Mag One Products Inc.

Consolidated Financial Statements

Year Ended September 30, 2016

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, 2016 and 2015, and the consolidated statements of comprehensive 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, 2016 and 2015, 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 30, 2017

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

	Note	September 30, 2016	September 30, 2015
		$	$
Assets			
Current assets			
Cash		207,239	367,396
Other receivable	5	53,357	7,818
Prepaid		23,172	10,695
		283,768	385,909
Non-current			
Construction in progress	6	26,234	54,468
Property and equipment	6	194,194	–
Total assets		**504,196**	**440,377**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	160,502	123,426
Due to related parties	8	116,050	53,728
		276,552	177,154
Shareholders' equity			
Share capital	9	5,403,250	3,733,250
Reserves		7,429,485	3,590,808
Deficit		(12,605,091)	(7,060,835)
Total equity		227,644	263,223
Total liabilities and shareholders' equity		**504,196**	**440,377**

Nature of operations and going concern (Note 1)

Commitments (Note 14)

Approved and authorized for issuance by the Board of Directors on January 28, 2017

"Nelson Skalbania"
Director

"Lucky Janda"
Director

The accompanying notes are an integral part of these consolidated financial statements

Mag One Products Inc.
Consolidated statements of comprehensive loss
(Expressed in Canadian Dollars)

	Year ended September 30, 2016	2015
	$	$
Expenses		
Access fee	–	100,990
Amortization (Note 6)	26,180	–
Business development	–	125,000
Consulting (Note 9)	552,873	95,108
Office and administration	41,865	90,434
Promotion and investor communication	438,313	–
Research	530,833	71,720
Professional	32,002	35,643
Share-based compensation (Notes 8 and 9)	3,741,520	–
Travel	74,580	–
Trust and filing fees	98,648	42,434
Total operating expenses	5,536,814	561,329
Loss before other items	(5,536,814)	(561,329)
Interest	(7,442)	–
Loss on arrangement (Note 4)	–	(39,512)
Loss from continued operations	(5,544,256)	(600,841)
Income from discountinued operations (Note 4)	–	907,631
	(5,544,256)	306,790
Other comprehensive loss:		
Translation loss	(1,843)	(833,074)
Comprehensive loss	(5,546,099)	(526,284)
Net income (loss) attributed to:		
Equity holders of the Company	(5,544,256)	306,790
Total	(5,544,256)	306,790
Other comprehensive income (loss) attributed to:		
Equity holders of the Company	(1,843)	(904,621)
Non-controlling interests	–	71,547
Total	(1,843)	(833,074)
Comprehensive loss attributed to:		
Equity holders of the Company	(5,546,099)	(597,831)
Non-controlling interests	–	71,547
Total	(5,546,099)	(526,284)
Income (loss) per share, basic and diluted	(0.17)	0.01
Weighted average number of outstanding shares, basic and diluted	33,079,157	31,156,970

The accompanying notes are an integral part of these consolidated financial statements

Mag One Products Inc.

Consolidated statements of changes in equity

(Expressed in Canadian Dollars except for number of shares)

	Common shares		Reserve							
	Number	Amount	Warrant	Loan	Option	Translation gain (loss)	Deficit	Equity attributed to the equity holders of the Company	Non-controlling interests	Total equity
		$	$	$	$	$	$	$	$	$
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 issued for cash (Note 9)	1,625,000	925,000	–	–	–	–	–	925,000	–	925,000
Finders' fees (Note 9)	37,500	–	–	–	–	–	–	–	–	-
Translation loss	–	–	–	–	–	(954,621)	–	(954,621)	71,547	(883,074)
Plan of arrangement with JG (Notes 4 and 9)	–	–	–	–	–	–	(2,002,062)	(2,002,062)	–	(2,002,062)
Plan of arrangement with American (Notes 4 and 9)	–	–	–	–	–	–	(744,792)	(744,792)	(1,982,462)	(2,727,254)
Net income	–	–	–	–	–	–	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**
Translation from subsidiaries	–	–	–	–	–	(1,843)	–	(1,843)	–	(1,843)
Share-based compensation (Note 9)	–	–	–	–	3,741,520	–	–	3,741,520	–	3,741,520
Share issuance- warrant exercise (Note 9)	365,000	219,000	–	–	–	–	–	219,000	–	219,000
Units issuance for cash (Note 9)	1,661,111	1,451,000	99,000	–	–	–	–	1,550,000	–	1,550,000
Net loss	–	–	–	–	–	–	(5,544,256)	(5,544,256)	–	(5,544,256)
September 30, 2016	**34,335,281**	**5,403,250**	**1,017,000**	**2,664,963**	**3,741,520**	**6,002**	**(12,605,091)**	**227,644**	**–**	**227,644**

Mag One Products Inc.

Consolidated statements of cash flow

(Expressed in Canadian Dollars)

	Years ended September 30, 2016	2015
	$	$
Operating activities		
Loss from continued operations:	(5,544,256)	(600,841)
Items not involving cash :		
Loss on arrangement	-	39,512
Foreign exchange	-	44,201
Share-based compensation	3,741,520	–
Amortization	26,180	–
Non-cash interest expense	3,750	
Changes in non-cash operating working capital		
Other receivables and prepaid	(45,538)	(14,353)
Prepaid expenses	(12,816)	
Due to related party	(44,014)	55,694
Accounts payable and accrued liabilities	39,919	(59,429)
Cash used in operating activities - continued operations	(1,835,255)	(535,216)
Cash used in operating activities - discontinued operations	-	(27,687)
Investing activities		
Additions to equipment and property	(168,467)	–
Additions to construction in progress	(26,234)	(52,467)
Transfer of cash on completion of the Arrangement	-	(106,313)
Cash used in investing activities - continued operations	(194,701)	(158,780)
Cash provided by investing activities - discontinued operations	–	43,371
Financing activities		
Proceeds from issuance of promissory note	100,000	–
Share issuance for cash	1,769,000	925,000
Cash provided by financing activities	1,869,000	925,000
Effect of holding cash in foreign currency	799	2,961
Increase (decrease) of cash	(160,157)	249,649
Cash, beginning	367,396	117,747
Cash, end	207,239	367,396
Supplementary information:		
Cash paid for interest	–	–
Cash paid for income taxes	–	–

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Mag One Products Inc., (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 September 30, 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

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 30, 2017.

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.

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

		Ownership Percentage	
Name	**Country of incorporation/ formation**	**September 30, 2016**	**September 30, 2015**
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. (“MagOne USA”)	USA	100%	100%
North American Magnesium Company LLC (“NAMP LLC”)	USA	100%	100%

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expected life of equipment and property 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.

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 does not have any FVTPL financial assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)
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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Functional currency and foreign currency translation (continued)

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.

Impairment of assets
The carrying amount of the Company's assets (which include property and equipment) 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.

Property
Property is comprised of a laboratory constructed to perform research work. The Company amortizes property once it is available for use on a straight line basis over the estimated useful life of 5 years.

Equipment
Equipment consists of a laboratory micronizer system used to perform research work. Cost consists of acquisition installation and delivery. Cost less residual value, if any, is amortized on straight basis over the estimated useful life of 10 years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

<u>Current income tax:</u>
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.

<u>Deferred tax:</u>
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
New accounting standards or amendments to existing accounting standards that have been issued but have future effective date are either not applicable or are not expected to have significant impact on the Company's consolidated financial statements.

4. CORPORATE RESTRUCTURING
On July 15, 2014, the Company and 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 transferred various assets to Ameri-Can and its marketable securities and a condominium unit to JG (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 trading on the CSE.

4. CORPORATE RESTRUCTURING (Continued)

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

Transactions with Ameri-Can

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)	260,345
Properties	9,393,747
Biological assets	508,312
Liabilities assumed by Ameri-Can	
Accounts payable and accrued liabilities	(75,622)
Due to director	(7,051,914)
Due to related parties (ii)	(163,719)
Note payable (iii)	(191,846)
Interest held by minority interest	(1,982,462)
Carrying value of net assets acquired by Ameri-Can	744,792
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 (Note 10).
(iii) The promissory note balance is denominated in US dollars (US$165,000), bears interest at 4% per annum, was due on June 26, 2016, and was secured by the Bader Road Lot property.

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	836,699
Property – Shangri La Unit	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 acquired by JG	(2,002,062)
Loss on arrangement	39,512

(Expressed in Canadian dollars)

4. CORPORATE RESTURCTURING (Continued)

In accordance with *IFRIC 17, Distribution of non-cash assets to owners*, the Company recognized the distribution of assets to the Company's 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 for the 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	-	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

5. OTHER RECEIVABLE

	September 30, 2016	**September 30, 2015**
	$	$
Sale taxes receivable	53,357	7,818

6. PROPERTY AND EQUIPMENT

At September 30, 2015, NAMP LLC was in the process of construction of a laboratory for performing research work and had incurred $54,468 in construction cost. The construction was completed in the year ended September 30, 2016 and the costs have been reclassified a laboratory costs. As at September 30, 2016, NAMP LLC was in the process of constructing furnace equipment for the production of magenesium products and had incurred $26,234 in design costs towards this.

	Laboratory	**Equipment**	**Total**
Cost:	$	$	$
September 30, 2015	-	-	-
Additions	149,084	71,024	220,108
September 30, 2016	149,084	71,024	220,108
Accumulated Amortization:			
September 30, 2015	-	-	-
Additions	22,363	3,551	25,914
September 30, 2016	22,363	3,551	25,914
Net book value:			
September 30, 2015	-	-	-
September 30, 2016	126,721	67,473	194,194

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	September 30, 2015
	$	$
Trade payables	146,002	93,701
Accrued liabilities	14,500	29,725
	160,502	123,426

8. RELATED PARTY TRANSACTIONS

Compensation paid to key management and directors

The following are the renumberation of the Company's key management personnels and directors:

		September 30, 2016	September 30, 2015
		$	$
Chairman of the board	Consulting	96,000	24,000
Chairman of the board	Business development	-	125,000
Chief executive officer ("CEO").	Consulting	96,000	24,000
President and CEO of a subsidiary	Consulting	96,000	24,000
A director of the Company	Consulting	3,000	-
Companies with common directors	Consulting	6,000	-
Chairman of the board and a company controlled by the Chairman	Shared-based compensation	973,997	-
A company controlled by the CEO	Shared-based compensation	512,630	-
President and CEO of a subsidiary	Shared-based compensation	307,578	-
Chief Financial Officer	Shared-based compensation	102,526	-
Other directors	Shared-based compensation	512,630	-

Amounts due to related parties

	September 30, 2016	September 30, 2015
	$	$
Chairman of the board of directors	-	24,000
CEO and a Company related to the CEO	6,000	24,000
Note payable due to the CEO	103,750	-
Companies with common directors and management	6,300	3,586
Family member of director of NAMP LLC	-	2,142
	116,050	53,728

Note payable
As at September 30, 2016, the Company had a promissory note payable of $100,000 owing to the CEO and the CEO's affliate. This note payable is unsecured, bears interest of 5% per annum, and is payable on demand. An amount of $3,750 interest payable is included as at September 30, 2016.

Except the note payable discussed in the above, amounts owing to related parties do not bear any interest, are unsecured and are due on demand.

(Expressed in Canadian dollars)

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 the year ended September 30, 2016, the following shares and units were issued:

365,000 warrants were exercised into common shares at $0.60 per share for $219,000.

1,111,111 units were issued in May 2016 at $0.90 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $1.10 per 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. In accordance with the residual method adopted by the Company, no value was attributed to these warrants.

550,000 units were issued at $1.00 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $1.10 per share for two years after issuance. In accordance with the residual method adopted by the Company, $99,000 has been allocated from the share capital to warrant reserve to account for the issuance of these 550,000 warrants in connection with these securitiy units.

During the year ended September 30, 2015, the following units were issued:

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.

Warrants
Continuity of the Company's warrant is as follows:

	Number of Warrants	Weighted average exercise price	Expiry date
Balance, September 30, 2015	1,662,500	$ 0.70	
Exercised	(365,000)	$0.60	March 26, 2017
Granted, March 18, 2016	1,111,111	$1.10	May 18, 2017
Granted, August 16, 2016	550,000	$1.10	August 16, 2018
Balance, September 30, 2016	2,958,611		

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

As at September 30, 2016, the Company had the following warrants outstanding:

Number of Warrants		Exercise price	Expiry date
885,000		$0.60	June 28, 2017
412,500	(i)	$1.10	August 26, 2017
1,111,111		$1.10	May 18, 2017
550,000		$1.10	August 16, 2018
2,958,611			

(i) During 2016, the expiry date of these warrants was extended one year to August 26, 2017 and the exercise price increased from $0.60 to $1.10 per share.

As at September 30, 2016, warrants outstanding have an average life of 0.93 years and average exercise price of $0.95.

Options
During the year ended September 30, 2016, the Company granted 3,670,000 stock options to its consultants, directors, and management and cancelled 300,000 of the above options.

As at September 30, 2016, the Company has the following options:

Number of Options	Exercise price	Expiry date
300,000	$1.00	August 12, 2021
2,900,000	$1.10	November 11, 2020
170,000	$1.10	July 21, 2021
3,370,000		

The Company used the Black-Schole Option Pricing Model to value the fair value of the options with the use of the following assumptions:

Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life (Years)	Volatility Factor	Dividend Yield
$0.9 to $1.10	$1.00 to $1.20	0.65% to 0.93%	5	100% to 174%	Nil

As all the options granted vested on grant, the Company recorded the fair value of the options granted of $3,741,520 as share-based compensation during the year ended September 30, 2016.

During the year ended, the Company entered into a consulting agreement in which they were required to grant the consultant 200,000 options. As at September 30, 2016, these options have not yet been granted and therefore no fair value has been recorded.

As at September 30, 2016, the Company had 3,370,000 options outstanding, with an exercise price of $1.09 per share and a remaining life of 4.22 years.

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.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

Option reserve
The option reserve records the fair value of the options 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.

10. 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 , 2016	Canada	United States	Total
	$	$	$
Equipment, CIP and property	-	220,418	220,418
As at September 30, 2015			
	$	$	$
Equipment and property	-	54,468	54,468

11. 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 low, and 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.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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.

Fair value
Financial instruments that are not measured at their fair values are cash, other receivable, accounts payable and accrued liabilities, due to related party, and note payable. The fair values of these financial instruments approximate their 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, 2016.

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

	September 30, 2016	September 30, 2015
Loans and receivables:	$	$
Cash	207,239	367,396

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

	September 30, 2016	September 30, 2015
Non-derivative financial liabilities:	$	$
Trade payables	146,002	93,701
Due to related party	116,050	53,728
	262,052	147,429

12. 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)

13. INCOME TAXES

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

	September 30, 2016	**September 30, 2015**
	$	$
Net income (loss) before income taxes	(5,544,254)	306,790
Statutory tax rate	26%	26%
Expected income tax payable (recovery) at the statutory tax rate	(1,465,304)	175,420
Non-deductible expenses	972,795	(364,329)
Effect of changes in tax rates	(57,721)	-
Foreign exchange and other	136,450	437,718
Changes in valuation allowance	413,780	(248,808)
Actual income tax recovery	-	-

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

	September 30, 2016	**September 30, 2015**
	$	$
Non-capital loss carry-forwards	629,753	225,154
Laboratory and equipment	9,182	-
Deferred tax assets	638,935	225,154

The Company has approximately $ 2,118,706 in Canadian non-capital tax losses and approximately $228,062 in US non-capital tax losses which will expire in 2035 to 2036.

14. COMMITMENTS

a) During the year ended September 30, 2015, the Company, through its wholly owned subsidiary MagOne USA, entered into a definitive agreement to acquire 100% of North American Magnesium Products, LLC (“NAMP LLC”), a LLC formed by Orion Laboratories, LLC.

The members of Orion Laboratories LLC will receive up to 40,000,000 common shares of the Company based on the operating performance of the Company at one common share for $1.00 operating profit of the Company earned.

b) On July 21, 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.

The Company will earn its 50% interest of MBE by :

- Providing $500,000 startup capital to MBE;
- Providing a minimum 10,000 sq ft serviced facility to house the magboard assembly operation; and
- Providing up to US$200,000 to purchase a convertible debenture in Magboard. The convertible debenture would have a coupon of 5% per annum and be convertible into shares of Magboard at $0.5 per share.

As at September 30, 2016, no cash or services has been provided by the Company.

(Expressed in Canadian dollars)

15. SUBSEQUENT EVENTS

In November 2016, the Company proposed to acquire all of the outstanding shares of MagPower Systems Inc. (“MagPower”) for $100 plus 2% of the gross cash flow (the “Royalty”) generated by MagPower from any income source up to a cap of $2,000,000. The Company will have the ability to buy the Royalty obligation for a total of $1,000,000 for a 24-month period. MagPower will receive 1,000,000 warrants with an expiry of 2 years to buy 1,000,000 common shares of the Company at $1.00 per share in the first year and $1.25 per share in the second year. MagPower is a private Magnesium Air Fuel Cell technology company. The offer has been accepted but is pending approval of MagPower’s shareholders.

In November and December 2016, the Company issued the following promissory notes for $620,000 with the following details:

Principal	**Holder**	**Terms**	**Interest**	**Others**	**Collateral**
$400,000	The spouse of the Company’s CEO	March 19, 2017	10% per annum	(ii)	(i)
$50,000	A relative of the Company’s Chairman	February 7, 2017	Non-interest bearing		Unsecured
$20,000	A relative of the Company’s Chairman	On-demand	Non-interest bearing		
$100,000	An arm’s length party	February 7, 2017	Non-interest bearing		Unsecured
$50,000	An arm’s length party	February 7, 2017	Non-interest bearing		Unsecured

(i) This loan is secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company

(ii) 75,000 common shares of the Company will be issued to the lender. If the promissory note is outstanding after March 19, 2017, the promissory note will become a payable on-demand note and the Company shall issue 25,000 common shares per month to the lender before the promissory note is fully settled