

Mag One Products Inc.

Condensed Consolidated Interim Financial Statements

Nine Months Ended June 30, 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)

	<u>Jun 30, 2017</u>	<u>Sept 30, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 61,303	\$ 207,239
Other receivable (Note 5)	70,085	53,357
Prepaid expenses	-	23,172
	<u>131,388</u>	<u>283,768</u>
 Non-Current		
Investment	201,488	-
Equipment and property	589,854	220,428
	<u>791,342</u>	<u>220,428</u>
 TOTAL ASSETS	 <u>\$ 922,730</u>	 <u>\$ 504,196</u>
 LIABILITIES & SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable & accrued liabilities (Note 7)	\$ 250,897	\$ 160,502
Due to related parties (Note 8)	250,765	116,050
	<u>501,662</u>	<u>276,552</u>
 SHAREHOLDERS EQUITY		
Share capital (Note 9)	5,678,650	5,403,250
Reserves	7,436,822	7,429,485
Retained Earnings (Deficit)	(12,694,404)	(12,605,091)
	<u>421,068</u>	<u>227,644</u>
	<u>\$ 922,730</u>	<u>\$ 504,196</u>

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 Aug 29, 2017

Nelson Skalbania
Director

Gillian Holcroft
Director

MAG ONE PRODUCTS INC.
Condensed consolidated interim statements of comprehensive loss
Nine Months ended June 30, 2017
(Unaudited - Expressed in Canadian Dollars)

	<u>9 Months</u> <u>Ended June,</u> <u>30 2017</u>	<u>9 Months</u> <u>Ended Sept 30,</u> <u>2016</u>
GOVERNMENT GRANT	148,500	
OPERATING EXPENSES		
Consulting	219,991	165,537
Office and administration	58,418	25,385
Promotion and investor communication	140,141	169,076
Planet Operation	174,976	187,855
Professional	23,782	15,950
Share-based compensation	100,452	3,267,200
Travel	47,578	38,951
Trust and Filing Fees	31,390	41,230
	<u>796,728</u>	<u>3,911,184</u>
NET LOSS	(648,228)	(3,911,184)
Other Comprehensive Loss:		
Translation gain (loss)	(1,545)	(5,003)
Net Income (Loss)	<u>(649,773)</u>	<u>(3,916,187)</u>
Income (loss) per share, basic and diluted	(0.01)	(0.12)
Weighted average number of outstanding shares, basic diluted	<u>34,640,531</u>	<u>32,329,170</u>

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
		\$	\$	\$	\$	\$
September 30, 2015	32,309,170	3,733,250	–	918,000	2,664,963	–
Share issuance- warrant exercise	290,000	174,000	–	–	–	–
Share-based compensation	–	–	–	–	–	3,267,200
Subscription received			250,000			
Translation from subsidiaries	–	–	–	–	–	–
Net income	–	–	–	–	–	–
March 31, 2016	32,599,170	3,907,250	250,000	918,000	2,664,963	3,267,200
September 30, 2016	34,335,281	5,403,250	–	1,017,000	2,664,963	3,741,520
Translation from subsidiaries	–	–	–	–	–	–
Share issuance - private placement	312,000	218,400	–	–	–	–
Share issuance- warrant exercise	95,000	57,000	–	–	–	–
Net loss	–	–	–	–	–	–
March 31, 2017	34,742,281	5,678,650	–	1,017,000	2,664,963	3,741,520

See accompanying notes to the condensed consolidation interim financial statements

Mag One Products Inc.
Notes to the condensed consolidated interim financial statements
Three and six months ended June 30, 2017
(Unaudited - Expressed in Canadian dollars)

NATURE OF OPERATIONS AND GOING CONCERN

Mag One Products Inc., (the “Company” or “Mag One”) 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”) with the symbol (“MDD”), on the Frankfurt Boerse with the symbol “304” and on the OTCQB with (MGPRF)

The Company’s principal business is the research and development of technology and manufacturing facilities to produce magnesium and magnesium compounds, byproducts and related products.

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 June 30, 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.

1. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the three and nine months ended June 30, 2017 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 August 29, 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 its recent year ended September 30, 2016.

Mag One Products Inc.
Notes to the condensed consolidated interim financial statements
Three and six months ended June 30, 2017
(Unaudited - Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

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

Name	Ownership Percentage		
	Country of incorporation/ formation	September 30, 2016	June 30, 2017
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. ("MagOne USA")	USA	100%	100%
MagPower Systems Inc. ("MagPower")	Canada		100%
North American Magnesium Company LLC ("NAMP LLC")	USA	100%	100%
Magboard Products Inc., (MPI)	Canada		50%

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

As at June 30, 2017, the Company has provided MagBoard US\$150,000 (or \$201,448) which is recorded to the Company's investment.

5. OTHER RECEIVABLES

	June 30, 2017	September 30, 2016
	\$	\$
Sale taxes receivable	70,084	53,357

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND NOTE PAYABLE

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

	June 30, 2017	September 30, 2016
	\$	\$
Trade payables	130,000	146,002
Accrued liabilities	24,000	14,500
	135,397	160,502

Mag One Products Inc.
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(Unaudited - Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

Compensation paid to key management and directors

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

Nine months ending 30 June 2017		2017	2016
		\$	\$
Chairman & Ceo	Consulting	72,000	72,000
President and CEO of a subsidiary	Consulting	132,985	24,000

Amounts due to related parties

	June 30, 2017	September 30, 2016
Officers and former officers	\$ 139,800	\$ 6,000
Note payable due to related parties (i)	250,000	103,750
Company with common directors and management	6,300	6,300
	\$ 646,100	\$ 116,050

(i) *As at June 30, 2017, the Company had the following promissory notes payable outstanding:*

<i>Principal</i>	<i>Holder</i>	<i>Terms</i>	<i>Interest</i>	<i>Others</i>	<i>Collateral</i>
<i>\$400,000</i>	<i>The spouse of the Company's former CEO</i>	<i>On-demand</i>	<i>10% per annum (iv)</i>	<i>(iii)</i>	<i>(ii)</i>

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

8. RELATED PARTY TRANSACTIONS (Continued)

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 nine months ended June 30, 2017, 95,000 shares were issued at \$0.60/share for warrant exercised.

Warrants

Mag One Products Inc.
Notes to the condensed consolidated interim financial statements
Three and six months ended June 30, 2017
(Unaudited - Expressed in Canadian dollars)

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	
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
Balance, June 30, 2017	3,175,611	\$1.00	

As June 30, 2017, the Company had the following warrants outstanding:

Number of Warrants	Exercise price	Expiry date
412,500 (i)	\$1.10	August 26, 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 June 30, 2017, warrants outstanding have an average life of 0.37 years.

9. SHARE CAPITAL (Continued)

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 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 June 30, 2017, these options have not yet been granted and therefore no fair value has been recorded.

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

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As at June 30, 2017	Canada	United States of	Total
		\$	\$
Property, equipment, and CIP	-	301,029	209,056

11. FINANCIAL INSTRUMENTS

The Company has not changed its 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