MAG ONE PRODUCTS INC.

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2017

RESTATED

(Unaudited)

(Expressed in Canadian dollars)

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company must disclose if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited restated consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

These unaudited restated consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company.

MAG ONE PRODUCTS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	June 30, 2017 (Restated) $ (Note 19)	September 30, 2016 $
Assets		
Current Assets		
Cash and cash equivalents	47,612	207,239
Other receivables (Note 5)	83,746	53,357
Prepaid (Note 6)	10,000	23,172
	141,358	283,768
Loan receivable (Note 7)	206,029	-
Construction in progress	-	26,234
Property and equipment (Note 8)	329,429	194,194
Exploration and evaluation assets (Note 4)	30,250	-
	707,066	504,196
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	279,858	160,502
Advance from Investissement Québec (Note 10)	148,500	-
Due to related parties (Note 12)	676,458	116,050
Note payable (Note 11)	100,000	-
	1,204,816	276,552
Shareholders' Equity		
Share capital (Note 13)	5,698,900	5,403,250
Reserves (Note 13)	7,426,204	7,429,485
Subscriptions received in advance (Note 13)	293,875	-
Deficit	(13,916,729)	(12,605,091)
	(497,750)	227,644
	707,066	504,196

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

Approved by the Board of Directors on December 27, 2017:

"Nelson Skalbania" — Director

"Gillian Holcroft" — Director

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

MAG ONE PRODUCTS INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended June 30, 2017 (Restated) $	Three months ended June 30, 2016 $	Nine months ended June 30, 2017 (Restated) $	Nine months ended June 30, 2016 $
	(Note 19)		(Note 19)	
Administrative Expenses				
Amortization	9,565	10,935	28,507	15,138
Office and administration	25,421	18,503	70,083	42,139
Professional and consulting fees	53,869	136,098	348,635	317,585
Promotion and investor communication	21,798	17,722	110,612	186,798
Research	334,230	140,044	673,387	323,696
Share-based compensation	-	-	-	3,267,200
Travel	(7,138)	18,061	29,906	57,012
Trust and filing fees	4,875	943	21,299	42,173
	(442,620)	(342,306)	(1,282,429)	(4,251,741)
Other Item				
Interest	(19,209)	(1,221)	(29,209)	(2,970)
Net loss for the period	(461,829)	(343,527)	(1,311,638)	(4,254,711)
Other comprehensive income (loss)				
Foreign currency translation adjustment	(10,618)	4,756	(3,281)	(247)
Comprehensive loss for the period	(472,447)	(338,771)	(1,314,919)	(4,254,958)
Income (loss) per share, basic and diluted	(0.01)	(0.01)	(0.04)	(0.13)
Weighted average shares outstanding	34,742,281	33,277,614	34,627,961	32,657,874

MAG ONE PRODUCTS INC.
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

	Share Capital		Reserve						
	Common Shares	Amount $	Warrant $	Loan $	Option $	Translation gain (loss) $	Subscriptions received in advance $	Deficit $	Total $
September 30, 2015	32,309,170	3,733,250	918,000	2,664,963	-	7,845	-	(7,060,835)	263,223
Translation from subsidiaries	-	-	-	-	-	(247)	-	-	(247)
Share-based compensation	-	-	-	-	3,267,200	-	-	-	3,267,200
Share issuance for cash	1,401,111	1,174,000	-	-	-	-	-	-	1,174,000
Net loss	-	-	-	-	-	-	-	(4,254,711)	(4,254,711)
June 30, 2016	**33,710,281**	**4,907,250**	**918,000**	**2,664,963**	**3,267,200**	**7,598**	**-**	**(11,315,546)**	**449,465**
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	-	-	-	-	-	(3,281)	-	-	(3,281)
Unit issuance for cash (Note 13b)	312,000	218,400	-	-	-	-	-	-	218,400
Share issuance – exploration and evaluation assets (Note 13b)	90,000	20,250	-	-	-	-	-	-	20,250
Share issuance – warrant exercise (Note 13b)	95,000	57,000	-	-	-	-	-	-	57,000
Subscriptions received (Note 13c)	-	-	-	-	-	-	293,875	-	293,875
Net loss	-	-	-	-	-	-	-	(1,311,638)	(1,311,638)
June 30, 2017 (Restated) (Note 19)	**34,832,281**	**5,698,900**	**1,017,000**	**2,664,963**	**3,741,520**	**2,721**	**293,875**	**(13,916,729)**	**(497,750)**

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

MAG ONE PRODUCTS INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Nine months ended June 30, 2017 (Restated) $	Nine months ended June 30, 2016 $
	(Note 19)	
Cash provided by (used in):		
Operating activities		
Net loss for the period	(1,311,638)	(4,254,711)
Adjustments for non-cash items		
Share-based compensation (Note 13)	-	3,267,200
Accrued interest on note payable (Note 11)	33,750	-
Accrued interest on loan receivable (Note 7)	(4,541)	-
Amortization (Note 8)	28,507	15,138
Changes in non-cash operating working capital:		
Other receivables and prepaid	(17,217)	(74,968)
Accounts payable and accrued liabilities	119,356	61,824
Due to related parties	116,658	-
	(1,035,125)	(985,517)
Investing activities		
Additional of equipment of property (Note 8)	(137,508)	(93,741)
Advance from Investissement Québec (Note 10)	148,500	-
Loan receivable (Note 7)	(201,488)	-
	(190,496)	(93,741)
Financing activities		
Proceeds from issuance of promissory note, net of repayments (Notes 11 and 12)	500,000	100,000
Share issuance for cash, net (Note 13b)	275,400	1,174,000
Share subscriptions received (Note 13c)	293,875	-
	1,069,275	1,274,000
Effect of holding cash in foreign currency	(3,281)	(247)
Increase (decrease) of cash	(159,627)	194,495
Cash, beginning of period	207,239	367,396
Cash, end of period	47,612	561,891
Supplemental information		
Interest paid	-	-
Taxes paid	-	-

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

1. Nature of Operations and Going Concern

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 development and commercialization of technologies for the processing and production of magnesium (Mg) metal and Mg-related compounds and by-products and co-products from serpentinite tailings.

Going concern

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. 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.

2. Statement of Compliance

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by 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 December 27, 2017.

3. Significant Accounting Policies

(a) 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.

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

		Ownership Percentage	
Name	**Country of incorporation/ formation**	**June 30, 2017**	**March 31, 2017**
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. ("Mag One 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.

(b) Accounting Standards Issued but Not Yet Adopted

IFRS 9, *Financial Instruments* – The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*. This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

3. Significant Accounting Policies (cont'd)

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet evaluated the impact of this standard on the Company's consolidated financial statements.

4. Exploration and Evaluation Assets

On May 19, 2017, the Company entered into a sale purchase agreement ("SPA") with Dundee Sustainable Technologies Inc. ("DST"). for the purchase of a Technical Report titled "Resource Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Quebec, Canada" prepared by Systémes Geostat International (the "Technical Report"), where the tailings subject to the Technical Report are owned and controlled by Asbestos Corporation Limited ("ACL"). The terms of the SPA include:

- Payment of $5,000 in cash and 40,000 common shares of the Company upon signing;
- $20,000 in cash and $30,000 worth of common stock in the Company at the prevailing 20-day volume weighted average price upon the commencement of commercial production of product(s) by processing the Tailings if occurring within twenty four months of signing; and
- If the Company does not commence commercial production of product(s) by processing the Tailings within twenty four months of signing, the Company is required to sell back the Technical Report for consideration of $1.00 to DST

During the period, $5,000 in cash was paid to DST and 40,000 common shares of the Company were issued accordingly. The closing market price on June 29, 2017, the date the common shares were issued of $0.225, was used for purposes of valuing the share issuance resulting in a total value of $9,000 for the Technical Report.

In connection with the SPA the Company entered into an Option Agreement ("OA") with ACL. The terms of the OA include:

- The Option to purchase up to 60 million tonnes of the Tailings as identified in the Technical Report for a term of six months from signing, for consideration of 50,000 shares of the Company as a non-refundable deposit; and
- Upon exercise of the Option, the Company would be required to pay $100,000 in cash, $1.00/tonne of Tailings used as a royalty, and would have access to a minimum of five acres of the land for its plant, property and equipment as required to process the Tailings.

During the period, $5,000 in cash was paid to ACL and 50,000 common shares of the Company were issued accordingly. The closing market price on June 29, 2017, the date the common shares were issued of $0.225, was used for purposes of valuing the share issuance resulting in a total value of $11,250 for the Option.

(Expressed in Canadian dollars)

5. Other Receivables

	June 30, 2017 (Restated) $ (Note 19)	September 30, 2016 $
Sale taxes receivable	83,746	53,357

6. Prepaid Expenses

	June 30, 2017 (Restated) $ (Note 19)	September 30, 2016 $
Advances to related party (Note 12)	10,000	10,000
Prepaid research expenses	-	13,172
	10,000	23,172

7. Loan Receivable

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.

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

- Providing $500,000 start-up 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 $0.50 per share,

As at June 30, 2017, the Company has loaned Magboard $201,448 (US$150,000), with accrued interest of $4,541, in connection with the convertible debenture noted above.

(Expressed in Canadian dollars)

8. Property and Equipment

	Laboratory $	Equipment $	Total $
Cost:			
September 30, 2016	149,084	71,024	220,108
Additions	3,524	154,037	157,561
June 30, 2017	152,608	225,061	377,669
Accumulated Amortization:			
September 30, 2016	22,363	3,551	25,914
Additions	17,417	4,909	22,626
June 30, 2017	39,780	8,460	48,240
Net book value:			
September 30, 2016	126,721	67,473	194,194
June 30, 2017 (Restated) (Note 17)	112,828	216,601	329,429

9. Accounts Payable and Accrued Liabilities

	June 30, 2017 (Restated) $ (Note 19)	September 30, 2016 $
Trade payables	273,559	146,002
Accrued liabilities	6,299	14,500
	279,858	160,502

10. Advance from Investissement Quebec

As at June 30, 2017, the Company has received $148,500 as an advance payment in connection with $495,000 in government funding approved for the Company by Investissement Quebec. The terms of the funding approved allow for 44.09% of qualified expenditures being eligible for a non-refundable reimbursement by Investissement Quebec. The Company is in the process of submitting a claim to obtain formal non-refundable status for the $148,500 advanced to date, and also be eligible for further advances up to a total of $495,000. The current advance was used 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.

11. Note Payable

As at June 30, 2017, the Company had a promissory note of $100,000 (September 30, 2016 - $Nil) due to an arm's length party. This note payable is unsecured, non-interest bearing and was due on February 7, 2017. This promissory note is now in default and is payable on demand. Demand has not been made as of the date of the financial statements.

(Expressed in Canadian dollars)

12. Related Party Transactions

Compensation paid to key management and directors

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

Nine months ended June 30,	**2017 (Restated)** $	**2016** $
Chairman of the Board	72,000	72,000
President and CEO of a subsidiary	112,000	24,000

Amounts due to related parties

	June 30, 2017 (Restated) $	**September 30, 2016** $
	(Note 19)	
Chairman of the Board	82,000	-
Former CEO	6,000	6,000
Companies with common directors and management	60,958	6,300
Notes payable to related parties (see below)	527,500	103,750
	676,458	116,050

Except for the notes payable to related parties below, all amounts owing to related parties do not bear any interest, are unsecured and are due on demand.

As at June 30, 2017 the Company had $10,000 in amounts advanced to a Company controlled by the CEO, which are classified as prepaid expenses in Note 6.

Notes payable

As at June 30, 2017, the Company had a promissory note payable of $100,000 owing to a Company controlled by the former CEO. This note payable is unsecured, bears interest of 5% per annum, and is payable on demand. An amount of $7,500 interest payable is included as at June 30, 2017.

As at June 30, 2017, the Company had a promissory note payable of $400,000 owing to the spouse of the Company's former CEO. This note payable is secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company, bears interest of 10% per annum, and was due on March 19, 2017. This note is now in default, and is payable on demand. The Company will issue 25,000 common shares per month to the lender before the promissory note is fully settled. An amount of $20,000 interest payable is included as at June 30, 2017.

Subsequent to the period, the above promissory notes were settled. See Note 19.

(Expressed in Canadian dollars)

13. Share Capital

(a) Authorized

Unlimited number of Class A common shares without par value.
Unlimited number of non-voting Class B preferred without par value.

(b) Common shares – Issued and outstanding

During the nine months ended June 30, 2017, the Company issued:

95,000 common shares as a result of the exercise of warrants at $0.60 per share for gross proceeds of $57,000.

312,000 units at $0.70 per unit for gross proceeds of $218,400. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $1.40 per share for one year.

90,000 common shares for exploration and evaluation assets as discussed in Note 4, valued at $20,250 using the closing market price of the Company's common shares on the date of issuance.

(c) Subscriptions received in advance

During the period, the Company received subscriptions totalling $293,875 for a total of 1,469.375 shares in connection to the private placement closed subsequent to period end. As of June 30, 2017 these shares were not yet issued.

Warrants

	Nine months ended June 30, 2017 (Restated)		Year ended September 30, 2016	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Opening	**2,958,611**	**$ 0.95**	1,662,500	$ 0.70
Granted	**312,000**	**1.40**	1,661,111	1.10
Exercised	**(95,000)**	**0.60**	(365,000)	0.60
Expired	**(1,901,111)**	**0.89**		
Ending	**1,274,500**	**$ 1.17**	2,958,611	$ 0.95

(Expressed in Canadian dollars)

13. Share Capital (cont'd)

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

Number	Exercise price	Expiry date
412,500	$1.10	August 26, 2020
550,000	$1.10	August 16, 2018
312,000	$1.40	March 9, 2018
1,274,500		

Warrants expiring on August 26, 2017 were extended to August 26, 2020.

As at June 30, 2017, warrants outstanding have an average life of 1.69 years and average exercise price of $1.17.

Options

On June 22, 2017, all outstanding stock options were cancelled.

14. Segments

Operating segments
The Company's principal business is the development and commercialization of technologies for the processing and production of magnesium (Mg) metal and Mg-related compounds and by-products and co-products from serpentinite tailings.

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

As at June 30, 2017 (Restated) (Note 19)	Canada $	United States $	Total $
Property and equipment and construction in progress	-	329,429	329,429
Loan receivable	-	206,029	206,029
Exploration and evaluation assets	30,250	-	30,250
	30,250	535,458	565,708

As at September 30, 2016	Canada $	United States $	Total $
Property, equipment and construction in progress	-	220,418	220,418

(Expressed in Canadian dollars)

15. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	June 30, 2017 (Restated) $ (Note 19)	September 30, 2016 $
Financial assets:		
Loans and receivables:		
Cash	47,612	207,239
	47,612	207,239
Financial liabilities		
Accounts payable and accrued liabilities	279,858	160,502
Due to related parties	676,458	116,050
Notes payable	100,000	-
Advances by Investissement Quebec	148,500	-
	1,204,816	276,552

(b) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's cash was measured at fair value using level 1 inputs as at June 30, 2017.

As at June 30, 2017, the fair values of accounts payable, due to related parties and notes payable approximate their carrying values due to the relatively short-term maturity of these instruments.

15. Financial Instruments (cont'd)

(c) 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.

(d) Foreign currency exchange rate 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 is not exposed to foreign exchange risk.

(e) 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.

(f) 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.

16. 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 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.

17. 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.

18. Subsequent Events

On August 17, 2017, the Company entered into a consulting contract with a third party for corporate finance and corporate and business development services. The terms of the contract include 350,000 shares of the Company issued upon commencement, 350,000 in three months, and $5,000 per month if the Consultant raises capital for the Company. 350,000 shares were issued subsequent to the period, pursuant to the commencement of the contract, however the contract was later terminated.

On August 29, 2017, the Company settled amounts due to related parties in the amount of approximately $539,800 by the payment of:

- $250,000 in cash;
- the issuance of a four month note payable in the amount of $150,000 secured by 1,500,000 common shares of the Company, with interest at four percent per annum along with a four month term; and
- the issuance of 100,000 common shares of the Company as negotiated by both parties for full settlement of all amounts owing. The market price on the date of settlement of $0.215 will be used for accounting purposes

On August 31, 2017 the Company acquired 100% of the shares of MagPower Systems Inc. (‘MagPower”). MagPower is a private company whose focus is the development of magnesium air batteries. The terms of the acquisition include:

- $100 for all of the issued and outstanding shares;
- 2% royalty (“royalty obligation’) based on gross cash flow generated by MagPower up to $2 million;
- An option for the Company to buy the royalty obligation for $1 million for a period of 24 months; and
- Warrants issued on a prorata basis to existing MagPower shareholders with a term of two years, at a price of $1.00 for the first year, and $1.25 for the second year

On September 14, 2017, the Company granted 4 million stock options, with an exercise price of $0.30 and a term of two years. 2.6 million were granted to related parties with remaining granted consultants.

On September 28, 2017 the Company closed a private placement of 7,775,000 units at $.20 per unit for gross proceeds of $1,555,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $.50 per share for two years. There were no finder’s fees associated with this private placement.

On October 27, 2017, a company controlled by the CEO exercised 400,000 options mentioned above with an exercise price of $0.30 for total proceeds of $120,000.

On October 27, 2017, the CEO exercised 100,000 warrants in connection with the just closed private placement with an exercise price of $0.50 for total proceeds of $50,000.

(Expressed in Canadian dollars)

19. Restatement of the Consolidated Financial Statements

The condensed consolidated interim financial statements of the Company as at June 30, 2017 and for the nine months ended June 30, 2017 have been restated to correct material errors and omissions in its prior filing arising from using incomplete accounting information. The Company discovered the deficiencies in the accounting information subsequent to filing and issuance of the financial statements and has restated the financial statements for the nine months ended June 30, 2017 using the updated and complete information.

The effects of the restatement are as follows:

Statement of Financial Position

	June 30, 2017 (Original) $	Adjustments $	June 30, 2017 (As restated) $
Assets			
Current Assets			
Cash and cash equivalents	61,303	(13,691)	47,612
Other receivables	70,085	13,661	83,746
Prepaid	-	10,000	10,000
	131,388	9,970	141,358
Loan receivable	-	206,029	206,029
Investment	201,488	(201,488)	-
Property and equipment	589,854	(260,425)	329,429
Exploration and evaluation assets	-	30,250	30,250
	922,730	(215,664)	707,066
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	250,897	28,961	279,858
Advance from Investissement Québec	-	148,500	148,500
Due to related parties	250,765	425,693	676,458
Note payable	-	100,000	100,000
	501,662	703,154	1,204,816
Shareholders' Equity			
Share capital	5,678,650	20,250	5,698,900
Reserves	7,436,822	(10,618)	7,426,204
Subscriptions received in advance	-	293,875	293,875
Deficit	(12,694,404)	(1,222,325)	(13,916,729)
	421,068	(918,818)	(497,750)
	922,730	(215,664)	707,066

(Expressed in Canadian dollars)

19. Restatement of the Consolidated Financial Statements (cont'd)

Statement of Loss and Comprehensive Loss – 9 Months

	For the nine months ended June 30, 2017 (Original) $	Adjustments $	For the nine months ended June 30, 2017 (As restated) $
Government Grant	148,500	(148,500)	-
Administrative Expenses			
Amortization	-	28,507	28,507
Office and administration	58,418	11,665	70,083
Professional and consulting fees	243,773	104,862	348,635
Promotion and investor communication	140,141	(29,529)	110,612
Research	174,976	498,411	673,387
Share-based compensation	100,452	(100,452)	-
Travel	47,578	(17,672)	29,906
Trust and filing fees	31,390	(10,091)	21,299
	(796,728)	(485,701)	(1,282,429)
Other Item			
Interest	-	(29,209)	(29,209)
Net loss for the period	(648,228)	(663,410)	(1,311,638)
Other comprehensive income (loss)			
Foreign currency translation adjustment	(1,545)	(1,736)	(3,281)
Comprehensive loss for the period	(649,773)	(665,146)	(1,314,919)
Income (loss) per share, basic and diluted	(0.02)	(0.02)	(0.04)

The Statement of Loss and Comprehensive Loss for the three months ended June 30, 2017 was not previously presented; therefore, no reconciliation is presented herein.

Statement of Cash Flows

The Statement of Cash Flows for the nine months ended June 30, 2017 was not previously presented; therefore, no reconciliation is presented herein. Cash and cash equivalents decreased by $13,691 as shown on the reconciliation for the Statement of Financial Position.