# Mag One Products Inc.

# (Formerly Acana Capital Corp.)

**Condensed Consolidated Interim Financial Statements**

**Three and Six Months Ended March 31, 2016**

**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 | March 31, 2016 | September 30, 2015 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 225,957 | 367,396 |
| Other receivable | 9 | 15,833 | 7,818 |
| Prepaid | | 12,967 | 10,695 |
| | | 254,757 | 385,909 |
| **Non-current** | | | |
| Construction in progress | 6 | - | 54,468 |
| Equipment and property | 6 | 76,460 | |
| **Total assets** | | **331,217** | **440,377** |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 11 | 45,611 | 123,426 |
| Due to related party | 12 | 197,370 | 53,728 |
| Note payable | 12 | 50,000 | - |
| | | 292,981 | 177,154 |
| **Shareholders' equity** | | | |
| Share capital | 9 | 3,907,250 | 3,733,250 |
| Share subscription received | 9 | 250,000 | – |
| Reserves | | 6,853,005 | 3,590,808 |
| Deficit | | (10,972,019) | (7,060,835) |
| **Total equity** | | 38,236 | 263,223 |
| **Total liabilities and shareholders' equity** | | **331,217** | **440,377** |

*Nature of operations and going concern (Note 1)*

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

*"Nelson Skalbania"* — Director

*"Lucky Janda"* — Director

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

| | Three months ended March 31, | | Six months ended March 31, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| Business development | – | 31,690 | – | 31,690 |
| Office and administration | 9,974 | 6,772 | 23,636 | 23,084 |
| Promotion and investor communication | 151,887 | – | 169,076 | – |
| Research | 157,224 | – | 187,855 | – |
| Professional and consulting fees | 64,045 | 51,103 | 181,487 | 59,193 |
| Share-based compensation | – | – | 3,267,200 | – |
| Travel | 13,999 | – | 38,951 | |
| Trust and filing fees | 9,471 | 2,835 | 41,230 | 15,563 |
| Total operating expenses | 406,600 | 92,400 | 3,909,435 | 129,530 |
| Lose before other items | (406,600) | (92,400) | (3,909,435) | (129,530) |
| Interest | (1,255) | – | (1,749) | – |
| **Losss from continued operations** | (407,855) | (92,400) | (3,911,184) | (129,530) |
| **Income (loss) from discountinued operations** | – | 1,544,788 | – | 868,080 |
| | (407,855) | 1,452,388 | (3,911,184) | 738,550 |
| **Other comprehensive loss:** | | | | |
| Translation gain (loss) | (10,300) | (1,142,803) | (5,003) | (962,466) |
| **Comprehensive loss** | (418,155) | 309,585 | (3,916,187) | (223,916) |
| Loss per share, basic and diluted | (0.01) | 0.05 | (0.12) | 0.02 |
| Weighted average number of outstanding shares, basic and diluted | 32,370,003 | 30,653,263 | 32,329,170 | 30,660,003 |

**Mag One Products Inc. (formerly Acana Capital Corp.)**
**Condensed consolidated interim statements of changes in equity (deficiency)**
(Unaudited - Expressed in Canadian Dollars except for number of shares)

| | Common shares | | | Reserve | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Subscription received | Warrant | Loan | Option | Translation gain (loss) | Deficit | Equity attributed to the equity holders of the Company | Non-controlling interests | Total equity |
| September 30, 2014 | 32,599,170 | 2,808,250 | – | 918,000 | 2,664,963 | – | 962,466 | (4,620,771) | 2,732,908 | 1,910,915 | 4,643,823 |
| Units issued for cash | 300,000 | 150,000 | – | – | – | – | – | – | 150,000 | – | 150,000 |
| Translation from subsidiaries | – | – | – | – | – | – | (962,466) | – | (962,466) | 71,547 | (890,919) |
| Completion of plan of arrangement | – | – | – | – | – | – | – | (2,746,914) | (2,746,914) | (1,982,462) | (4,729,376) |
| Net loss | – | – | – | – | – | – | – | 738,550 | 738,550 | – | 738,550 |
| **March 31, 2015** | **32,899,170** | **2,958,250** | – | **918,000** | **2,664,963** | – | **–** | **(6,629,135)** | **(87,922)** | **–** | **(87,922)** |
| September 30, 2015 | 32,309,170 | 3,733,250 | – | 918,000 | 2,664,963 | – | 7,845 | (7,060,835) | 263,223 | – | 263,223 |
| Translation from subsidiaries | – | – | – | – | – | – | (5,003) | – | (5,003) | – | (5,003) |
| Share-based compensation | – | – | – | – | – | 3,267,200 | – | – | 3,267,200 | – | 3,267,200 |
| Subscription received | – | – | 250,000 | – | – | – | – | – | 250,000 | – | 250,000 |
| Share issuance - warrant exercise | 290,000 | 174,000 | – | – | – | – | – | – | 174,000 | – | 174,000 |
| Net loss | – | – | – | – | – | | – | (3,911,184) | (3,911,184) | – | (3,911,184) |
| **March 31, 2016** | 32,599,170 | 3,907,250 | 250,000 | 918,000 | 2,664,963 | 3,267,200 | 2,842 | (10,972,019) | 38,236 | – | 38,236 |

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

**Condensed consolidated interim statements of cash flows**

(Unaudited - Expressed in Canadian Dollars)

| **Six months ended March 31,** | **2016** | **2015** |
|---|---|---|
| **Cash (used in) provided by:** | $ | $ |
| **Operating activities** | | |
| Income (loss) for the period | (3,911,184) | (492,572) |
| Items not involving cash : | | |
| Share-based compensation | 3,267,200 | – |
| Amortization included in the research expenditure | 4,203 | – |
| Changes in non-cash operating working capital | | |
| Due to related party | 143,642 | – |
| Other receivables and prepaid | (10,287) | (3,076) |
| Accounts payable and accrued liabilities and deferred revenue | (77,815) | (79,640) |
| Cash flow from discontinued operations | – | 384,653 |
| Cash used in operating activities | (584,241) | (190,635) |
| **Investing activities** | | |
| Additional of equipment and property | (26,195) | – |
| Cash flow from discountineud operation | – | (62,884) |
| Cash used in investing activities | (26,195) | (62,884) |
| **Financing activities** | | |
| Proceeds from issuance of promissory note | 50,000 | – |
| Share subscription receipt | 250,000 | – |
| Share issuance for cash | 174,000 | 150,000 |
| Cash provided by financing activities | 474,000 | 150,000 |
| Effect of holding cash in foreign currency | (5,003) | – |
| **Decrease of cash** | (141,439) | (103,519) |
| **Cash, beginning of period** | 367,396 | 117,747 |
| **Cash, end of period** | 225,957 | 14,228 |
| **Supplementary information:** | | |
| Cash paid for interest | – | – |
| Cash paid for income taxes | – | – |

## 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 145 – 925 Georgia Street West, Vancouver, V6C3L2. The Company's shares are traded on the Canadian Securities Exchange ("CSE").

The Company's principal business is the research and development of technology and manufacturing facilities for the production of magnesium and magnesium compound.

### 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 March 31, 2016, 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

These condensed consolidated interim financial statements for the three and six months ended March 31, 2016 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").

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, 2015.

These condensed interim consolidated financial statements were approved and authorized by the Board of Directors on May________, 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.

The Company has not adopted new accounting policies since it recent year ended September 30, 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(Unaudited - Expressed in Canadian dollars)**

**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** | **March 31, 2015** | **September 30, 2015 and March 31, 2016** |
| | | (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% |
| Mag One 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)

**(Unaudited - Expressed in Canadian dollars)**

***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 RESTRUCTURING

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 "Arrangement").

In accordance with the Arrangement, the Company transferred various real and farming properties to Ameri-Can; and its marketable securities and a condominium unit 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 operations that were transferred to Ameri-Can and JG are considered a discontinued operation of the Company. Their result of operations for six months ended March 31, 2015 and year ended September 30, 2015 are as follows:

| | **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 |

## 4. CORPORATE RESTRUCTURING (Continued)

**(Unaudited - Expressed in Canadian dollars)**

The Arrangement was completed on March 12, 2015 when the common shares of JG and Ameri-Can commenced their trading on the CSE.

## 5. OTHER RECEIVABLES

| | March 31, 2016 | September 30, 2015 |
|---|---|---|
| | $ | $ |
| Sale taxes receivable | 15,833 | 7,818 |

## 6. ACCESS AGREEMENT AND ACQUISITION 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 tailings 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, Mag One 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.

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.

As at March 31, 2016, the Company, through NAMP LLC has built a laboratory for performing research work. The Cost and accumulated amortization of this laboratory was $80,485 and $4,025 respectively. The expect life of the laboratory is 5 years.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2016 | September 30, 2015 |
|---|---|---|
| | $ | $ |
| Trade payables | 23,611 | 93,701 |
| Accrued liabilities | 22,000 | 29,725 |
| | 45,611 | 123,426 |

## 8. RELATED PARTY TRANSACTIONS

**(Unaudited - Expressed in Canadian dollars)**

Compensation paid to key management and directors

During six months ended March 31, 2016 and 2015, the Company was charged by the related parties the following:

| Six months ended March 31, | | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| Chairman of the board | Consulting | 48,000 | - |
| Chief executive officer ("CEO"). | Consulting | 48,000 | - |
| President and CEO of a subsidiary | Consulting | 48,000 | |
| Chairman of the board and a company controlled by the Chairman | Shared-based compensation | 969,950 | - |
| A company controlled by the CEO | Shared-based compensation | 510,500 | - |
| President and CEO of a subsidiary | Shared-based compensation | 306,300 | - |
| Chief Financial Officer | Shared-based compensation | 102,100 | - |
| Other directors | Shared-based compensation | 510,500 | - |

Amounts due to related parties

| | March 31, 2016 | September 30, 2015 |
|---|---|---|
| | $ | $ |
| Chairman of the board of directors | 122,000 | 24,000 |
| CEO | 72,000 | 24,000 |
| Company with common directors and management | 3,370 | 3,586 |
| Family member of director of NAMP LLC | - | 2,142 |
| | 197,370 | 445,446 |

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

Note payable

As at March 31, 2016 the Company had a promissory note payable of $50,000 owing to a Company with a common director of the Company. This note payable is unsecured, bears interest of 5% per annum, and payable on demand.

## 9. 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**
During six months ended March 31, 2016, 290,000 warrants were exercised into common shares on one to one basis at $0.60/share $174,000. The Company has also received $250,000 for subscription of security unit at $0.90/unit. Each unit is consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $1.10/share in one year after issuance. (Note 12)

## 9. SHARE CAPITAL (Continued)

**(Unaudited - Expressed in Canadian dollars)**

**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 March 31, 2016, the Company had the following warrants outstanding:

| | Number of Warrants | Exercise price | Expiry date |
|---|---|---|---|
| Balance, September 30, 2014 | - | - | |
| Granted, March 26, 2015 | 10,000 | $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, March 31, 2016 | 1,372,500 | | |

As at March 31, 2016, warrants outstanding have an average life of 1.02 years and average exercise price of $0.70.

**Option**

During three months ended December 31, 2015, the Company granted 3,200,000 stock options to its consultants, directors, and management. These options were fully vested at the grant date. Each option can be exercised into one common share at $1.10/share and will expire November 11, 2020 if unexercised.

The Company used black-schole option pricing model to value the fair value of the options granted as $1.021/option with the use of the following assumptions: share price at the grant date $1.10; exercise price $1.10; expiry period of 5 years; risk free interest rate of 0.93% per annum; Nil dividend rate, and the annual volatility of 160%.

As all the options granted were vested immediately, the Company recorded the fair value of these 3,200,000 options of $3,267,200 as share-based compensation during six months ended March 31, 2016.

**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.

**Loan reserve**

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

## 10. SEGMENTS

**(Unaudited - Expressed in Canadian dollars)**

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 ("CIP") | - | 54,468 | 54,468 |

| **As at March 31, 2016** | Canada | United States of | Total |
|---|---|---|---|
| | $ | $ | $ |
| Equipment and property (transferred from CIP) | - | 76,460 | 76,460 |

## 11. FINANCIAL INSTRUMENTS

The Company has not changed it approach in managing risk associated with its financial instruments since its recent year ended September 30, 2015.

### 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 does not have financial instruments measured at fair value

### Classification of financial instruments

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

| | **March 31, 2016** | **September 30, 2015** |
|---|---|---|
| Loans and receivables: | $ | $ |
| Cash | 225,957 | 367,396 |

## 11. FINANCIAL INSTRUMENTS (Continued)

**(Unaudited - Expressed in Canadian dollars)**

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

| | **March 31, 2016** | **September 30, 2015** |
|---|---|---|
| Non-derivative financial liabilities: | $ | $ |
| Trade payables | 23,611 | 93,701 |
| Due to related party | 197,370 | 53,728 |
| Note payable | 50,000 | - |
| | 270,981 | 147,429 |

## 12. SUBSEQUENT EVENTS

The Company started a private placement for issuance security unit at $0.90/unit. Each unit is consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $1.10/share in one year after issuance. The exercise is subject to an acceleration clause of thirty days in the event the Company's share traded at $2.00 per share over ten consecutive trading days.

The Company closed this private placement on May 19, 2016 for the issuance of 1,111,111 units for $1,000,000.

On May 12, 2016, the Company entered into an initial joint venture agreement with Magboard LLC ("MagBoard'), a private US company, to form a new company ("MBE") in Quebec for the manufacturing of magnesium based wallboard.

Mag One will earn its 50% interest of MBE by :

- Providing $500,000 startup capital to MBE
- Providing a minimum 20,000 sq ft serviced facility to house the magboard assembly operation
- Providing up to US$800,000 to purchase a convertible debenture into Magboard. The convertible debenture would have a coupon of 5% per annum and convertible inot shares of Magboard at a mutually agreed upon price.

The final joint venture agreement will be closed on or before July 31, 2016.