MAG ONE PRODUCTS INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2018

(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)

	December 31, 2018 $	September 30, 2018 $
Assets		
Current Assets		
Cash	22,962	30,916
Sales tax receivable	98,726	67,955
Prepayments	8,667	14,990
	130,355	113,861
Plant and equipment (Note 5)	125,704	129,513
Intangible asset (Note 4)	11,344	15,125
	267,403	258,499
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	798,293	619,599
Advance from Investissement Québec (Note 7)	495,000	495,000
Due to related parties (Note 9)	379,669	299,914
Note payable (Note 8)	1,773	576
Proceeds from convertible debentures (Note 15)	150,000	150,000
	1,824,735	1,565,089
Shareholders' Deficiency		
Share capital (Note 10)	7,923,396	7,923,396
Reserves (Note 10)	8,179,681	8,181,602
Subscriptions received in advance (Note 10)	160,000	100,000
Deficit	(17,820,409)	(17,511,588)
	(1,557,332)	(1,306,590)
	267,403	258,499

Nature of operations and going concern (Note 1)
Commitments (Note 13)
Subsequent event (Note 16)

Approved by the Board of Directors on March 4, 2019:

"Nelson Skalbania"	*"Gillian Holcroft"*
Director	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, 2018 $	Three months ended December 31, 2017 $
Administrative Expenses		
Amortization (Notes 4 and 5)	7,590	18,201
Office and administration	3,597	31,447
Professional and consulting fees (Note 9)	91,631	151,335
Investor communication	2,568	140,499
Research	195,100	255,398
Travel	971	33,483
Trust and filing fees	7,207	4,260
	(308,664)	(634,623)
Other Item		
Interest expense	(157)	(397)
Gain (loss) on settlement of debts (Notes 8 and 10)	-	(331,902)
Net loss	(308,821)	(966,922)
Other comprehensive income		
Foreign currency translation adjustment	(1,921)	14,660
Comprehensive loss	(310,742)	(952,262)
Loss per share, basic and diluted	(0.01)	(0.02)
Weighted average shares outstanding	43,833,343	43,450,221

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

	Share Capital		Reserve						
	Common Shares	Amount $	Warrant $	Loan $	Option $	Translation gain (loss) $	Subscriptions received in advance $	Deficit $	Total $
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	-	-	-	-	-	14,660	-	-	14,660
Unit issuance for cash (Note 10)	2,047,990	409,598	-	-	-	-	(409,598)	-	-
Unit issuance – settlement of note payable (Notes 8 and 10)	600,000	306,000	146,231	-	-	-	-	-	452,231
Unit issuance – to be returned to treasury (Notes 9, 10 and 17)	257,950	-	-	-	-	-	-	-	-
Share issuance – warrant exercise (Note 10)	100,000	50,000	-	-	-	-	-	-	50,000
Share issuance – option exercise (Note 10)	990,000	297,000	-	-	-	-	-	-	297,000
Net loss	-	-	-	-	-	-	-	(966,922)	(966,922)
December 31, 2017	**44,147,283**	**7,796,040**	**1,181,804**	**2,664,963**	**4,498,512**	**28,450**	**-**	**(16,400,605)**	**(230,836)**
September 30, 2018	**44,147,283**	**7,923,396**	**1,181,804**	**2,664,963**	**4,311,156**	**23,679**	**100,000**	**(17,511,588)**	**(1,306,590)**
Foreign exchange adjustment	-	-	-	-	-	(1,921)	-	-	(1,921)
Subscriptions received (Note 10)	-	-	-	-	-	-	60,000	-	60,000
Cancellation of units	(704,450)	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(308,821)	(308,821)
December 31, 2018	**43,442,833**	**7,923,396**	**1,181,804**	**2,664,963**	**4,311,156**	**21,758**	**160,000**	**(17,820,409)**	**(1,557,332)**

(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, 2018 $	Three months ended December 31, 2017 $
Cash provided by (used in):		
Operating activities		
Net loss for the period	(308,821)	(966,922)
Adjustments for non-cash items		
Accrued interest on note payable	-	329
Amortization	7,590	18,201
Loss on settlement of debts	-	331,902
Changes in non-cash operating working capital:		
Receivables and prepaid	(24,448)	(57,751)
Accounts payable and accrued liabilities	178,694	218,576
Due to related parties	79,755	63,670
	(67,230)	(391,995)
Financing activities		
Proceeds from issuance of promissory notes	1,197	71,562
Subscriptions received in advance	60,000	-
Exercise of warrants	-	50,000
Exercise of options	-	297,000
Bank indebtedness	-	(5,096)
	61,197	413,466
Effect of foreign currency on cash	(1,921)	13,404
Increase (decrease) in cash	(7,954)	34,875
Cash, beginning of period	30,916	19,475
Cash, end of period	22,962	54,350

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. 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, 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 condensed 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 amended and restated 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, 2018.

These consolidated financial statements were approved and authorized by the Board of Directors on March 4, 2019.

3. Significant Accounting Policies

(a) Basis of Preparation

These condensed consolidated interim 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.

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

		Ownership Percentage	
Name	**Country of incorporation/ formation**	**September 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) Changes in accounting policies

IFRS 9, *Financial Instruments* – The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and lost (“FVTPL”). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company’s financial statements.

IFRS 15, *Revenue from Contracts with Customers*. On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

(c) Accounting Standards Issued by Not Yet Adopted

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 does not expect any significant impact from the adoption of IFRS 16.

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.

(Expressed in Canadian dollars)

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 three months ended December 31, 2018, the Company recorded amortization of $3,781 (2017 - $3,781) related to these intangible assets.

5. Plant and Equipment

	Laboratory $	Equipment $	Total $
Cost:			
September 30, 2017	173,547	220,980	394,527
Foreign currency translation	(1,998)	886	(1,12)
Impairment	(171,549)	(69,498)	(241,047)
September 30, 2018 and December 31, 2018	-	152,368	152,368
Accumulated Amortization:			
September 30, 2017	70,113	22,551	92,664
Amortization	35,910	22,187	58,097
Foreign currency translation	1,994	424	2,418
Impairment	(108,017)	(22,307)	(130,324)
September 30, 2018	-	22,855	22,855
Amortization	-	3,809	3,809
December 31, 2018	-	26,664	26,664
Net book value:			
September 30, 2018	-	129,513	129,513
December 31, 2018	-	125,704	125,704

6. Accounts Payable and Accrued Liabilities

	December 31, 2018 $	September 30, 2018 $
Trade payables	797,348	618,712
Accrued liabilities	945	887
	798,293	619,599

(Expressed in Canadian dollars)

7. Advance from Investissement Quebec

As at December 31, 2018, the Company has received $495,000 (September 30, 2018: $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 funding is currently recorded as an advance due to the conditions to obtain non-refundable status have not been met as at December 31, 2018.

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 was 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 had a balance payable including principal and accrued interest of $120,000 . $7,150 in finder's fees were charged on the note. During the year ended September 30, 2018, the balance payable including principal and accrued interest of $120,329 was repaid in full with issuance of 600,000 units of the Company (Note 10). 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 consideration was estimated at $392,231 and the Company recorded a loss on settlement of the debt of $271,902.

During the year ended September 30, 2018, the Company received loan proceeds of $576 from an arms-length party. During the three months ended December 31, 2018, the Company received a further loan proceeds of $1,197 from the same party. The loan is unsecured, 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:

Three months ended December 31,	**2018** $	**2017** $
Director and former Chairman of the Board (the "Chairman")	-	24,000
Company of the Chairperson, President, Chief Executive Officer ("CEO") and a Director	48,000	36,000
Company of a Director and former Chairman	-	15,000
	48,000	75,000

(Expressed in Canadian dollars)

Amounts due to related parties

	December 31, 2018 $	**September 30, 2018** $
Company of the Chairperson, President, CEO and a Director	133,480	94,064
Director and former Chairman	201,994	161,655
Family member of a Director and the former Chairman	44,195	44,195
	379,669	299,914

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 to related parties

During the year ended September 30, 2018, the Company received $88,286 and $44,195 from a director and former Chairman and a family member of a director and the former Chairman, respectively. During the three months ended December 31, 2018, the Company received another $40,000 from a director and former Chairman. The loans bear no interest, unsecured and 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 were returned to treasury of the Company for cancellation (Note 10).

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).

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 (Note 10).

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 (Note 10).

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 (Note 10).

During the year ended September 30, 2017, the Company issued 446,500 units to the former Chairman in error. These units were returned to treasury for cancellation (Note 10).

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, 2018:

In November 2018, the Company cancelled a total of 704,450 common shares and 704,450 share purchase warrants that were issued in error (Note 9).

During the year ended September 30, 2018:

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 $392,231, including the shares valued at $246,000 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 (Note 9). Subsequent to issuance, these units will be returned to treasury of the Company for cancellation (Note 17).

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).

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).

(Expressed in Canadian dollars)

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

	Three months ended December 31, 2018			Year ended September 30, 2018		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Opening	**8,087,500**	**$**	**0.53**	6,143,560	$	0.64
Granted	**-**		**-**	2,905,940		0.50
Exercised	**-**		**-**	(100,000)		0.50
Expired	**-**		**-**	(862,000)		1.21
Cancelled	**(704,450)**		**0.50**	-		-
Ending	**7,383,050**	**$**	**0.53**	8,087,500	$	0.53

As at December 31, 2018, the Company had the following warrants outstanding:

Number	**Exercise price**	**Expiry date**
412,500	$1.10	August 26, 2020
4,322,560	$0.50	August 17, 2019
2,647,990	$0.50	October 5, 2019
7,383,050		

As at December 31, 2018, warrants outstanding have an average life of 0.73 years and average exercise price of $0.53.

Options

	Three months ended December 31, 2018			Year ended September 30, 2018		
	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Opening	**3,010,000**	**$**	**0.30**	4,000,000	$	0.30
Granted	**-**		**-**	-		-
Exercised	**-**		**-**	(990,000)		0.30
Cancelled	**-**		**-**	-		-
Ending	**3,010,000**	**$**	**0.30**	3,010,000	$	0.30

(Expressed in Canadian dollars)

As at December 31, 2018, the Company had the following options outstanding:

Number	Exercise price	Expiry date
3,010,000	$0.30	September 14, 2019

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, 2018, 3,010,000 stock options remain outstanding and exercisable. The weighted average life was 0.70 years.

Subscriptions received in advance

On April 4, 2018, the former CEO of the Company subscribed to 500,000 units at $0.20 per unit for total proceeds of $100,000. During the three months ended December 31, 2018, the former CEO of the Company subscribed to a further 300,000 units at $0.20 per unit for total proceeds of $60,000. 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:

	December 31, 2018 $	September 30, 2018 $
Financial assets:		
Loans and receivables:		
Cash	22,962	30,916
Financial liabilities		
Accounts payable	797,348	618,712
Due to related parties	379,669	299,914
Notes payable	1,773	576
Proceeds from convertible debentures	150,000	150,000
	1,328,790	1,069,202

(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 fair value of the Company's cash is classified as a Level 1 fair value measurement. The Company does not have any Level 2 or 3 fair value measurements.

As at December 31, 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 December 31, 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

The Company did not have any significant non-cash transactions for the three months ended December 31, 2018.

Significant non-cash transactions for the three months ended December 31, 2017 consist of:

a. 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 10).

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 year ended September 30, 2018, the Company received $150,000 related to the Offering. The Convertible Debentures will be issued subject to regulatory approval.

16. Subsequent Events

On January 3, 2019, the Company entered into a Technology IP Acquisition Agreement (the "Agreement") with 8200475 Canada Inc. ("Tech Magnesium"), granting the Company an exclusive license to use and option to acquire a 100% ownership of the aluminothermic and silicothermic technology (the "Tech Mag Technology") owned by Tech Magnesium, and agreeing to collaborate to finalize the development and commercialization of the Tech Mag Technology (the "Collaboration"). The Company agrees to make the following payments during the Collaboration:

- $5,000 per month during Phase 1;
- $7,500 per month during Phase 2 and 3; and
- $35,000 within 30 days of the completion of Tech Magnesium's Phase 2 Report

The Company agrees to make the following payments upon issuing notice of exercise of the option (the "Exercise Notice"):

- An initial payment of $50,000 due on the date the Company issues the Exercise Notice;
- Quarterly payments equal to 4% of all private and public financing raised by the Company that are specifically used to advance the Tech Magnesium Technology during the calendar quarter up to a maximum of $2,500,000; and
- Quarterly royalty payments equal to 2.5% of the gross sales revenue from the sale of magnesium metal and alloys during the calendar quarter up to a maximum of $2,500,000.