Mag One Products Inc.

(Formerly Acana Capital Corp.)

Consolidated Financial Statements

Year Ended September 30, 2015

Expressed in Canadian Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mag One Products Inc.,

We have audited the accompanying consolidated financial statements of Mag One Products Inc., which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive income (loss), changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mag One Products Inc. as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt on Mag One Products Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 28, 2016

Mag One Products Inc. (formerly Acana Capital Corp.)
Consolidated statements of financial position
(Expressed in Canadian Dollars)

	Note	September 30, 2015	September 30, 2014
		$	$
Assets			
Current assets			
Cash		367,396	117,747
Marketable securities	5	–	1,353,570
Other receivables	6	7,818	251,428
Prepaid expenses		10,695	3,739
		385,909	1,726,484
Non-current			
Construction in progress	7	54,468	–
Properties	8	–	10,711,496
Total assets		**440,377**	**12,437,980**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	123,426	94,374
Due to related party	10	53,728	445,446
Debenture	10	-	7,064,401
Deferred income		-	5,000
		177,154	7,609,221
Non-current liabilities			
Note payable	11	-	184,936
Total liabilities		177,154	7,794,157
Shareholders' equity			
Share capital	12	3,733,250	2,808,250
Reserves		3,590,808	4,545,429
Deficit		(7,060,835)	(4,620,771)
Equity attributed to shareholders		263,223	2,732,908
Non-controlling interests		-	1,910,915
Total Equity		263,223	4,643,823
Total liabilities and shareholders' equity		**440,377**	**12,437,980**

Nature of operations and going concern (Note 1)

Subsequent event (Note 17)

Approved and authorized for issuance by the Board of Directors on January 28, 2016

"Nelson Skalbania" — Director

"Lucky Janda" — Director

Mag One Products Inc. (formerly Acana Capital Corp.)
Consolidated statements of comprehensive income (loss)
(Expressed in Canadian Dollars)

	Note	Years ended September 30, 2015	2014
		$	$
Expenses			
Access fee	7	100,990	–
Business development	10	125,000	–
Consulting	10	95,108	145,678
Office and administration		90,434	9,362
Research		71,720	–
Professional		35,643	20,348
Trust and filing fees		42,434	26,054
Total operating expenses		(561,329)	(201,442)
Dividends on retractable preferred shares		–	(301,575)
Gain on preferred share redemption		–	433,767
Interest expense		–	(85,262)
Loss on arranagement	4	(39,512)	–
		(39,512)	46,930
Loss from continued operations		(600,841)	(154,512)
Income (loss) from discountinued operations	4	907,631	(492,168)
Net income (loss)		306,790	(646,680)
Other comprehensive income (loss):			
Translation gain (loss)		(833,074)	907,640
Comprehensive income (loss)		(526,284)	260,960
Net income (loss) attributable to:			
Equity holders of the Company		306,790	(641,250)
Non-controlling interests		–	(5,430)
		306,790	(646,680)
Other comprehensive income (loss) attributable to:			
Equity holders of the Company		(954,621)	781,439
Non-controlling interests		71,547	126,201
		(883,074)	907,640
Comprehensive income (loss) attributable to:			
Equity holders of the Company		(647,831)	140,189
Non-controlling interests		71,547	120,771
		(526,284)	260,960
Income (loss) per share attributable to the equity holders of the Company			
Income (loss) per share, basic and diluted		0.01	(0.02)
Weighted average number of outstanding shares, basic and diluted		31,156,970	30,646,670

Mag One Products Inc. (formerly Acana Capital Corp.)
Consolidated statement of changes in equity
(Expressed in Canadian Dollars except for number of shares)

		Common shares		Preferred shares		Reserves						
	Note	Number	Amount	Number	Amount	Warrant	Loan	Translation gain (loss)	Deficit	Equity attributed to the equity holders of the Company	Non-controlling interests	Total equity
			$		$	$	$	$	$	$	$	$
September 30, 2013		30,646,670	2,808,250	10,250,000	–	918,000	2,664,963	181,027	(3,979,521)	2,592,719	1,696,109	4,288,828
Translation gain		–	–	–	–	–	–	781,439	–	781,439	126,201	907,640
Extinguishment of preferred shares		–	–	(10,250,000)	–	–	–	–	–	–	–	–
Contribution by minority interests		–	–	–	–	–	–	–	–	–	94,035	94,035
Net loss for the year		–	–	–	–	–	–	–	(641,250)	(641,250)	(5,430)	(646,680)
September 30, 2014		30,646,670	2,808,250	–	–	918,000	2,664,963	962,466	(4,620,771)	2,732,908	1,910,915	4,643,823
Units issuance for cash	12	1,625,000	925,000	–	–	–	–	–	–	925,000	–	925,000
Finders' fees	12	37,500	–	–	–	–	–	–	–	–	–	–
Translation loss		–	–	–	–	–	–	(954,621)	–	(954,621)	71,547	(883,074)
Plan of arranagement with JG	4	–	–	–	–	–	–	–	(2,002,062)	(2,002,062)	–	(2,002,062)
Plan of arrangement with Ameri-Can	4	–	–	–	–	–	–	–	(744,792)	(744,792)	(1,982,462)	(2,727,254)
Net income for the year		–	–	–	–	–	–	–	306,790	306,790	–	306,790
September 30, 2015		**32,309,170**	**3,733,250**	–	–	**918,000**	**2,664,963**	**7,845**	**(7,060,835)**	**263,223**	–	**263,223**

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

Consolidated statements of cash flow

(Expressed in Canadian Dollars)

	Years ended September 30,	
	2015	**2014**
Cash provided by (used in):	$	$
Operating activities		
Loss from continued operations	(600,841)	(154,512)
Items not involving cash :		
Dividends on retractable preferred shares	–	301,575
Loss on Arrangement	39,512	–
Foreign exchange	44,201	–
Gain on preferred share redemption	–	(433,767)
Accrued interest on debtenture	–	93,002
Changes in non-cash operating working capital		
Due to related party	55,694	157,000
Deferred income	–	5,000
Other receivables and prepaid	(14,353)	3,391
Accounts payable and accrued liabilities and deferred revenue	(59,429)	102,702
Cash provided by (used in) operating activities - continued operations	(535,216)	74,391
Cash provided by (used in) operating activities - discontinued operations	(27,687)	57,070
Investing activities		
Addition of construction in progress	(52,467)	–
Transfer of cash on completion of the Arrangement	(106,313)	–
Cash used in investing activities - continued operations	(158,780)	–
Cash provided by (used in) investing activities - discontinued operations	43,371	(1,657,389)
Financing activities		
Changes in related party loan	–	(30,701)
Cash received from private placement	925,000	–
Cash provided (used in) by financing activities - continued operations	925,000	(30,701)
Cash provided by financing activities - discontinued operations	–	309,727
Effect of holding cash in foreign currency	2,961	1,496
Increase (decrease) of cash	249,649	(1,245,406)
Cash, beginning	117,747	1,363,153
Cash, ending	367,396	117,747
Supplementary information:		
Cash paid for interest	–	7,743

1. NATURE OF OPERATIONS AND GOING CONCERN

Mag One Products Inc., (formerly Acana Capital Corp.), (the "Company" or "Mag One") was incorporated on June 18, 2007 in British Columbia, Canada and had its name changed to Mag One Products Inc. 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 (Note 4).

Prior to the Arrangement, the Company's principal activity was the acquisition and development of real estate properties. After the Arrangement, the Company's current business is the research and development of technology and manufacturing facilities for the production of magnesium and magnesium compound. (Note 7).

Going concern

These consolidated 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 September 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 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

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized by the Board of Directors on January 28, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation Continued)

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

		Ownership Percentage	
Name	**Country of incorporation/ formation**	**September 30, 2014**	**September 30, 2015**
		(Note 4)	
JG Wealth Management Corp.	Canada	100%	Nil
JDLP LLC*	USA	50%	Nil
Ameri-Can Agri Co. Inc.	Canada	100%	Nil
Ameri-Can Agri Co.	USA	100%	Nil
Acana Capital LLC.	USA	100%	Nil
Mag One Operations Inc.	Canada	Nil	100%
MagOne Operations Inc. (Previously North American Magnesium Company)	USA	Nil	100%
North American Magnesium Company LLC (NAMP LLC)	USA	Nil	100%

**The Company had control of JPLP. LLC up until January 1, 2015. It was consolidated resulting in non-controlling interest being recorded in the consolidated statements of financial position, up until control ceased on January 1, 2015.*

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 the recoverability and measurement of deferred tax assets.

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 are the determination of the functional currency of the parent and its subsidiaries, and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss ("FVTPL") - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss. The Company designates its marketable securities as FVTPL.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated its cash and other receivable as loan and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not hold any available-for-sale financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)
Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

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, MagOne Operations Inc. and NAMP LLC is the US dollar. The functional currency of Mag One Operations Inc. is the Canadian dollar.

Transactions and balances:
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.

Foreign operations:

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. These differences are recognized in profit and loss in the period which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties

Recognition and measurement

Properties are comprised of real estate projects which are developed, to be developed, or are in development. The Company capitalizes the acquisition and development costs of its real estate projects. No amortization is taken before the real estate project is ready for use and leased.

Gains and losses on disposal of the properties are recognized on a net basis within other income in the consolidated statements of comprehensive loss.

Depreciation

No depreciation is taken on the properties as they were not in use as at January 1, 2015 (the date of the Arrangement) with the exception of the Shangri-la Unit which was depreciated during the year ended September 30, 2015 at 4% on a declining balance basis. The property was not depreciated during the year ended September 30, 2014 since its replacement cost was estimated to be equal to or higher than its carrying value.

Impairment of assets

The carrying amount of the Company’s assets (which include the properties) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Common-control transaction

Since the shareholders of JG, Ameri-Can and the Company, upon the close of the Arrangement were the same, these transactions were deemed common-control transactions. As such, the assets and liabilities transferred out of Mag One were done so at their carrying value. The difference between the fair value and the carrying value of the net assets transferred out is recorded on the statement of comprehensive loss.

Revenue Recognition

Rental income is recognized when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the lease will flow to the Company;
- the stage of completion of the lease at the end of the reporting period can be measured reliably; and
- the costs incurred for and to complete the lease can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a fair value of $Nil is assigned to the warrants.

Income taxes

Current income tax:

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accounting standards issued but not yet applied

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2015 or later periods.

The following new standard has 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. CORPORATE RESTURCTURING

In July 2014, the Company, and two of its wholly owned subsidiaries, Ameri-Can, and JG entered into a plan of arrangement in order to proceed with a corporate restructuring (the "Arranagement").

In accordance with the Arrangement, the Company transferred its properties, excluding the Shangri La Unit (Note 8), to Ameri-Can; and its marketable securities (Note 5) and the Shangri La Unit (Note 8) to JG (collectively the "Assets Transfer") in return for common shares of Ameri-Can and JG which were distributed to the shareholders of the Company on a pro-rata basis based on their relative shareholdings of the Company. Ameri-Can and JG concurrently applied to list their shares on the CSE. Upon the completion of the Arrangement, Ameri-Can and JG were no longer subsidiaries of the Company.

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.

Details of the assets transfer under the Arrangement are as follows:

<u>Transactions with Ameri-Can</u>

The carrying value assets and liabilities transferred from the Company to Ameri-Can on January 1, 2015 under the Arrangement are as follows:

	$
Assets acquired by Ameri-Can	
Cash	47,951
Other receivable *((i)and Note 6)*	260,345
Properties *(Note 8)*	9,393,747
Biological assets	508,312
Liabilities assumed by Ameri-Can	
Accounts payable and accrued liabilities	(75,622)
Due to director *((ii) and Note 10)*	(7,051,914)
Due to Related Persons *(Note 10)*	(163,719)
Note payable (*(iii) and Note 11)*	(191,846)
Interest held by minority interest	(1,982,462)
Carrying value and fair value of net assets acquired by Ameri-Can	744,792

(i) Other receivable represents the amount due from the limited partner of JDLP LLC.
(ii) Due to director is a payable that is unsecured, due on demand, and non-interest bearing. $313,665 was forgiven on this debt with the Arrangement (Note 10).
(iii) The promissory note balance is denominated in US dollars (US$165,000), bears interest at 4% per annum, is due on June 26, 2016, and is secured by the Bader Road Lot property.

The fair value of the assets acquired by Ameri-Can is $744,792.

(Expressed in Canadian dollars)

4. CORPORATE RESTURCTURING (Continued)

Transactions with JG

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

	$
Assets acquired by JG	
Cash	58,362
Marketable securities *((iv) and Note 5)*	836,699
Property – Shangri La Unit *(Note 8)*	1,151,496
Liabilities assumed by JG	
Deferred revenue	(4,983)
Carrying value of net assets acquired by JG	2,041,574
Fair value of assets distributed to Mag One shareholders	(2,002,062)
Loss on Arrangement	39,512

In accordance with *IFRIC 17, Distribution of non-cash assets to owners*, the Company recognized the distribution of assets to Mag One shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the statement of comprehensive loss. The fair value of the shares was determined by using the fair value of the net assets transferred.

The operations that were transferred to Ameri-Can and JG are considered a discontinued operation of the Company with the following details:

Year ended September 30, 2015:

	Ameri-Can	**JG**	**Total**
	$	$	$
Revenue	-	18,320	18,320
Direct costs	-	(3,081)	(3,081)
Net revenue	-	15,239	15,239
Amortization	-	(14,566)	(14,566)
Office and administration	(737)	-	(737)
Interest expense	(172,429)	-	(172,429)
Gain on debt settlement (Note 10)	-	313,701	313,701
Realized gain on sale of marketable securities	-	30,161	30,161
Unrealized loss on fair value of marketable securities	-	(503,599)	(503,599)
Realized gain on foreign exchange (Note 12)	1,239,861	-	1,239,861
Profit (loss)	1,066,695	(159,064)	907,631

(Expressed in Canadian dollars)

4. CORPORATE RESTURCTURING (Continued)

Year ended September 30, 2014:

	Ameri-can	JG	Total
	$	$	$
Revenue	18,953	73,273	92,226
Direct costs	-	(19,829)	(19,829)
Net revenue	18,953	53,444	72,397
Office and administration	(78,777)	-	(78,777)
Interest expense	(7,743)	-	(7,743)
Impairment on properties	(325,962)	-	(326,962)
Unrealized loss on fair value of marketable securities	-	(150,453)	(150,453)
Realized loss on foreign exchange	(1,630)	-	(1,630)
Profit (loss)	(395,159)	(97,009)	(492,168)

5. MARKETABLE SECURITIES

The Company transferred all of the marketable securities on hand to JG (Note 4) on January 1, 2015. As at September 30, 2015, the Company did not have any marketable securities on hand.

As at 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 was determined using a Black–Scholes pricing model. Details are as follows:

January 1, 2015	Cost	Gain (loss)	Fair value
	$	$	$
Common shares	2,424,700	(1,639,089)	785,611
Warrants	-	51,088	51,088
	2,424,700	(1,588,001)	836,699

September 30, 2014	Cost	Gain (loss)	Fair value
	$	$	$
Common shares	2,433,910	(1,099,851)	1,334,059
Warrants	-	19,511	19,511
	2,433,910	(1,080,340)	1,353,570

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

	January 1, 2015	September 30, 2014
Expected life of warrants (years)	0.90	0.48-3.77
Annualized volatility	172%	151%-209%
Risk-free interest rate	1.12%	1.12%
Dividend rate	0%	0%

(Expressed in Canadian dollars)

6. OTHER RECEIVABLES

	September 30, 2015	September 30, 2014
	$	$
Sale taxes receivable	7,818	460
Receivable from JDLP's 50% partner (Note 4)	-	250,968
	7,818	251,428

7. ACCESS AGREEMENT AND ACQUSITION OF NAMP LLC

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 made a payment of $100,990 during the year ended September 30, 2015 in connection with the agreement.

On April 2, 2015, the Company, through its wholly owned subsidiary, MagOne Operations Inc. ("MagOne USA"), entered into a definitive agreement ("Acquisition") to acquire 100% of North American Magnesium Products, LLC (NAMP LLC), a LLC formed by Orion Laboratories, LLC. Pursuant to this agreement, the Company will make available $700,000 to NAMP LLC upon CSE approval and a further $1,300,000 on or before March 5, 2016.

The assets of NAMP LLC include intellectual property that relate to the production of magnesium metal and magnesium compounds.

The members of Orion Laboratories LLC 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.

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

NAMP LLC is in the process of construction of a laboratory for performing research work and has incurred $54,468 in construction cost as at September 30, 2015.

8. PROPERTIES

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

Properties transferred to Ameri-Can:

	September 30, 2014	Effect of foreign	January 1, 2015	Properties transferred to	Biological assets transferred to	September 30, 2015
	$	$	$	$	$	$
106 Glenn	514,914	19,237	534,151	(534,151)	-	-
106 Glenn - deferred costs	170,027	6,352	176,379	-	(176,379)	-
860 Corning	2,816,527	105,271	2,921,798	(2,921,798)	-	-
860 Corning - deferred costs	320,022	11,911	331,933	-	(331,933)	-
Vineyard Plaza	2,814,783	105,164	2,919,947	(2,919,947)	-	-
Bader Road Lot	309,752	11,573	321,325	(321,325)	-	-
Tuscon Building	2,599,409	97,117	2,696,526	(2,696,526)	-	-
Total to Ameri-can	9,545,434	356,625	9,902,059	(9,393,747)	(508,312)	-

(Expressed in Canadian dollars)

8. PROPERTIES (Continued)

Properties transferred to JG:

	September 30, 2014	Amortization	January 1, 2015	Transfered to subsidiaries	September 30, 2015
	$	$	$	$	$
Shangri La Unit	1,166,062	(14,566)	1,151,496	(1,151,496)	-

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 4).

Properties to Ameri-Can

The Company transferred the following properties to Ameri-Can as part of the Agreement (Note 4).

106 Glenn : 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 LLP.

860 Corning : 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 : Vacant land located in Sacramento, California, USA intended for commercial buildings development.

Bader Road Lot: Vacant land located in Elk Grove, California, USA intended for multi-family residential development.

Tuscon Building : Industrial building in 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2015	**September 30, 2014**
	$	$
Trade payables	93,701	78,874
Accrued liabilities	29,725	15,500
	123,426	94,374

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

Compensation paid to key management

During the years ended September 30, 2015 and 2014, the Company was charged by the related parties the following:

		2015	2014
		$	$
Chairman of the board of directors	Consulting	24,000	-
Chairman of the board of directors	Business	125,000	-
Chief executive officer ("CEO") of Mag One Products Inc.	Consulting	24,000	-
President and CEO of Mag Operations Inc.	Consulting	24,000	
		197,000	-

Debenture and debt settlement

On June 18, 2014, the CEO and his spouse (the "Lenders") exchanged 8,000,000 Class B and 2,250,000 Class B Series A preferred shares for a $8,500,000 debenture that bore interest at 10% per annum, was due on June 18, 2015 and was secured against Acana Capital, USA, Inc. On September 30, 2014, the Company assigned $1,677,755 in promissory notes from the sale of Crocker and Pershing to the CEO and his spouse in exchange for extinguishing $1,677,755 of the debenture. During the year ended September 30, 2015, interest expense of $170,555 (2014 - $242,192) was accrued on the Debenture.

During the year ended September 30, 2015, in accordance with the Arrangement, the Lenders agreed to settle this debenture, plus an additional non-interest amount of $130,623 that was due to them for $7,051,914 (Note 4). As a result of the settlement, a gain of $313,701 was recorded.

Marketable securities

During the year ended September 30, 2015, prior to the Arrangement, the Company acquired 500,000 common shares (2014 - 6,445,800) and Nil warrants (2014 - 500,000) of Canadian public companies that have directors or officers in common with the Company. As at September 30, 2015, the Company held common shares and warrants with a cost of $Nil (January 1, 2015 - $850,033, September 30, 2014 - $970,874) and a fair value of $Nil (January 1, 2015 - $410,835, September 30, 2014 - $726,835) of Canadian public companies with directors and officers in common with the Company.

Transactions with related parties other than key management personnel

During the years ended September 30, 2015 and 2014, the company incurred the following transactions with related parties:

		2015	2014
		$	$
Consulting fees	Company with a common director	-	100,000
Rent expense	Companies controlled by a relative of the CEO	-	17,500
Rent expense	Company with a common director	-	13,000
		-	130,500

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties other than key management personnel (continued)

During the period 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 8) 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 (Note 4), the Company did not have rental income from January 1, 2015 to September 30, 2015.

During the year ended September 30, 2014, TM Technologies Inc. ("TM"), a private company incorporated in the USA, issued a note receivable (the "Note Receivable") to the Company in the amount of US$300,000. The Note Receivable is guaranteed by Medusa Scientific LLC, the parent company of TM and a private company incorporated in the United States. In consideration, TM issued 500,000 of its common shares to the Company. The fair value of these shares were determined to be $Nil. On October 9, 2013, the Company assigned the Note Receivable to Maxtech Ventures Inc., a company with the CEO and CFO in common. The Company returned 400,000 of the common shares received to TM as part of the assignment.

Amounts due to related parties

	2015	**2014**
	$	$
Chairman of the board of directors	24,000	-
CEO	24,000	-
Company controlled by former director	-	157,000
Company with common directors and management	3,586	-
Family member of director of NAMP LLC	2,142	-
Spouse of CEO *(i)*	-	288,446
	53,728	445,446

(i) Of the $288,446 owing at September 30, 2014, $163,179 was transferred to Ameri-Can during the Arranagement (Note 4).

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

11. NOTE PAYABLE

On June 18, 2013, the Company issued a note payable to the seller of the Bader Road Lot for US$165,000. The note bears interest at 4% per annum, due on June 26, 2016, and is secured by the Bader Road Lot property. Interest payments are due every quarter subsequent to the issuance of the note. On January 1, 2015, this note was transferred to Ameri-Can in accordance with the Arrangement (Note 4). As at September 30, 2015, $Nil (September 30, 2014 - $184,936) was owing on this note. During the year period from October 1, 2014 to January 1, 2015 (the date of the Arrangement), interest expense of $1,874 (year ended September 30, 2014 - $7,743) was incurred on the note.

(Expressed in Canadian dollars)

12. 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 issued 300,000 units for $150,000 and 950,000 units for $475,000 respectively. Each unit consists 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 months from the date of issuance. The fair value of the warrants was determined to be $Nil.

On August 26, 2015, the Company issued 375,000 units ("Unit A") at a price of $0.80/share for proceeds of $300,000. Each Unit A is comprised of one common share and one share purchase warrant ("Warrant A"). Each Warrant A can be exercised into one common share at $1.00 per share for a period of twelve months from the date of issuance. Finders' fees of 37,500 Unit A's were issued valued at $30,000. The fair value of the warrant A's was determined to be $Nil.

Warrant reserve

The warrant reserve records the fair value of the warrant issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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 realized $1,239,861 of foreign currency translation reserve directly into the Company's profit and loss upon the completion of the Arrangement, which is included in the income from discontinued operations (Note 4).

Loan reserve

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

Warrants

As at September 30, 2015, the Company had the following warrants outstanding:

	Number of Warrants	Exercise price	Expiry date
Balance, September 30, 2014	-	-	
Granted, March 26, 2015	300,000	$0.60	March 26, 2017
Granted, June 8, 2015	950,000	$0.60	June 28, 2017
Granted, August 26, 2015	412,500	$1.00	August 26, 2016
Balance, September 30, 2015	1,662,500		

As at September 30, 2015, warrants outstanding have an average life of 1.19 years and average exercise price of $0.70.

(Expressed in Canadian dollars)

13. SEGMENTS

Operating segments

The Company operates in a single reportable operating segment which is the research and development of technology and manufacturing facilities for the processing and production of magnesium and magnesium compound.

Geographic segments

The Company's non-current assets are located in the following countries:

As at September 30 , 2015	Canada	United States	Total
	$	$	$
Construction in progress	-	54,468	54,468

As at September 30, 2014	Canada	United States of	Total
	$	$	$
Properties	1,166,062	9,545,434	10,711,496

14. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash which is held in bank accounts. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (Continued)

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's cash was measured at fair value using level 1 inputs as at September 30, 2015.

Classification of financial instruments

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

	September 30, 2015	September 30, 2014
Loans and receivables:	$	$
Cash	367,396	117,747
Receivable from JDLP's 50% partner	-	250,968
Financial assets held at FVTPL		
Marketable securities	-	1,353,570
	367,396	1,722,285

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

	September 30, 2015	September 30, 2014
Non-derivative financial liabilities:	$	$
Trade payables	93,701	78,874
Due to related party	53,728	445,446
Debenture	-	7,064,401
Note payable	-	184,936
	147,429	7,773,657

15. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its real estate projects and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

16. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2015	**September 30, 2014**
	$	$
Net income (loss) before income taxes	306,790	(646,680)
Statutory tax rate	26%	26%
Expected income tax payable (recovery) at the statutory tax rate	175,420	(163,868)
Non-deductible expenses	(364,329)	32,744
Effect of changes in tax rates	-	(24,968)
Foreign exchange and other	437,717	-
Changes in valuation allowance	(248,808)	156,092
Actual income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2015	**September 30, 2014**
	$	$
Non-capital loss carry-forwards	225,154	172,349
Marketable securities	-	133,683
Properties	-	167,930
Deferred tax assets	225,154	473,962

The Company has approximately $835,500 in Canadian non-capital tax losses and approximately $23,300 in US non-capital tax losses which will expire in 2035.

17. SUBSEQUENT EVENT

The Company granted 3,200,000 stock options to its directors, officers and consultants under the Company's stock option plan. Each option is exercisable into one common share at $1.10/share and will expire on November 11, 2020.