MAG ONE PRODUCTS INC.

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended June 30, 2018

(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 consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

These unaudited 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)

	June 30, 2018 $	September 30, 2017 $
Assets		
Current Assets		
Cash and cash equivalents	30,493	19,475
Sales tax receivable	143,260	100,747
Prepayments	27,465	-
	201,218	120,222
Plant and equipment (Note 5)	269,288	301,863
Intangible asset (Note 4)	18,906	30,250
	489,412	452,335
Liabilities and Shareholders' Equity		
Current Liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable and accrued liabilities (Note 6)	517,620	214,468
Advance from Investissement Québec (Note 7)	495,000	148,500
Due to related parties (Note 9)	294,922	42,076
Note payable (Note 8)	50,000	120,000
	1,357,542	530,140
Proceeds from convertible debentures (Note 15)	150,000	-
	1,507,542	530,140
Shareholders' Equity		
Share capital (Note 10)	7,796,040	6,733,442
Reserves (Note 10)	8,377,278	8,212,838
Subscriptions received in advance (Note 10)	50,000	409,598
Deficit	(17,241,448)	(15,433,683)
	(1,018,130)	(77,805)
	489,412	452,335

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

Approved by the Board of Directors on August 29, 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 June 30, 2018 $	Three months ended June 30, 2017 $	Nine months ended June 30, 2018 $	Nine months ended June 30, 2017 $
Administrative Expenses				
Amortization (Notes 4 and 5)	18,369	9,565	54,721	28,507
Office and administration	35,949	25,421	94,020	70,083
Professional and consulting fees	83,793	53,869	374,449	348,635
Investor communication	19,066	21,798	172,244	110,612
Research	323,519	334,230	715,410	673,387
Travel	7,816	(7,138)	46,419	29,906
Trust and filing fees	6,739	4,875	15,250	21,299
	(495,251)	(442,620)	(1,472,513)	(1,282,429)
Other Item				
Interest expense	(2,935)	(19,209)	(3,350)	(29,209)
Loss on settlement of debts (Notes 8 and 9)	-	-	(331,902)	-
Net loss for the period	(498,186)	(461,829)	(1,807,765)	(1,311,638)
Other comprehensive income (loss)				
Foreign currency translation adjustment	(1,444)	(10,618)	18,209	(3,281)
Comprehensive loss for the period	(499,630)	(472,447)	(1,789,556)	(1,314,919)
Income (loss) per share, basic and diluted	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average shares outstanding	44,147,293	34,742,281	43,912,376	34,627,961

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 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
Foreign exchange adjustment	-	-	-	-	-	(3,281)	-	-	(3,281)
Unit issuance for cash (Note 10b)	312,000	218,400	-	-	-	-	-	-	218,400
Share issuance – exploration and evaluation assets (Note 10b)	90,000	20,250	-	-	-	-	-	-	20,250
Share issuance – warrant exercise (Note 10b)	95,000	57,000	-	-	-	-	-	-	57,000
Subscriptions received (Note 10c)	-	-	-	-	-	-	293,875	-	293,875
Net loss	-	-	-	-	-	-	-	(1,311,638)	(1,311,638)
June 30, 2017	**34,832,283**	**5,698,900**	**1,017,000**	**2,664,963**	**3,741,520**	**2,721**	**293,875**	**(13,916,729)**	**(497,750)**
September 30, 2017	**40,151,343**	**6,733,442**	**1,035,573**	**2,664,963**	**4,498,512**	**13,790**	**409,598**	**(15,433,683)**	**(77,805)**
Foreign exchange adjustment	-	-	-	-	-	18,209	-	-	18,209
Subscriptions received (Note 10b)	-	-	-	-	-	-	50,000	-	50,000
Unit issuance for cash (Note 10b)	2,047,990	409,598	-	-	-	-	(409,598)	-	-
Unit issuance – settlement of note payable (Notes 8 and 10b)	600,000	306,000	146,231	-	-	-	-	-	452,231
Unit issuance – to be returned to treasury (Notes 9 and 10b)	257,950	-	-	-	-	-	-	-	-
Share issuance – warrant exercise (Note 10b)	100,000	50,000	-	-	-	-	-	-	50,000
Share issuance – option exercise (Note 10b)	990,000	297,000	-	-	-	-	-	-	297,000
Net loss	-	-	-	-	-	-	-	(1,807,765)	(1,807,765)
June 30, 2018	**44,147,283**	**7,796,040**	**1,181,804**	**2,664,963**	**4,498,512**	**31,999**	**50,000**	**(17,241,448)**	**(1,018,130)**

(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)

	Nine months ended June 30, 2018 $	Nine months ended June 30, 2017 $
Cash provided by (used in):		
Operating activities		
Net loss for the period	(1,807,765)	(1,311,638)
Adjustments for non-cash items		
Accrued interest on note payable	329	33,750
Accrued interest on loan receivable	-	(4,541)
Amortization	54,721	28,507
Gain on settlement of debts	331,902	-
Changes in non-cash operating working capital:		
Other receivables and prepaid	(69,978)	(17,217)
Accounts payable and accrued liabilities	303,152	119,356
Due to related parties	120,365	116,658
	(1,067,274)	(1,035,125)
Investing activities		
Additions to equipment of property	-	(137,508)
Investment in joint venture	-	(201,488)
	-	(338,996)
Financing activities		
Proceeds from note payable	50,000	100,000
Proceeds from related party note	132,481	400,000
Proceeds from convertible debentures	150,000	-
Share issuance for cash	-	275,400
Share subscriptions received	50,000	293,875
Warrants exercised	50,000	-
Options exercised	297,000	-
Bank indebtedness	(5,096)	-
Advance from Investissement Quebec	346,500	148,500
	1,070,885	1,217,775
Effect of foreign currency on cash	7,407	(3,281)
Increase in cash	11,018	(159,627)
Cash, beginning of period	19,475	207,239
Cash, end of period	30,493	47,612
Supplemental information		
Interest paid	-	-
Taxes paid	-	-

Supplemental disclosure with respect to cash flows (Note 14)

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 June 30, 2018, 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 August 29, 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's 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**	**June 30, 2018**	**September 30, 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 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 does not expect any significant impact from the adoption of IFRS 15.

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 ("SPA") 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 Asbestos Corp Ltd. ("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 nine months ended June 30, 2018, the Company recorded amortization of $11,344 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	10,662	5,857	16,519
June 30, 2018	184,209	226,837	411,046
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	26,769	16,608	43,377
Foreign currency translation	4,727	990	5,717
June 30, 2018	101,609	40,149	141,758
Net book value:			
September 30, 2017	103,434	198,429	301,863
June 30, 2018	82,600	186,688	269,288

6. Accounts Payable and Accrued Liabilities

	June 30, 2018 $	September 30, 2017 $
Trade payables	260,169	208,204
Accrued liabilities	257,451	6,264
	517,620	214,468

7. Advance from Investissement Quebec

As at June 30, 2018, the Company has received the full $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 $495,000 received by the Company.

(Expressed in Canadian dollars)

8. Notes Payable

During the year ended September 30, 2016, the Company entered into a promissory note with an arms-length party whereby the Company can borrow up to $100,000. The note is unsecured, due on demand, and bears interest at 10% per annum. During the year ended September 30, 2017, the Company received loan proceeds of $50,000 (2016 - $50,000). As of September 30, 2017, the Company has a balance payable including principal and accrued interest of $120,000 (2016 - $50,000). $7,150 in finder's fees were charged on the note. During the period, this promissory note was repaid in full with issuance of 600,000 units of the Company. 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 following the issuance date. The fair value of the debt settlement was estimated at $452,231 and the Company recorded a loss on settlement of the debt of $331,902.

During the nine months ended June 30, 2018, the Company received loan proceeds of $50,000 from an arms-length party. The loan is personally guaranteed by the former Chairman of the Board, non-interest bearing and due on demand.

9. 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,	**2018** $	**2017** $
Director and former Chairman of the Board (the "Chairman")	72,000	72,000
Company of the Chairperson, President, Chief Executive Officer ("CEO") and a Director	144,000	112,000
Company of a Director and former Chairman	48,000	-
	268,000	184,000

Amounts due to related parties

	June 30, 2018 $	**September 30, 2017** $
Company of the Chairperson, President, CEO and a Director	79,873	42,076
Director and former Chairman	170,854	-
Family member of a Director and the former Chairman	44,195	-
	294,922	42,076

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.

9. Related Party Transactions (cont'd)

Notes payable to related parties

During the year ended September 30, 2016, the Company issued a promissory note of $50,000 payable to a company controlled by the former CEO (the "Promissory Note A"). This note was unsecured, due on demand, and bears interest at 5% per annum. As at September 30, 2017, the Company has a balance payable of $nil (2016 - $53,750) including principal and accrued interest.

During the year ended September 30, 2017, the Company issued a promissory note of $400,000 payable to the spouse of the Company's former CEO (the "Promissory Note B"). The note was secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company, due on March 19, 2017 and bears interest of 10% per annum.

During the year ended September 30, 2017, the Promissory Notes A and B including principals and accrued interest were repaid in full as follows.

- A cash payment of $250,000;
- A cash payment of $150,000 paid by the Chairman on behalf of the Company during the year ended September 30, 2017.
- 100,000 common shares of the Company with the fair value of $21,500. The Company recorded a gain on settlement of the loans of $60,120.

During the nine months ended June 30, 2018, the Company received $88,286 and $44,195 from the former Chairman and a family member related to the former Chairman, respectively for short term working capital needs. The advances bear no interest, are unsecured and are payable on demand.

Other transactions

On October 5, 2017 the Company issued 125,000 units of the Company to a family member of a director in relation to the $25,000 subscriptions received in advance during the year ended September 30, 2017 (Note 10). Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017 the Company issued 1,002,930 units to the former Chairman in relation to the $200,586 subscriptions received in advance during the year ended September 30, 2017 (Note 10). Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017, the Company issued 257,950 units of the Company in error. Each unit consists of one common share and one share purchase warrant. Subsequent to issuance, these units will be returned to treasury of the Company for cancellation.

On October 10, 2017 the Company issued 20,060 units of the Company to a family member of the former Chairman in relation to the $4,012 subscriptions received in advance during the year ended September 30, 2017 (Note 10). Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 27, 2017, a company controlled by the former CEO exercised 400,000 options with an exercise price of $0.30 for total proceeds of $120,000 (Note 10).

9. Related Party Transactions (cont'd)

On October 27, 2017, the former CEO of the Company exercised 100,000 warrants with an exercise price of $0.50 for total proceeds of $50,000 (Note 10).

On November 23, 2017, a company controlled by the former CEO exercised 200,000 options with an exercise price of $0.30 for total proceeds of $60,000 (Note 10).

On November 23, 2017, a director of the Company exercised 80,000 options with an exercise price of $0.30 for total proceeds of $24,000 (Note 10).

On November 30, 2017, a company controlled by the former CEO exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 10).

On November 30, 2017, the former CEO of the Company exercised 40,000 options with an exercise price of $0.30 for total proceeds of $12,000 (Note 10).

On December 6, 2017, the former CEO of the Company exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 10).

On December 21, 2017, the former CEO of the Company exercised 70,000 options with an exercise price of $0.30 for total proceeds of $21,000 (Note 10).

During the year ended September 30, 2017, the Company issued 300,000 units of the Company to a family member of the former Chairman at a price of $0.70 per unit for gross proceeds of $210,000.

During the year ended September 30, 2017, the Company issued 500,000 units of the Company to a company controlled by the former Chairman at a price of $0.20 per unit for gross proceeds of $100,000.

During the year ended September 30, 2017, the Company settled a balance of $30,700 payable to the former Chairman with the issuance of 153,500 units of the Company. The fair value of the debt settlement was estimated at $64,623 and the Company recorded a loss on settlement of the debt of $33,923.

During the year ended September 30, 2017, the Company issued 446,500 units to the former Chairman in error. These units will be returned to treasury for cancellation.

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 nine months ended June 30, 2018, the Company issued:

On October 5, 2017, the Company issued 600,000 units of the Company in full settlement of a note payable of $120,000 (Notes 8 and 14). 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 following the issuance date. The fair value of the debt settlement was estimated at $452,231, including the shares valued at $306,000 and the warrants estimated at $146,231. The warrants were measured using the Black Scholes option pricing model with the following assumptions and inputs: expected life 2 years; volatility 131%; dividend yield 0%; and risk free rate 1.55%.

On October 5, 2017 the Company issued 125,000 units of the Company to a family member of a director in relation to the subscriptions received in advance (Note 9). 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 following the issuance date.

On October 5, 2017 the Company issued 1,002,930 units to the former Chairman in relation to subscriptions received in advance (Note 9). 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 following the issuance date.

On October 5, 2017 the Company issued 20,060 units of the Company to a family member of the former Chairman in relation to the subscriptions received in advance (Note 9). 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 following the issuance date.

On October 5, 2017, the Company issued 257,950 units of the Company in error. Each unit consists of one common share and one share purchase warrant. Subsequent to issuance, these units will be returned to treasury of the Company for cancellation.

On October 5, 2017 an additional 900,000 units were issued to non-related parties in relation to the subscriptions received in advance. 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 following the issuance date.

On October 27, 2017, a company controlled by the former CEO exercised 400,000 options with an exercise price of $0.30 for total proceeds of $120,000 (Note 9).

On October 27, 2017, the former CEO of the Company exercised 100,000 warrants with an exercise price of $0.50 for total proceeds of $50,000 (Note 9).

(Expressed in Canadian dollars)

10. Share Capital (cont'd)

(b) Common shares – Issued and outstanding (cont'd)

On November 23, 2017, a company controlled by the former CEO exercised 200,000 options with an exercise price of $0.30 for total proceeds of $60,000 (Note 9).

On November 23, 2017, a director of the Company exercised 80,000 options with an exercise price of $0.30 for total proceeds of $24,000 (Note 9).

On November 30, 2017, a company controlled by the former CEO exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 9).

On November 30, 2017, the former CEO of the Company exercised 40,000 options with an exercise price of $0.30 for total proceeds of $12,000 (Note 9).

On December 6, 2017, the former CEO of the Company exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 9).

On December 21, 2017, the former CEO of the Company exercised 70,000 options with an exercise price of $0.30 for total proceeds of $21,000 (Note 9).

Warrants

	Nine months ended June 30, 2018			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	**(312,000)**		**1.40**	(1,901,111)		0.89
Ending	**8,637,500**	**$**	**0.57**	6,143,560	$	0.64

As at June 30, 2018, 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
4,769,060	$0.50	August 17, 2019
2,905,940	$0.50	October 10, 2019
8,637,500		

As at June 30, 2018, warrants outstanding have an average life of 1.17 years and average exercise price of $0.57.

(Expressed in Canadian dollars)

10. Share Capital (cont'd)

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 June 30, 2018, 3,010,000 stock options remain outstanding.

Subscriptions received in advance

On April 4, 2018, the former CEO of the Company subscribed to 250,000 units at $0.20 per unit for total proceeds of $50,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for one year following the issuance date. As of the date of these financial statements, these units have not been issued.

11. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	June 30, 2018 $	September 30, 2017 $
Financial assets:		
Loans and receivables:		
Cash	30,493	19,475
	30,493	19,475
Financial liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable	260,169	208,204
Due to related parties	294,922	228,826
Notes payable	50,000	120,000
Proceeds from convertible debentures	150,000	-
	755,091	710,626

11. Financial Instruments (cont'd)

(a) 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 June 30, 2018, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) 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.

(c) 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.

(d) 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.

(e) 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, 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 June 30, 2018, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred.

14. Supplemental disclosure with respect to cash flows

Significant non-cash transactions for the nine months ended June 30, 2018 are as follows:

On October 10, 2017, the Company issued 600,000 units of the Company in full settlement of a note payable of $120,000 (Notes 8 and 10).

During the nine months ended June 30, 2017, the Company did not incur any significant non-cash transactions.

15. Convertible debentures

On May 14, 2018, the Company announced a non-brokered private placement offering of up to $5,000,000 (the "Offering"), by the issuance of convertible debentures of the Company (each a "Convertible Debenture").

There are 100 units available in the Offering, with a minimum tranche of $50,000. The term of each Convertible Debenture matures three (3) years from the date of issuance, carries an interest rate of eight percent (8%) per annum, (interest paid annually, in advance) and is convertible to common shares of the Company at a conversion price of $0.50 per common share, (or at market price, whichever is less, subject to exchange approval). Maturity is subject to an accelerated maturity of 30 days in the event the Company's common shares trade at $1.00 or more for ten consecutive trading days.

During the nine months ended June 30, 2018, the Company received $150,000 related to the Offering. The Convertible Debentures will be issued subject to regulatory approval.