MAG ONE PRODUCTS INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2017

(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
(Expressed in Canadian dollars)

	December 31, 2017 $	September 30, 2017 $
Assets		
Current Assets		
Cash and cash equivalents	48,594	19,475
Sales tax receivable	140,935	100,747
Due from related parties (Note 9)	-	56,000
Prepayments	2,923	-
	192,452	176,222
Loan receivable (Note 14)	-	-
Plant and equipment (Note 5)	234,847	301,863
Intangible asset (Note 4)	24,438	30,250
	451,737	508,335
Liabilities and Shareholders' Equity		
Current Liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable and accrued liabilities (Note 6)	570,694	334,468
Advance from Investissement Québec (Note 7)	148,500	148,500
Due to related parties (Note 9)	188,338	206,826
Note payable (Note 8)	100,000	100,000
	1,007,532	794,890
Shareholders' Equity		
Share capital (Note 10)	7,735,580	6,807,392
Reserves (Note 10)	8,215,151	8,194,265
Subscriptions received in advance (Note 10)	-	581,188
Subscriptions receivable (Note 10)	(231,965)	(291,527)
Deficit	(16,274,561)	(15,577,873)
	(555,795)	(286,555)
	451,737	508,335

Nature of operations and going concern (Note 1)
Commitments (Note 13)
Subsequent events (Note 15)

Approved by the Board of Directors on March 1, 2018:

"Nelson Skalbania"
Director

"Gillian Holcroft"
Director

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

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

	Three months ended December 31, 2017 $	Three months ended December 31, 2016 $
Administrative Expenses		
Amortization (Notes 4 and 5)	74,637	-
Office and administration	21,455	17,155
Professional and consulting fees	165,375	132,537
Investor communication	140,500	51,904
Research	255,398	182,247
Travel	33,483	19,476
Trust and filing fees	4,260	4,648
	(695,108)	(407,967)
Other Item		
Interest expense	(1,580)	(7,617)
Net loss for the period	(696,688)	(415,584)
Other comprehensive income (loss)		
Foreign currency translation adjustment	20,886	10,133
Comprehensive loss for the period	(675,802)	(405,451)
Income (loss) per share, basic and diluted	(0.02)	(0.01)
Weighted average shares outstanding	43,450,221	32,356,170

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

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

	Share Capital		Reserve							
	Common Shares	Amount $	Warrant $	Loan $	Option $	Translation gain (loss) $	Subscriptions receivable $	Subscriptions received in advance $	Deficit $	Total $
September 30, 2016	34,335,283	5,403,250	1,017,000	2,664,963	3,741,520	6,002	-		(12,605,091)	227,644
Translation from subsidiaries	-	-	-	-	-	10,133	-	-	-	10,133
Share issuance – warrant exercise (Note 10b)	45,000	27,000	-	-	-	-	-	-	-	27,000
Net loss	-	-	-	-	-	-	-	-	(415,584)	(415,584)
December 31, 2016	**34,380,283**	**5,430,250**	**1,017,000**	**2,664,963**	**3,741,520**	**16,135**	**-**	**-**	**(13,020,675)**	**(150,807)**
September 30, 2017	**40,151,343**	**6,807,392**	**1,017,000**	**2,664,963**	**4,498,512**	**13,790**	**(291,527)**	**581,188**	**(15,577,873)**	**(286,555)**
Translation from subsidiaries	-	-	-	-	-	20,886	-	-	-	20,886
Unit issuance for cash (Note 10b)	2,905,940	581,188	-	-	-	-	-	(581,188)	-	-
Share issuance – warrant exercise (Note 10b)	100,000	50,000	-	-	-	-	-	-	-	50,000
Share issuance – option exercise (Note 10b)	990,000	297,000	-	-	-	-	-	-	-	297,000
Subscriptions received	-	-	-	-	-	-	59,562	-	-	59,562
Net loss	-	-	-	-	-	-	-	-	(696,688)	(696,688)
December 31, 2017	**44,147,283**	**7,735,580**	**1,017,000**	**2,664,963**	**4,498,512**	**34,676**	**(231,965)**	**-**	**(16,274,561)**	**(555,795)**

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

MAG ONE PRODUCTS INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended December 31, 2017 $	Three months ended December 31, 2016 $
Cash provided by (used in):		
Operating activities		
Net loss for the period	(696,688)	(415,584)
Adjustments for non-cash items		
Accrued interest on note payable	1,512	-
Amortization	74,637	9,498
Changes in non-cash operating working capital:		
Other receivables and prepaid	(43,111)	27,975
Accounts payable and accrued liabilities	236,226	(51,862)
Due to related parties	36,000	48,914
	(391,424)	(381,059)
Investing activities		
Additions to equipment of property	-	(9,684)
Loan receivable (Note 14)	-	(134,988)
	-	(144,672)
Financing activities		
Proceeds from note payable	-	100,000
Proceeds from related party note	-	470,000
Warrants exercised	50,000	27,000
Options exercised	297,000	-
Subscriptions received	59,562	
Bank indebtedness	(5,096)	-
	401,466	597,000
Effect of foreign currency on cash	19,077	1,469
Increase in cash	29,119	72,738
Cash, beginning of period	19,475	207,239
Cash, end of period	48,594	279,977
Supplemental information		
Interest paid	-	-
Taxes paid	-	-

(The accompanying notes are an integral part of these condensed consolidated 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, V6C 3L2. 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 metal and -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 December 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 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, 2017.

These condensed consolidated interim financial statements were approved and authorized by the Board of Directors on March 1, 2018.

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, 2017.

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

		Ownership Percentage	
Name	**Country of incorporation/ formation**	**September 30, 2017**	**September 30, 2016**
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 by 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 does not expect any significant impact from the adoption of IFRS 15.

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. Intangible assets

On May 19, 2017, the Company entered into a purchase agreement with Dundee Sustainable Technologies Inc. ("DST") to purchase 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") The terms of the agreement are:

- 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 year ended September 30, 2017, $5,000 in cash was paid to DST and 40,000 common shares were issued with a fair value of $9,000.

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 60,000,000 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 necessary plant and equipment.

During the year ended September 30, 2017, $5,000 in cash was paid to ACL and 50,000 common shares were issued with a fair value of $11,250.

During the three months ended December 31, 2017, the Company recorded amortization of $5,812 related to these intangible assets.

(Expressed in Canadian dollars)

5. Plant and Equipment

	Laboratory $	Equipment $	Total $
Cost:			
September 30, 2016	149,084	71,024	220,108
Additions	-	152,368	152,368
Transfer from construction in progress	26,234	-	26,234
Foreign currency translation	(1,771)	(2,412)	(4,183)
September 30, 2017	173,547	220,980	394,527
Foreign currency translation	1,099	461	1,560
December 31, 2017	174,646	221,441	396,087
Accumulated Amortization:			
September 30, 2016	22,363	3,551	25,914
Amortization	44,430	18,673	63,103
Foreign currency translation	3,320	327	3,647
September 30, 2017	70,113	22,551	92,664
Amortization	44,562	24,263	68,825
Foreign currency translation	(209)	(40)	(249)
December 31, 2017	114,466	46,774	161,240
Net book value:			
September 30, 2017	103,434	198,429	301,863
December 31, 2017	140,904	218,456	234,847

6. Accounts Payable and Accrued Liabilities

	December 31, 2017 $	September 30, 2017 $
Trade payables	564,425	328,204
Accrued liabilities	6,269	6,264
	570,694	334,468

7. Advance from Investissement Quebec

As at December 31, 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. Subsequent to the period, applications for reimbursement were approved, hence this amount then became non-refundable.

8. Note Payable

As at December 31, 2017, the Company had a promissory note of $100,000 (September 30, 2017 - $100,000) 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)

9. Related Party Transactions

Compensation paid to key management and directors

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

Three months ended December 31,	**2017** $	**2016** $
Chairman of the Board	24,000	24,000
President and CEO of a subsidiary	36,000	24,000

Amounts due from related parties

	December 31, 2017 $	**September 30, 2017** $
Chairman of the Board	-	56,000

Amounts due to related parties

	December 31, 2017 $	**September 30, 2017** $
Chairman of the Board	12,000	-
Companies with common directors and management	24,300	56,300
Notes payable to related parties (see below)	152,038	150,526
	188,338	206,826

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.

Notes payable

During the year ended September 30, 2017, the Company had a promissory note payable of $100,000 owing to a Company controlled by the former CEO. This note payable was unsecured, was bearing interest at 5% per annum, and was payable on demand.

During the year ended September 30, 2017, the Company issued another promissory note of $400,000 owing to the spouse of the Company's former CEO. This note payable was secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company, was bearing interest of 10% per annum, and was due on March 19, 2017.

(Expressed in Canadian dollars)

9. Related Party Transactions (cont'd)

On August 29, 2017, the Company settled amounts due to related parties in the amount of approximately $539,800 ($500,000 of promissory note and $39,800 accrued interests) by:

- A cash payment of $250,000;
- 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 10% per annum along with a four month term; and
- Issuance of 100,000 common shares. The market price on the date of settlement of $0.215 was used for accounting purposes.

During the period, the above note payable in the amount of $150,000 was repaid by a related party. The amount is non-interest bearing and due on demand.

10. 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 three months ended December 31, 2017, the Company issued:

2,905,940 units at $0.20 per unit for gross proceeds of $581,188 pursuant to the second tranche of a non-brokered private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years.

100,000 common shares as a result of the exercise of warrants at $0.50 per share for gross proceeds of $50,000.

990,000 common shares as a result of the exercise of options at $0.30 per share for gross proceeds of $297,000.

Warrants

	Year ended December 31, 2017			Year ended September 30, 2017		
	Warrants	Weighted Average Exercise Price		Warrants	Weighted Average Exercise Price	
Opening	**6,143,560**	**$**	**0.64**	2,958,611	$	0.95
Granted	**2,905,940**		**0.50**	5,181,060		0.55
Exercised	**(100,000)**		**0.50**	(95,000)		0.60
Expired	**-**		**-**	(1,901,111)		0.89
Ending	**8,949,500**	**$**	**0.60**	6,143,560	$	0.64

(Expressed in Canadian dollars)

10. Share Capital (cont'd)

As at December 31, 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
4,769,060	$0.50	August 17, 2019
2,905,940	$0.50	October 10, 2019
8,949,500		

As at December 31, 2017, warrants outstanding have an average life of 1.61 years and average exercise price of $0.60.

Options

On September 14, 2017, the Company granted a total of 4,000,000 stock options to certain officers, directors and/or consultants of the Company exercisable at $0.30 for a period of two years. The fair value of the stock options was determined to be $756,992 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 2 years; expected volatility – 125%; expected dividend yield – 0%; and risk-free rate – 1.58%.

As at December 31, 2017, 3,010,000 stock options remain outstanding.

11. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	December 31, 2017 $	September 30, 2017 $
Financial assets:		
Loans and receivables:		
Cash	19,475	19,475
Amounts due from related parties	-	56,000
	19,475	75,475
Financial liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable	570,694	334,468
Due to related parties	188,338	206,826
Notes payable	100,000	100,000
Advances by Investissement Quebec	148,500	148,500
	1,007,532	794,890

11. Financial Instruments (cont'd)

(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 does not have any Level 2 or 3 fair value measurements.

As at December 31, 2017, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

(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. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consists primarily of refundable government goods and services taxes.

(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.

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 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 period.

13. 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 August 31, 2017 the Company entered into an agreement to purchase 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.

As at December 31, 2017 the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred.

14. 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 square feet 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,

14. Loan receivable (cont'd)

As at September 30, 2017, the Company has loaned Magboard $201,487 (US$150,000) (2016: $nil), and had accrued interest of $7,352 (2016: $nil). On September 30, 2017, management identified objective evidence that a financial instrument has been impaired, and recognized an impairment loss of $208,839 (2016: $nil)

15. Subsequent Events

On January 11, 2018, the Company received $256,467 from IQ in connection with formally filing its claim for a reimbursement of eligible expenditures incurred on its Phase 1 Pilot Plant. Upon approval of this reimbursement, the $148,500 advance from IQ as of September 30, 2017 was also formally approved for reimbursement as such became non-refundable.

On February 23, 2018 the Company received $90,033 from IQ in connection with filing another claim for reimbursement of eligible expenditures incurred on its Phase 1 Pilot Plant.