



MAG ONE PRODUCTS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2019

(Expressed in Canadian Dollars)



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The unaudited condensed interim consolidated financial statements of Mag One Products Inc. as at March 31, 2019 and for the three-month and six-month periods ended March 31, 2019 and 2018, have not been reviewed by the Company's external auditors.

A handwritten signature in cursive script, appearing to read "N. Skalbania", written over a horizontal line.

Director
Nelson Skalbania

A handwritten signature in cursive script, appearing to read "G. Holcroft", written over a horizontal line.

Director
Gillian Holcroft

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

	March 31 2019	September 30 2018
	Canadian \$	Canadian \$
ASSETS		
Current Assets		
Cash	110,603	31,866
Sales tax receivable	58,274	67,955
Prepayments	5,692	14,040
	174,569	113,861
Plant and equipment (Note 5)	121,895	129,513
Intangible asset (Note 4)	7,563	15,125
	304,027	258,499
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	792,947	619,599
Advance from Investissement Québec (Note 7)	495,000	495,000
Due to related parties (Note 9)	516,779	299,914
Notes payable (Note 8)	8,737	576
Proceeds from convertible debentures (Note 16)	150,000	150,000
	1,963,463	1,565,089
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	7,923,396	7,923,396
Reserves (Note 10)	8,180,317	8,181,602
Subscriptions received in advance (Note 10)	275,000	100,000
Deficit	(18,038,149)	(17,511,588)
	(1,659,436)	(1,306,590)
	304,027	258,499

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 17)

Approved on behalf of the Board:Director *"Nelson Skalbania"*
Director*"Gillian Holcroft"*
Director

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

	For the three months ended March 31		For the six months ended March 31	
	2019	2018	2019	2018
	Canadian \$	Canadian \$	Canadian \$	Canadian \$
Administrative Expenses				
Amortization (Notes 4 and 5)	7,590	18,151	15,180	36,352
Office and administration	7,983	26,624	11,580	58,071
Professional and consulting fees (Note 9)	85,620	139,321	177,251	290,656
Investor communication	2,170	12,679	4,738	153,178
Research (Net) (Note 9, 15)	92,694	136,493	287,794	391,891
Travel	4,105	5,120	5,076	38,603
Trust and filing fees	17,585	4,251	24,792	8,511
	(217,747)	(342,639)	(526,411)	(977,262)
Other Items				
Interest income (expense)	7	(18)	(150)	(415)
Loss on settlement of debts (Notes 8 and 10)	-	-	-	(331,902)
Net loss for the Period	(217,740)	(342,657)	(526,561)	(1,309,579)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	636	4,993	(1,285)	19,653
Comprehensive loss for the period	(217,104)	(337,664)	(527,846)	(1,289,926)
Basic and diluted loss per share	(0)	(0)	(0)	(0)
Weighted average number of common shares outstanding	43,442,833	44,147,283	43,620,881	43,794,922

MAG ONE PRODUCTS INC.Condensed Interim Consolidated Statements of Cash Flow
(Unaudited - Expressed in Canadian Dollars)

	For the six months ended March 31	
	2019	2018
	Canadian \$	Canadian \$
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (526,561)	\$ (1,309,579)
Add items not involving cash:		
Accrued interest on note payable	-	329
Amortization	15,180	36,352
Loss on settlement of debts	-	331,902
Non-cash working capital items		
Sales tax receivable	9,681	(60,699)
Prepayments	8,348	(26,791)
Accounts payable and accrued liabilities	172,056	113,503
Due to related parties	216,865	219,118
Net cash (used in) operating activities	(104,431)	(695,865)
Financing activities		
Proceeds from issuance of promissory notes	8,161	-
Subscriptions received in advance	175,000	-
Exercise of warrants	-	50,000
Exercise of options	-	297,000
Advance from Investissement Québec	-	346,500
Bank indebtedness	-	(5,096)
Net cash provided by (used in) financing activities	183,161	688,404
Effect of foreign currency on cash	7	12,674
Change in cash during the period	78,730	5,213
Cash, beginning of the period	31,866	19,475
Cash, end of the period	\$ 110,603	\$ 24,688

Supplemental disclosure with respect to cash flows (Note 14)

MAG ONE PRODUCTS INC.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserve				Share subscriptions advanced	Deficit	Total
	Number of Shares	Amount \$	Warrant \$	Loan \$	Option \$	Translation gain (loss) \$			
Balance at 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	-	-	-	-	-	19,653	-	-	19,653
Subscriptions received (Note 10)	-	-	-	-	-	-	-	-	-
Unit issuance for cash (Note 10)	2,047,990	409,598	-	-	-	-	(409,598)	-	-
Unit issuance - settlement of note payable (Notes 8 & 10)	600,000	306,000	146,231	-	-	-	-	-	452,231
Unit issuance - returned to treasury (Notes 9 & 10)	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	-	-	-	-	-	-	-	(1,309,579)	(1,309,579)
Balance at March 31, 2018	44,147,283	7,796,040	1,181,804	2,664,963	4,498,512	33,443	-	(16,743,262)	(568,500)
Balance at 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	-	-	-	-	-	(1,285)	-	-	(1,285)
Subscriptions received (Note 10)	-	-	-	-	-	-	175,000	-	175,000
Cancellation of units issued in error (Note 10)	(704,450)	-	-	-	-	-	-	-	-
Net and comprehensive loss	-	-	-	-	-	-	-	(494,778)	(494,778)
Balance at March 31, 2019	43,442,833	7,923,396	1,181,804	2,664,963	4,311,156	22,394	275,000	(18,006,366)	(1,627,653)

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Mag One Products Inc., (“Mag One” or the “Company”) 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 byproducts and co-products from serpentinite tailings.

Going Concern

These consolidated 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 March 31, 2019, 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. Basis of Presentation

Statement of Compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the year ended September 30, 2018, which have been prepared in accordance with IFRS.

These consolidated financial statements were approved and authorized by the Board of Directors on May 28, 2019.

Basis of Consolidation

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.

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

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Presentation, continued

Name	Country of Incorporation/formation	Ownership Percentage	
		March 31, 2019	September 30, 2018
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. ("Mag One USA") (formerly North American Magnesium Company LLC)	USA	100%	100%
North American Magnesium Products LLC ("NAMP LLC")	USA	100%	100%

Basis of Measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The policies applied in these financial statements are based on IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued and outstanding as of May 28, 2019, the date the Board of Directors approved the statements. These consolidated financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

3. Significant Accounting Policies

a) Significant accounting judgments, estimates and assumptions

The preparation of the Company's interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Company's 2018 annual financial statements and are still applicable for the period ended March 31, 2019.

Critical judgments in applying accounting policies:

A critical judgment that management has made in the process of applying accounting policies and that has the most significant effect on the amounts recognized in the interim financial statements is the determination that the Company will continue as a going concern for the next year.

b) Recent accounting pronouncements

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.

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

3. Significant Accounting Policies, continued

New accounting standards issued but not yet effective

In January 2016, the IASB published IFRS 16 – Leases, which will replace IAS 17 – Leases. This IFRS eliminates the classification as an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is currently in the process of assessing the impact of IFRS 16 on its financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatments

Issued by the IASB in June 2017 and provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. Management has not yet considered the impact of adoption of this IFRIC.

Research and Development

The Company is in the research phase of an internal project and is of the opinion that the research activities have not yet yielded any asset that could generate probable future economic benefits. Consequently, the Company recognises spend towards research as an expense when it is incurred.

Government Grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the costs incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive loss.

4. Intangible Asset

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 Systèmes 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.

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

*(Unaudited - Expressed in Canadian Dollars)***4. Intangible Asset, continued**

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 six months ended March 31, 2019, the Company recorded amortization of \$7,562 (2018 - \$7,562) related to these intangible assets

5. Plant and Equipment

	Laboratory	Equipment	Total
	Canadian \$	Canadian \$	Canadian \$
Cost:			
September 30, 2017	173,547	220,980	394,527
Foreign currency translation	(1,998)	886	(1,112)
Impairment	(171,549)	(69,498)	(241,047)
September 30, 2018	-	152,368	152,368
Additions	-	-	-
March 31, 2019	-	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	-	7,618	7,618
March 31, 2019	-	30,473	30,473
Net book value:			
September 30, 2018	-	129,513	129,513
March 31, 2019	-	121,895	121,895

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS***AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018**(Unaudited - Expressed in Canadian Dollars)***6. Accounts Payable and Accrued Liabilities**

	March 31, 2019	September 30, 2018
	Canadian Dollars	Canadian Dollars
Trade payables (Net)	790,239	618,712
Receivable from National Research Council's Industrial Applied Research Program	(30,000)	-
Accrued liabilities	32,708	887
	792,947	619,599

During the Quarter ended March 31, 2019, the Company accrued a receivable against a grant from the National Research Council's Industrial Applied Research Program amounting to \$30,000 (March 31, 2018: \$ Nil), which has been netted off against the liabilities.

7. Advance from Investissement Québec

As at March 31, 2019, the Company has received \$495,000 (September 30, 2018 - \$495,000) in government funding approved for the Company by Investissement Québec. The terms of the funding approved allow for 44.09% of qualified expenditures being eligible for a non-refundable reimbursement by Investissement Québec. The funding is currently recorded as an advance because the conditions to obtain non-refundable status have not been met as at March 31, 2019.

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 six months ended March 31, 2019, the Company received further loan proceeds of \$8,161. These loans are unsecured, non-interest bearing and due on demand.

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

*(Unaudited - Expressed in Canadian Dollars)***9. Related Party Transactions and Balances**Compensation paid to key management and directors

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

Related Party	Nature of Relationship	Nature of transaction
Regal RV Resorts	Controlled by a Director and former Chairman of the Board	Consulting
GLH Strategic Consulting Inc.	Controlled by a Director and CEO	Consulting
Rozanda Skalbania	Family member of former Chairman	Consulting

Six months ended March 31	2019	2018
	Canadian \$	Canadian \$
Director and former Chairman of the Board ("Chairman")	-	48,000
Company of the Chairperson, President, Chief Executive Officer ("CEO") and a Director	96,000	96,000
Company of a Director and former Chairman	-	31,500
	96,000	175,500

Amounts due to related parties

	March 31 2019	September 30 2018
	Canadian \$	Canadian \$
Company of the Chairperson, President, CEO and a Director	172,985	94,064
Director and former Chairman	299,599	161,655
Family member of a Director and the former Chairman	44,195	44,195
	516,779	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.

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

9. Related Party Transactions and Balances, continued

Notes payable to related parties

During the six months ended March 31, 2019, the Company received \$137,944 from the former Chairman and during the year ended September 30, 2018, the Company received \$88,286 and \$44,195 from the former Chairman and a family member related to the former Chairman, respectively. These funds were advanced 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.

During the year ended September 30, 2017, the Company issued 446,500 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November, 2018, 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).

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

10. Share Capital

(a) Authorized

Unlimited number of Class A shares without par value.

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

(b) Common Shares – issued and outstanding

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.

During the year ended September 30, 2017, the Company issued 446,500 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November, 2018, these units were returned to treasury of the Company for cancellation (Note 9).

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).

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

*(Unaudited - Expressed in Canadian Dollars)***10. Share Capital, continued****(b) Common Shares – issued and outstanding, continued****2018**

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).

2019

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).

(c) Warrants

Details of common share purchase warrants outstanding at March 31, 2019 are as follows:

	March 31		September 30,	
	2019		2018	
	Number of	Weighted	Number of	Weighted
	Warrants	average	Warrants	average
	(Nos)	exercise	(Nos)	exercise
		price		price
		\$/ Share		\$/ Share
Outstanding - beginning of period	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	-	-
Outstanding - end of period	7,383,050	0.53	8,087,500	0.53

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018

*(Unaudited - Expressed in Canadian Dollars)***10. Share Capital, continued****(c) Warrants, continued**

As at March 31, 2019, the following share purchase warrants were outstanding:

	Number of Warrants (Nos)	Exercise price \$/ Share	Expiry date
	412,500	1.10	August 26, 2020
	4,064,610	0.50	August 17, 2019
	2,905,940	0.50	October 5, 2019
	7,383,050	0.53	

As at March 31, 2019, warrants outstanding have an average life of 0.49 years and average exercise price of \$0.53.

(d) Stock Options

Stock options issued and outstanding at March 31, 2019 are as follows:

	March 31 2019		September 30 2018	
	Number of Options (Nos)	Weighted average exercise price \$/Share	Number of Options (Nos)	Weighted average exercise price \$/Share
Outstanding - beginning of period	3,010,000	0.30	4,000,000	0.30
Exercised	-	-	(990,000)	0.30
Outstanding - end of period	3,010,000	0.10	3,010,000	0.30

Details of the share options outstanding and exercisable as at March 31, 2019 are as follows:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Number of Options Unvested	Exercise Price	Weighted Average Remaining Life
September 14, 2019	3,010,000	3,010,000	-	\$ 0.30	0.46

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%.

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*(Unaudited - Expressed in Canadian Dollars)***10. Share Capital, continued**

As at March 31, 2019, 3,010,000 stock options remain outstanding and exercisable. The weighted average life was 0.46 years.

(e) 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 six months ended March 31, 2019, subscriptions totalling \$175,000 were received for 1,750,000 units. 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

Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	March 31 2019	September 30 2018
	Canadian \$	Canadian \$
Financial assets:		
Cash	110,603	31,866
	110,603	31,866
Financial liabilities:		
Accounts payable and accruals	822,947	619,599
Due to related parties	516,779	299,914
Notes payable	8,737	576
Proceeds from convertible debentures	150,000	150,000
	1,498,463	1,070,089

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.

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.

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

11. Financial Instruments, continued

Currency 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its ability to meet its short-term research and administrative expenditures by raising additional funds through share issuance when required. All the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset-backed commercial papers.

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 Mag One USA (formerly "North American Magnesium Company LLC"), entered into a definitive agreement to acquire 100% of the assets of North American Magnesium Products, LLC, an LLC formed by Orion Laboratories, LLC.
- 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 March 31, 2019, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred.

- c) 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;

MAG ONE PRODUCTS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

- \$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.

14. Supplemental Disclosure with Respect to Cash Flows

The Company did not have any significant non-cash transactions for the six months ended March 31, 2019. However, 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. Research Expenses

During the Quarter ended March 31, 2019, the Company incurred \$92,694 (March 31, 2018: \$136,493) towards various research activities. During the same period, the Company, however accrued receivable against grant from the National Research Council's Industrial Applied Research Program amounting to \$30,000 (March 31, 2018: \$ Nil), which has been credited to the account.

16. Convertible Debentures

During April 2018, the Company issued 100 units of convertible debenture amounting to \$50,000. The term of each Convertible Debenture matures three (3) years from the date of issuance, carries an interest rate of six percent (6%) per annum, (interest paid upfront in advance) and is convertible to common shares of the Company at a conversion price of \$0.50 per common share, (or at 10% below the market price, whichever is less, subject to exchange approval).

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 upfront 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 \$100,000 related to the Offering. The Convertible Debentures will be issued subject to regulatory approval.

No new Debentures were issued or repaid during the quarter ended March 31, 2019.

MAG ONE PRODUCTS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS***AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018**(Unaudited - Expressed in Canadian Dollars)*

17. Subsequent Events

On May 23, 2019, the Company completed the private placement of 8,310,000 units at a price of \$0.10 per unit for gross proceeds of \$831,000. Each unit consists of one common share of the Company and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$0.25 per share for a period of one year from the date of issuance. The Company will pay \$42,400 in finder's fees.