Canada	100%	100%	Nil	**Nil**
Ameri-can Agri Co.	USA	100%	100%	Nil	**Nil**
Acana Capital LLC.	USA	100%	100%	Nil	**Nil**
Crocker Acana LLC	USA	100%	Nil	Nil	**Nil**
North American Magnesium Company *	USA	Nil	Nil	Nil	**100%**
NAMP LLC (Note 14)	USA	Nil	Nil	Nil	**100%**
Pershing-Churchill LLC	USA	100%	Nil	Nil	**Nil**

*North American Magnesium Company was incorporated on January 8, 2015 in State of Tennessee, USA.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments and share-based transactions, the recoverability and measurement of deferred tax assets and the fair value of the properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of all of the Company's US subsidiaries is the US dollar. The functional currency of JG Wealth Management Corp. is the Canadian dollar.

<u>Transactions and balances:</u>

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

<u>Foreign operations:</u>

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.

Accounting standards issued but not yet applied

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, is not expected to have a material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to IAS 32 Financial Instruments: Presentation.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. SALE OF SUBSIDIARIES

On September 30, 2014, the Company sold two of its subsidiaries, Crocker Acana, LLC ("Crocker") and Pershing-Churchill LLC ("Pershing"), at their carrying value to an arms-length party. In consideration, the Company received promissory notes from the seller in the amount of $1,677,791 which bear no interest, are unsecured and are due on demand, The Company assigned the promissory notes to the CEO and his spouse (the "Related Persons") in exchange for extinguishing $1,677,791 of the debenture owing to the Related Persons (Note 12).

The assets and liabilities of the Crocker and Pershing at the date of disposition are as follows:

	Crocker	Pershing	Total
	$	$	$
Properties	1,638,526	40,746	1,679,272
Accounts payable	-	1,481	1,481
Net assets	1,638,526	39,265	1,677,791

5. CORPORATE RESTURCTURING

Details of the Assets Transfer under the Arrangement (Note 1) are as follows:

Transactions with Ameri-can

The assets and liabilities transferred from the Company to Ameri-can on January 1, 2015 are as follows:

	$
Assets acquired by Ameri-can	
Cash	47,951
Other receivable *((i)and Note 9)*	260,345
Properties to Ameri-can *(Note 6)*	9,733,513
Liabilities assumed by Ameri-can	
Accounts payable and accrued liabilities	(75,622)
Due to Mag *((ii) and Note 12)*	(7,051,914)
Due to Related Persons (Note 12)	(163,719)
Note payable (*(iii) and Note 10)*	(191,846)
Interest held by minority interest	(1,982,462)
Net assets acquired by Ameri-can	576,246

(i) Other receivable represents the amount due from the limited partner of JDLP.
(ii) Due to Mag is a payable that is unsecured, due on demand, and non-interest bearing.
(iii) The promissory note balance is denominated in US dollar (US$169,950), bears interest at 4% per annum, is due on June 26, 2016, and is secured by the Bader Road Lot property.

(Unaudited - Expressed in Canadian dollars)

5. CORPORATE RESTURCTURING (Continued)

Transactions with JG

The assets and liabilities transferred from the Company to JG on January 1, 2015 are as follows:

	$
Assets acquired by JG	
Cash	58,362
Marketable securities *((iv) and Note 8)*	788,749
Property – Shangri La Unit *(Note* 6)	1,166,062
Liabilities assumed by JG	
Deferred revenue	(4,983)
Net assets acquired by JG	2,008,190

(iv) Marketable securities transferred are comprise of investments in shares (fair value of $737,661) and share purchase warrants (fair value of $51,088) of Canadian public companies .

6. PROPERTIES

Shangri La Unit
Shangri La Unit is a residential condominium located in Toronto, Canada. This property has been transferred to JG on January 1, 2015 as part of the Assets Transfer (Note 1 and 5)

Properties to Ameri-can

The Company transferred the following real/farming properties to Ameri-can as part of the Assets Transfer (Note 1 and Note 5)

106 Glenn :_ this is a piece of farm land in Corning, California, USA. The Company, before the completion of the Arrangement, owned 50% interest through its 50% owned limited liability partnership JDLP.

860 Corning : this is a piece (60 acres) of farm land in Corning, California, USA. The Company, before the completion of the Arrangement, owned 50% interest through its 50% owned limited liability partnership JDLP. 106 Glenn and 860 Corning are adjacent to each other

Vineyard Plaza : this is a piece of land located in Sacramento, California, USA intended for commercial buildings development.

Bader Road Lot: this is a piece of vacant land located in Elk Grove, California, USA

Tuscon Building : this is an industrial building located in 5575 S Houghton St., Tuscon, Arizona. This property is leased out the for three years commencing January 1, 2015 to December 31, 2017 for US$20,000 per month.

(Unaudited - Expressed in Canadian dollars)

6. PROPERTIES (Continued)

A summary of all the properties transferred out in accordance with the Arrangement is as follows:

	September 30, 2014	Effect of foreign exchange	Addition/ disposal	Development cost deferred	January 1, 2015
	$	$	$	$	$
Properties transferred to JG:					
Shangri La Unit	1,166,062	-	-	-	1,166,062
Properties transferred to Ameri - can:					
106 Glenn	684,941	13,496	-	-	698,437
860 Corning	3,136,549	61,801	-	-	3,198,350
Vineyard Plaza	2,814,783	55,461	-	-	2,870,244
Bader Road Lot	309,752	6,103	-	-	315,855
Tuscon Building	2,599,409	51,218	-	-	2,650,627
Total to Ameri-can	9,545,434	188,079	-	-	9,733,513

7. SHARE CAPITAL

Authorized

Unlimited number of Class A common shares without par value.
Unlimited number of non-voting Class B preferred shares without par value.

Common shares - Issued and outstanding

On March 26, 2015 and June 8, 2015, the Company closed the first and second tranche of a private placement ("Offering") and issued 300,000 units for $150,000 and 950,000 units for $475,000 respectively. The Company intends to issue up to 2,000,000 units (the "Units") at a price of $0.50 per Unit for gross proceeds of up to $1,000,000 in this Offering. Each Unit will consist of one common share and one common share purchase warrant of the Company. Each warrant can be exercised into one common share at $0.60 per share for a period of twenty four (24) months from the date of issuance. The Company will use the proceeds from the Financing for its working capital.

As at June 30, 2015, the Company has 31,896,670 common shares issued and outstanding.

Share base payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency. The Company reversed $1,071,231 of foreign currency translation reserve directly into the Company's deficits when the Company lost control over its ex-subsidiaries operated in the U.S.A. upon the completion of the Arrangement on January 1, 2015.

Loan reserve

Recorded in the loan reserve is the discount on the convertible debentures previously issued.

(Unaudited - Expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

Warrants

As at June 30, 2015, the Company had 1,250,000 share purchase warrants outstanding (September 30, 2014 – Nil) that have an average life of 1.41 years and average exercise price of $0.60/share

8. MARKETABLE SECURITIES

The Company transferred all of the marketable securities on hand to JG (Note 1 and Note 5) on January 1, 2015. As at June 30, 2015, the Company did not have any marketable securities on hands.

As at December 31, 2014 (right before the completion of the Arrangement on January 1, 2015), the Company's marketable securities comprise of investments in shares and share purchase warrants of Canadian public companies. The Company designates its marketable securities at fair value through profit or loss. The fair value of warrants is determined using a Black–Scholes pricing model. Details are as follows:

December 31, 2014	Cost	Gain (loss)	Fair value
	$	$	$
Common shares	2,424,700	(1,687,039)	737,661
Warrants	-	51,088	51,088
	2,424,700	(1,635,951)	788,749

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2014
Expected life of warrants (years)	0.48 – 3.77
Annualized volatility	151% - 209%
Risk-free interest rate	1.12%
Dividend rate	0%

9. OTHER RECEIVABLES

	June 30, 2015	September 30, 2014
	$	$
Sale taxes receivable	5,805	460
Receivable from JDLP's 50% partner (Note 5)	-	250,968
	5,805	251,428

10. NOTE PAYABLE

	June 30, 2015	September 30, 2014
	$	$
Promissory note (Note 5)	-	184,936

(Unaudited - Expressed in Canadian dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2015	September 30, 2014
	$	$
Trade payables	66,160	78,874
Accrued liabilities	9,500	15,500
	75,660	94,374

12. RELATED PARTY TRANSACTIONS

Compensation paid to key management

There was no compensation paid to key management during nine months ended June 30, 2015 comparing to $Nil paid to key management during the same nine months period in 2014.

Debenture

On June 18, 2014, the Related Persons exchanged 8,000,000 Class B and 2,250,000 Class B Series A preferred shares for a $8,500,000 debenture (”Debenture”) that bears interest at 10% per annum, that is due on June 18, 2015 and is secured against the Company’s wholly owned subsidiary Ameri-Can Agri Co.

On September 30, 2014, the Company assigned $1,677,791 in promissory notes from the sale of Crocker and Pershing to the Related Persons in exchange for extinguishing $1,677,791 of the Debenture (Note 4).

During three months ended December 31, 2014, interest expense $170,555 was accrued on the Debenture. This Debenture was fully settled during nine months ended June 30, 2015 (refer to debt settlement section in the below). The Continuity of this Debenture is as follows:

		Principal	Accrued interest	Total
		$	$	$
June 18, 2014	Inception	8,500,000	-	8,500,000
	Accrued interest for the period		242,192	242,192
September 30, 2014	Partially repaid	(1,677,791)		(1,677,791)
	Accrued interest for the period		170,555	170,555
March 25, 2015	Fully settled	(6,822,209)	(412,747)	7,234,956
June 30, 2015	Balance	-	-	-

Debt Settlement

Upon the completion of the Arrangement, Ameri-can assumed an amount owing to the Company of $7,051,914 (“$7.05 M Payable to Mag One”) (Note 5). On March 25, 2015, Ameri-can assigned this $7.05M Payable to Mag One to the Company’s Related Persons in exchange for a promissory note issued to the Related Persons in the same amount.

On March 25, 2015, under the Company’s request and agreed by the Related Persons, the Debenture (principal and accrued interest totaling $7,234,956) and a non-interest bearing advance to the Company by the Related Persons in the amount of $130,623 are considered fully repaid by the settlement of the $7.05 M Payable to Mag One. As a result, the Company recorded a gain of $313,665 from this debt settlement.

(Unaudited - Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

Others transactions

During three months ended December 31, 2014, the Company leased the Shangri La Unit to a company with a director in common for $6,107 per month on a month to month basis (Note 6) and earned rental income of $18,320. As the Shangri La Unit was transferred to JG Wealth on January 1, 2015 as part of the Arrangement, the Company did not have rental income since then.

During nine months ended June 30, 2015, the Company reimbursed $125,000 to a company controlled by a director of the Company, for the efforts and out-of-pocket expenditures in connection with the access agreement discussed in the Note 14.

Amounts due to related parties

As at June 30, 2015, the Company owed $Nil (September 30, 2014 -$288,446) to the spouse of the Company's CEO. The Company had a $19,034 and $157,000 payable balance owing to Innovative Properties Inc. ("Innovative") as at June 30, 2015 and September 30, 2014 respectively. A director of the Company was also the former CEO of Innovative who resigned from the CEO during 2014. As a result, the $19,034 owing to Innovative was included in the Company's accounts payable as at June 30, 2015 but the $157,000 owing to Innovative was included in the Company's due to related parties as at September 30, 2014.

The amounts owing to related parties do not bear any interest, are unsecured and are due on demand.

13. FINANCIAL INSTRUMENTS

Fair value

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values:

- 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 either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company did not have financial assets measured at fair value as at June 30, 2015.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	June 30, 2015	September 30, 2014
Loans and receivables:		
Cash	$ 342,447	$ 117,747
Receivable from JDLP's 50% partner	-	250,968
Financial assets held at fair value through profit and loss:		
Marketable securities	-	1,353,570
	$ 342,447	$ 1,722,285

(Unaudited - Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments (continued)

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2015	September 30, 2014
	$	$
Non-derivative financial liabilities:		
Trade payables	66,100	78,874
Due to related party	-	378,445
Debenture	-	7,064,401
Note payable	-	184,936
	66,100	7,706,656

14. ACQUISITION OF NEW BUSINESS

On March 25, 2015, the Company entered into an access agreement that provides the Company access to 30 million tonnes of magnesium tailing at $1.50/tonne. The Company is required to pay $100,000 for this agreement and $31,690 has been paid as at June 30, 2015.

On April 2, 2015, the Company has entered into a definitive agreement ("Acquisition") to acquire 100% of North American Magnesium Products, LLC (NAMP), a series LLC formed by Orion Laboratories, LLC, which is headed by James G. Blencoe, Ph.D. for the consideration of $1 (one dollar).

The assets of NAMP include know-how, trade secrets, and other pieces of intellectual property that relate to the production of magnesium (Mg) metal and Mg compounds.

The members of Orion Laboratories will receive up to 40 million common shares of the Company based on the operating performance of the Company: One common share for $1.00 operating profit of the Company earned in designated period.

The Acquisition is considered a fundamental change in business direction that was approval by the CSE on May 28, 2015.