Mag One Products Inc.

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended March 31, 2017

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.
Condensed consolidated interim statements of financial position
(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2017	September 30, 2016
		$	$
Assets			
Current assets			
Cash		120,377	207,239
Other receivable	5	47,348	53,357
Prepaid		–	23,172
		167,725	283,768
Non-current			
Investment		201,488	-
Construction in progress		26,600	26,234
Equipment and property		182,456	194,194
Total assets		**578,269**	**504,196**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	100,897	160,502
Advance from Investissement Québec	6	148,500	-
Note payable		100,000	-
Due to related parties	8	568,300	116,050
		917,697	276,552
Shareholders' equity			
Share capital	9	5,678,650	5,403,250
Reserves		7,436,822	7,429,485
Deficit		(13,454,900)	(12,605,091)
Total equity		(339,428)	227,644
Total liabilities and shareholders' equity		**578,269**	**504,196**

See accompanying notes to the condensed consolidation interim financial statements

Nature of operations and going concern (Note 1)

Commitment (Note 12)

Approved and authorized for issuance by the Board of Directors on May 30, 2017

"Nelson Skalbania"
Director

"Charn Deol"
Director

Mag One Products Inc.

Condensed consolidated interim statements of comprehensive loss

(Unaudited - Expressed in Canadian Dollars)

	Three months ended		Six months ended	
March 31,	**2017**	**2016**	**2017**	**2016**
	$	$	$	$
Expenses				
Consulting	141,142	60,045	268,789	165,537
Office and administration	29,890	11,229	54,662	25,385
Promotion and investor communication	36,910	151,887	88,814	169,076
Research	175,852	157,224	358,099	187,855
Professional	21,087	4,000	25,977	15,950
Share-based compensation	–	–	–	3,267,200
Travel	17,568	13,999	37,044	38,951
Trust and filing fees	11,776	9,471	16,424	41,230
Total operating expenses	434,225	407,855	849,809	3,911,184
Net loss	(434,225)	(407,855)	(849,809)	(3,911,184)
Other comprehensive loss:				
Translation gain (loss)	(2,796)	(10,300)	7,337	(5,003)
Comprehensive loss	(437,021)	(418,155)	(842,472)	(3,916,187)
Income (loss) per share, basic and diluted	(0.01)	(0.01)	(0.02)	(0.12)
Weighted average number of outstanding shares, basic and diluted	34,640,531	32,329,170	34,538,781	32,329,170

See accompanying notes to the condensed consolidation interim financial statements

Mag One Products Inc.
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**	**Total equity**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
September 30, 2015	32,309,170	3,733,250	–	918,000	2,664,963	–	7,845	(7,060,835)	263,223
Share issuance- warrant exercise	290,000	174,000	–	–	–	–	–	–	174,000
Share-based compensation	–	–	–	–	–	3,267,200	–	–	3,267,200
Subscription received			250,000						250,000
Translation from subsidiaries	–	–	–	–	–	–	(5,003)	–	(5,003)
Net income	–	–	–	–	–	–	–	(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**
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
Translation from subsidiaries	–	–	–	–	–	–	7,337	–	7,337
Share issuance - private placement	312,000	218,400	–	–	–	–	–	–	218,400
Share issuance- warrant exercise	95,000	57,000	–	–	–	–	–	–	57,000
Net loss	–	–	–	–	–		–	(849,809)	(849,809)
March 31, 2017	**34,742,281**	**5,678,650**	**–**	**1,017,000**	**2,664,963**	**3,741,520**	**13,339**	**(13,454,900)**	**(339,428)**

See accompanying notes to the condensed consolidation interim financial statements

Mag One Products Inc.

Condensed consolidated interim statements of cash flows

(Unaudited - Expressed in Canadian Dollars)

Six months ended March 31,	**2017**	**2016**
Cash (used in) provided by:	$	$
Operating activities		
Income (loss) for the period	(849,809)	(3,911,184)
Items not involving cash :		
Share-based compensation	–	3,267,200
Amortization included in the research expenditure	18,942	4,203
Changes in non-cash operating working capital		
Other receivables and prepaid	29,181	(10,287)
Accounts payable and accrued liabilities and due to related parties	627	65,827
Cash used in operating activities	(801,059)	(584,241)
Investing activities		
Additional of equipment and property	(9,684)	(26,195)
Advance from Investissement Québec	148,500	–
Investment in joint venture	(201,488)	–
Cash used in investing activities	(62,672)	(26,195)
Financing activities		
Proceeds from note payable	100,000	50,000
Due to related parties (promissory notes) (Note 8)	400,000	–
Share subscription received	–	250,000
Share issuance for cash	275,400	174,000
Cash provided by financing activities	775,400	474,000
Effect of holding cash in foreign currency	1,469	(5,003)
Increase of cash	(86,862)	(141,439)
Cash, beginning of period	207,239	367,396
Cash, end of period	120,377	225,957

See accompanying notes to the condensed consolidation interim 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 to produce 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, 2017, 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 nine months ended June 30, 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, 2016.

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

The Company has not adopted new accounting policies since it recent year ended September 30, 2016.

(Unaudited - 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, 2016**	**March 31, 2017**
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.

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. INVESTMENT

On July 21, 2016, the Company entered 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.

As at March 31, 2017, the Company has provided MagBoard US$150,000 (or $201,448) which is recorded to the Company's investment.

5. OTHER RECEIVABLES

	March 31, 2017	September 30, 2016
	$	$
Sale taxes receivable	47,348	53,357

6. ADVANCE FROM INVESTISSEMENT QUEBEC

As at March 31, 2017, the Company has received $148,000 non-refundable contribution from Investissement Québec as an advanced payment towards the purchase of essential pilot equipment, onsite project management and engineering costs of the first Phase of Mag One's Hydrometallurgical Pilot Plant for the production of high-purity magnesium oxide ("MgO") and SiO2.

(Unaudited - Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND NOTE PAYABLE

The Company had the following accounts payable and accrued liabilities as at March 31, 2017, and September 30, 2016:

	March 31, 2017	September 30, 2016
	$	$
Trade payables	66,897	146,002
Interest payable (Note 8)	10,000	-
Accrued liabilities	24,000	14,500
	100,897	160,502

As at March 31, 2017, the Company had a promissory note payable of $100,000 (September 30, 2016 - $Nil). This note payable is unsecured, non-interest bearing and is due on February 7, 2017. This promissory note was not paid and is considered default and become payable on demand.

8. RELATED PARTY TRANSACTIONS

Compensation paid to key management and directors

The following are the remuneration of the Company's related parties:

Six months ended March 31,		2017	2016
		$	$
Chairman of the board (the "Chairman")	Consulting	48,000	48,000
Former chief executive officer ("CEO").	Consulting	-	48,000
President and CEO of a subsidiary	Consulting	48,000	48,000
Officers and entities related to officers	Share-based compensation	-	1,888,850
Other directors	Share-based compensation	-	510,500

Amounts due to related parties

	March 31, 2017	September 30, 2016
Officers and former officers	$ 62,000	$ 6,000
Note payable due to related parties (i)	500,000	103,750
Company with common directors and management	6,300	6,300
	$ 568,300	$ 116,050

(i) As at March 31, 2017, the Company had the following promissory notes payable outstanding:

Principal	*Holder*	*Terms*	*Interest*	*Others*	*Collateral*
$400,000	*The spouse of the Company's former CEO*	*On-demand*	*10% per annum (iv)*	*(iii)*	*(ii)*
$100,000	*The Company's former CEO*	*On-demand*	*Non-interest bearing*		*Unsecured*

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

(Unaudited - Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

(iii) *The Company paid $10,000 cash in December and will issue 75,000 common shares to the lender as finance fees. As the promissory note is outstanding after March 19, 2017, the promissory note has 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*

(iv) *As at March 31, 2017, an interest payable of $10,000 was accrued*

Other amounts owing to related parties do not bear any interest, are unsecured and are due 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 the six months ended March 31, 2017, 95,000 shares were issued at $0.60/share for warrant exercised.

The Company issued 312,000 units through a private placement at $0.70 per unit for gross proceeds of $218,400. Each unit consisted of one common share and one full share purchase warrant, exercisable to one common share at $1.40 for a period of one year after issuance.

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

	Number of Warrants	Weighted average exercise price	Expiry date
Balance, September 30, 2016	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	$0.95	
Issued	312,000	1.40	February 18, 2018
Exercised	(95,000)	0.60	June 28, 2017
Balance, March 31, 2017	3,175,611	$1.00	

As March 31, 2017, the Company had the following warrants outstanding:

Number of Warrants	Exercise price	Expiry date
790,000	$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
312,000	$1.40	February 18, 2018
3,175,611	$1.00	

(i) During 2016, the expiry date of these 412,500 has been extended to August 26, 2017 and the exercise price increased from $0.60 to $1.10 per share.

As at March 31, 2017, warrants outstanding have an average life of 0.49 years.

(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

Option

During the six months ended March 31, 2016, the Company granted 3,200,000 stock options to its consultants, directors. All options vested on the grant date. The Company recorded the fair value of the options granted of $3,267,200 as share-based compensation during the six months ended March 31, 2017.

The Company used the Black-Scholes 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
$1.10	$1.10	0.93%	5	160%	Nil

During the six months ended Marc h31, 2017, there was no options granted or exercised. As at March 31, 2017, 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		

During the year ended September 30, 2016, the Company entered a consulting agreement in which they were required to grant a consultant 200,000 options. As at September 30, and March 31, 2017, these options have not yet been granted and therefore no fair value has been recorded.

As at March 31, 2017, the Company had 3,370,000 options outstanding, with a weighted average exercise price of $1.09 per share and a remaining life of 3.72 years.

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**
	$	$	$
Property, equipment, and CIP	-	220,418	220,418

As at March 31, 2017	Canada	United States of	Total
	$	$	$
Property, equipment, and CIP	-	209,056	209,056

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, 2016.

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 per 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