MAG ONE PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2019

(Unaudited - Expressed in Canadian Dollars)

Notice of No Auditor Review

These unaudited consolidated interim financial statements of Mag One Products Inc. (the "Company") have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 - Continuous Disclosure Obligations.

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

	March 31 2020	September 30 2019
ASSETS		
Current Assets		
Cash	8,944	42,747
Other receivable	-	20,925
Sales tax receivable	13,099	10,261
Prepayments	3,017	6,080
Assets classified as held for sale (Note 4)	-	57,750
	25,060	137,763
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	340,014	386,403
Advances payable (Note 8)	50,474	-
Due to related parties (Note 10)	291,794	209,591
Notes payable (Note 7)	2,842	2,722
Advance for Investissement Quebec (Note 6)	524,163	514,285
Proceeds from convertible debentures (Note 9)	160,999	155,499
Subscriptions received in advance (Note 11)	100,000	100,000
	1,470,286	1,368,500
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	9,063,200	9,063,200
Reserves (Note 10)	8,493,595	8,495,739
Deficit	(19,002,021)	(18,789,676)
	(1,445,226)	(1,230,737)
	25,060	137,763

Nature of operations and going concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 18)

Approved on hehalf of the Board:

"Frank Vlastelic" *"Tony Louie"*

Frank Vlastelic
Director

Tony Louie
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	
	2020	**2019**	**2020**	**2019**
Administrative Expenses				
Amortization (Notes 4 &5)	-	7,590	-	15,180
Office and administration	9,248	7,983	15,687	11,580
Professional and consulting fees (Note 9)	76,820	85,620	143,660	177,251
Investor communication	1,225	2,170	(19,252)	4,738
Research (Net) (note 9, 15)	7,316	92,694	118,703	287,794
Travel	1,528	4,105	7,937	5,076
Trust and filing fees	13,073	17,585	16,841	24,792
	(109,210)	(217,747)	(283,576)	(526,411)
Other Items				
Interest income (expense)	(7,793)	7	(15,632)	(150)
Impairment loss on receivable (Note)	(17,750)	-	(17,750)	-
Other income	-	-	104,613	-
Net loss for the period	(134,753)	(217,740)	(212,345)	(526,561)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	2,734	636	(2,144)	(1,285)
Comprehensive loss for the period	(132,019)	(214,104)	(214,489)	(527,846)
Basic and diluted loss per share	(0.002)	(0.005)	(0.004)	(0.012)
Weighted average number of common shares outstanding	55,042,903	43,442,833	55,042,903	43,620,881

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

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

	Six Months ended March 31 2020	Six Months ended March 31 2019
Cash provided by (used in)		
Operating Activities		
Net loss for the period	(212,345)	(526,561)
Add items not involving cash:		
Accrued interest on convertible debentures	5,500	-
Accrued interest on government grants	9,878	-
Amortization	-	15,180
Impairment of receivable	(17,750)	-
Non-cash working capital items	-	-
Sales tax receivable	(2,837)	9,681
Other receivable	38,675	-
Prepayments	3,063	8,348
Accounts payable and accrued liabilities	(46,389)	172,056
Advances payable	50,474	-
Due to related parties	82,203	216,865
Net cash (used in) operating activities	(89,528)	(104,431)
Financing activities		
Proceeds from issuance of promissory notes	119	8,161
Subscriptions received in advance	-	175,000
Proceeds from sale of assets classified as held for sale	57,750	-
Net cash provided by (used in) financing activities	57,869	183,161
Effect of foreign currency on cash	(2,144)	7
Change in cash during the period	(31,659)	78,730
Cash, beginning of period	42,747	31,866
Cash, end of period	8,944	110,603

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

MAG ONE PRODUCTS INC.

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

	Number of Shares	Amount $	Warrants $	Loan $	Options $	Translation gain (loss) $	Subscriptions received in advance $	Deficit $	Total $
Balance at September 30, 2018	44,147,283	7,923,396	1,181,804	2,664,963	4,311,158	23,679	100,000	(17,511,588)	(1,306,590)
Foreign exchange adjustment	-	-	-	-	-	(1,921)	-	-	(1,921)
Subscription received Note 10)	-	-	-	-	-	-	175,000	-	175,000
Cancellation of units Note 10)	(704,450)	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(494,778)	494,778
Balance at March 31, 2019	43,442,833	7,923,296	1,181,804	2,664,963	4,311,156	22,394	275,000	(18,006,366)	(1,627,653)
Balance at September 30, 2019	55,042,903	9,063,200	1,181,804	2,664,963	4,631,220	17,752	-	(18,789,676)	(1,230,737)
Foreign exchange adjustment	-	-	-	-	-	(2,144)	-		(2,144)
Net loss	-	-	-	-	-	-	-	(212,345)	(212,345)
Balance at March 31, 2020	55,042,903	9,063,200	1,181,804	2,664,963	4,631,220	15,608	-	(19,002,021)	(1,445,226)

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 600 – 777 Hornby St, Vancouver, V6Z 1S4. 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, 2020, 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, 2019, which have been prepared in accordance with IFRS.

These consolidated financial statements were approved and authorized by the Board of Directors on July 13, 2020.

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:

2. Basis of Presentation, continued

		Ownership Percentage	
Name	**Country of Incorporation/ formation**	**March 31, 2019**	**September 30, 2018**
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. ("Mag One USA")	USA	100%	100%
(formerly North American Magnesium Company LLC)			
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 July 10, 2020, 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

The significant accounting policies applied in the preparation of these interim consolidated financial statements are in conformity with the policies set out in the September 30, 2019 audited consolidated financial statements except as noted above.

(Expressed in Canadian Dollars)

4. Plant and Equipment

	Laboratory	Equipment	Total
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
Impairment	-	(75,368)	(75,368)
September 30, 2019	-	77,000	77,000
Disposal	-	(77,000)	(77,000)
December 31, 2019 and March 31, 2020	-	-	-
Accumulated Amortization:			
September 30, 2017	70,113	22,551	92,664
Amortisation	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	153,179
Amortization	-	15,237	15,237
Impairment	-	(18,842)	(18,842)
September 30, 2019	-	19,250	19,250
Disposal	-	(19,250)	(19,250)
December 31, 2019 and March 31, 2020	-	-	-
Net Book Value:			
September 30, 2019	-	57,750	57,750
December 31, 2019 and March 31, 2020	**-**	**-**	**-**

As at September 30, 2019, the Company as part of the original contract signed with the Centre d'Innovation Minière de la MRC des Sources (CIMMS) agreed to sell the pilot plant equipment assets for up to $75,000. Therefore, equipment was classified as assets held for sale and the carrying value was written down by $56,526 to the selling price. The sale was completed in October 30, 2019 and upon negotiation with CIMMS, and in consideration of past efforts and the actual amount of equipment purchased the Company agreed to be sell the pilot plant equipment for $57,750 whereby $40,000 would be received as a cash payment and $17,750 would be credited towards future work at CIMMS for a minimum contract of $100,000. At March 31, 2020 the Company recognized an impairment in value of $17,750 against the future credit at CIMMS to reduce the carrying value to Nil.

(Expressed in Canadian Dollars)

5. Accounts Payable and Accrued Liabilities

	March 31, 2020	September 30, 2019
	$	$
Trade Payables (Net)	340,014	358,486
Accrued liabilities	-	27,917
	340,014	386,403

6. Government Grants

The Company entered into an agreement with Investissement Quebec ("IQ") on November 11, 2016, whereby IQ had agreed to provide a non-refundable contribution of $495,000 (the "Grant") to the Company (The "Agreement"). The grant was fully received on February 14, 2018. There are a number of conditions to the grant including IQ reserving its rights to call back the entire grant up until the Project is completed in accordance with the Agreement requirements.

As at March 31, 2020, the Company has met all the Agreement requirements, except for "*The Company must establish itself within the MRC des Sources region for a minimum period of 2 years (originally 6 months but extended) from the date of receipt of the last payment from IQ.*"

The Company has yet to set up an establishment in MRC des Sources. In this regard, the Company received a notice on October 5, 2018, from IQ informing the Company on its failure to establish a place of business in MRC des Sources. The Company is in discussions with IQ and intends to make steps towards curing the default by establishing a business address in this Municipality on or before July 31, 2020.

Due to the default in meeting the Agreement requirements, the grants have been reflected as a demand liability incurring interest at 4% per annum. During the six months ending March 31, 2020, the Company accrued $9,878 in interest on the Grant. Total interest accrued from the date of notice of default is $29,163.

On January 31, 2019, the Company entered into a contribution agreement with the National Research Council Canada (the "NRC") whereby the NRC will pay the Company 50% of the eligible expenditures incurred by the Company for its feasibility project related to magnesium production up to a maximum of $98,400, with a maximum claim amount of $30,000 for the period from April 1, 2018 to March 31, 2019 and $68,400 for the period from April 1, 2019 – March 31, 2020. The funds received for this grant represent compensation for costs already incurred, and as such have been recognized in profit or loss on a systematic basis based on the related expenses. For the six months ending March 31, 2020, the Company incurred a total of $90,237 of eligible expenditures related to the project. A total of $32,400 of a government grant was received or accrued during the same period. As of March 31, 2020, the Company incurred a total of $239,037of eligible expenditures related to the project. A total of $98,400 of IRAP grant has been recognized into profit or loss.

7. Notes Payable

The notes payable to arm length parties are unsecured, non-interest bearing and due on demand.

8. Advances Payable

On January 6, 2020 the Company followed up on a non--binding letter of intent and signed a definitive earn-in and operating agreement (the “Agreement”) with Blue Lagoon Resources Inc. (”BLR”). Pursuant to the Agreement, BLR may acquire up to a 70% equity interest in Mag One Ops by purchasing up to $5.25 million of shares of Mag One Ops.

BLR may acquire an additional 20% interest in Mag One Ops, subject to the Company obtaining shareholder approval, by making an additional payment of $1.5 million within 24 months of the Closing Date. Closing of the Transaction is subject to various conditions, including completion of due diligence investigations, receipt of all necessary corporate and regulatory approvals, and compliance with stock exchange requirements.

During the six months ended March 31, 2020, the Company received $50,474 from BLR which have been reflected as Advances payable.

On April 15, 2020, the Company and BLR signed a Mutual Termination and Release agreement (“MTRA”) to terminate the Agreement between the parties. A term of the MTRA specifies that the Company has no obligations to BLR. In a subsequent period, the Company recognized a Gain on Contract Cancellation of $50,474.

9. Convertible Debentures

During April 2018, the Company issued $50,000 of convertible debentures. 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).

During May, 2018 the Company issued $100,000 of convertible debentures. 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.

The Convertible Debentures will be issued subject to regulatory approval.

During the six months ended March 31, 2020, the Company accrued $2,750 of interest related to the convertible debentures. No new Debentures were issued or repaid during the six months ended March 31, 2020.

(Expressed in Canadian Dollars)

10. Related Party Transactions and Balances

Compensation paid to key management and directors

	March 31, 2020	**March 31, 2019**
Company of former Chairperson, former President, former Chief Execitive Officer and former director	80,000	96,000
Company of a Director	5,000	-
	85,000	96,000

Amounts due to related parties

	March 31, 2020	**September 30, 2019**
	$	**$**
Company of former Chairperson,former President, former CEO and former director	-	33,797
Former Chairman and former director	131,599	131,599
Family member of a Director and the former Chairman	44,195	44,195
Former Strategic Manager of Corporate Finance	16,000	-
Persons related to the former Strategic Manager of Corporate Finance	70,000	-
Certain shareholders of the Company	30,000	-
	291,794	209,591
Subscription received in advance from former and former Director	100,000	100,000

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.

Included in accounts payable is $10,500 owing to a Company controlled by the Former Chairperson and former Chief Executive Officer.

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. As of the date of these financial statements, these units have not been issued and are recorded as a current liability (Note 10).

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of amounts payable to the Chairman and CEO of the Company in connection with technical and scientific services amounting to $108,000 (Notes 10 and 14). The fair value of the units issued was estimated at $108,000.

During the year ended September 30, 2019, the Company received $137,944 (2018: $88,286) and repaid $168,000 to the former Chairman and / or a company controlled by the former Chairman in the form of Units as follows:

10. Related Party Transactions and Balances (Continued)

<u>Amounts due to related parties (continued)</u>

a) On May 23, 2019 the Company issued 1,280,000 units of the Company in settlement of notes payable to the Director and former Chairman of the Company amounting to $128,000 (Notes 10 and 13). The fair value of the units issued estimated at $128,000.

b) On May 23, 2019 the Company issued 400,000 units of the Company in settlement of notes payable to a company owned by the Director and former Chairman of the Company amounting to $40,000 (Notes 10 and 13). The fair value of the units issued was estimated at $40,000, including the shares valued at $40,000. The warrants were assigned no value under the residual method.

During the year ended September 30, 2019, the Company received $Nil (2018: $44,195) from a family member related to the former Chairman. These funds were advanced for short term working capital needs. The advances bear no interest, are unsecured and are payable on demand.

During the six month period ended March 31, 2020, the Company received $16,000 (2019 – Nil) from the former Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. The advance bear 8% interest, is unsecured and payable within 12 months from the date of advance.

During the six month period ended March 31, 2020, the Company received $70,000 (2019 – Nil) from persons with a close family relationship with the former Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. The advances bear 8% interest, are unsecured and are payable within 12 months from the date of advance.

During the six month period ended March 31, 2020, the Company received $30,000 (2019 – Nil) from certain Company shareholders. These funds were advanced for short term working capital needs. The advances bear 5% interest, are unsecured and are payable within 12 months from the date of advance.

11. 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

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.

2020

There were no share capital transactions during the six months ended March 31, 2020.

(Expressed in Canadian Dollars)

11. Share Capital (Continued)

(c) Warrants

Details of common share purchase warrants outstanding at March 31, 2020 are as follows:

	Six months ended March 31, 2020			Year ended September 30, 2019		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Opening	14,660,560	$	0.32	8,087,500	$	0.53
Granted	-		-	11,608,000	$	0.25
Expired	(2,640,060)	$	0.50	(4,322,560)	$	0.50
Cancelled				(712,380)		0.50
Ending	12,020,500	$	-	14,660,560	$	0.32

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

Number	Exercise price	Expiry date
412,500	$1.00	August 26, 2020
8,310,000	$0.25	May 22, 2020
3,298,000	$0.25	August 8, 2020
12,020,500		

As at March 31, 2020, warrants outstanding have an average life of 0.21 years and average exercise price of $0.53.

(d) Stock Options

Stock options issued and outstanding at March 31, 2020 are as follows:

	Six months ended March 31, 2020			Year ended September 30, 2019		
	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Opening	**4,200,000**	**$**	**0.10**	3,010,000	$	0.30
Granted	**-**		**-**	4,200,000	$	0.10
Exercised				**-**		**-**
Expired	**-**		**-**	(3,010,000)	$	0.30
Cancelled				**-**		**-**
Ending	**4,200,000**	**$**	**0.10**	4,200,000	$	0.10

11. Share Capital (Continued)

(d) Stock Options (Continued)

On July 21, 2019, the Company granted a total of 4,200,000 stock options to certain officers, directors and/or consultants of the Company exercisable at $0.10 for a period of 2 years. The options vested at date of grant. The fair value of the stock options was determined to be $320,064 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 2 years; expected volatility – 166%; expected dividend yield – 0%; and risk-free rate – 1.43%.

As at March 31, 2020, 4,200,000 stock options remain outstanding and exercisable. The weighted average remaining life was 1.33 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.

12. Financial Instruments

Fair values

The company's financial instruments consist of cash, accounts payable, advances payable, due to related parties, notes payable and proceeds from convertible debentures.

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 March 31, 2020, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company's financial instruments risks (credit, interest rate, currency and liquidity) are considered to be minimal.

13. 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.

14. Commitments

a) 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 pro rata 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, 2020, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred. The Company is in the process of negotiating an extension of the option period of 24 months.

b) On January 3, 2019,(amended on March 25, 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 exercisable at any time within sixty months of the date of the Agreement (the "Term"), and agreeing to collaborate to finalize the development and commercialization of the Tech Mag Technology (the "Collaboration").

The significant terms of the agreement are as follows:

- Mag One must finance Phase 1 (Lab-scale proof-of concept testing with thermodynamic modelling" of the Tech Magnesium technology) on or before February 3, 2020 in order to retain the exclusive license option for this technology. Mag One received confirmation from Tech Magnesium that the Phase 1 requirements have been met by the required date.
- Mag One must finance Phase 2 (Design, construction and operation of a small-scale pilot test facility of the Tech Magnesium technology) on or before January 2022 in order to retain the exclusive license option for this technology.
- Mag One must finance Phase 3 (Design, construction and operation of the first Mg metal commercial module (minimum of 5,000 tpa production capacity) using Tech Mag Technology) within 5 years of signature in order to retain the exclusive license option for this technology.

14. Commitments (Continued)

The Company has now completed Phase 1. On March 25, 2019 the Company amended the agreement to include specific payments for services in connection with the development of the Tech Mag Technology that would increase as the phases of the project evolved. The contract has been posted on SEDAR with the specific financial details redacted due to confidentiality concerns. In addition, the agreement includes specific acquisition payments that would be triggered upon exercise of the Option. The specific amounts have been redacted due to confidentiality concerns.

15. Other Income

On October 23, 2019, the Company was repaid $66,535 (US$50,000) plus interest for a total of $94,613 (US$71,100) pursuant to an agreement signed with Mag Board LLC in July 2016 whereby the Company entered into a Convertible Debenture (“CD”) and loaned Mag Board LLC US$150,000 (the loan receivable has been considered impaired). The Company is considering converting the unpaid balance of the CD into shares of GDR Global, the firm who recently acquired controlling interest in MagBoard LLC. The paperwork for this transaction is currently under review by management.

16. Supplemental Disclosure with Respect to Cash Flows

The Company did not have any significant non-cash transactions for the six months ended March 31, 2020.

17. Research Expenses

During the quarter ended March 31, 2020, the Company incurred $7,316 (2018: $122,895) towards various research activities. During the same period, the Company recognized grant income from the NRC’s Industrial Research Assistance Program amounting to $Nil (2018: $30,000), which have been applied to reduce research expense.

18. Subsequent Events (not otherwise disclosed)

a) Company subsidiary Mag One Operations has concluded a Contribution Agreement (the “Agreement”) with the Government of Canada via Natural Resources Canada under its Clean Growth Program (the “CGP”). The Agreement calls for Mag One Operations to receive from CGP up to $1,666,500 in non-repayable funding for its Front-End Engineering Design (“FEED”) study for a high purity magnesium oxide (“HP MgO”) demonstration plant using serpentinite tailings. The overall budget for the forthcoming work in this project, including in-kind contributions, is $3,600,000

b) Announcements regarding Vera Clean Products

(i) The Company announced that it has signed a Letter of Agreement (“LOI”) with Vera Clean Products (“Vera”). The scope of the LOI and pending definitive agreement provides the Company or an affiliate an exclusive licensing, distribution, import/export, and manufacturing/repackaging of Vera Clean products for Canada, United States, Italy, Spain, Portugal, and Austria (collectively the “Territory”). The contemplated licensing agreement between Vera and the Company outlines the territories of which Mag One has exclusive marketing and distribution rights, it grants VERA a Gross Override Royalty (GORR) of 8% on all gross sales achieved by the Company as well as a licensing fee of $100,000.00 within 7-days of signing the agreement. The LOI stipulates a 45-day due diligence period (ending on July 13, 2020) before moving into a Licensing and distribution agreement. Mag One will be allowed to re-brand, sublicense or co-brand the products within their territories. The Company will undertake to pay for and have the Vera Clean products tested in

18. Subsequent Events (not otherwise disclosed) Continued)

Canada against the live COVID-19 virus at a secure Level 3 facility to test for the effectiveness against the virus.

b) Announcements regarding Vera Clean Products (continued)

ii) The Company announced that it has signed a Business Development agreement with VEMO Biotech Limited (the “VEMO”). VEMO will be leading the management, marketing, operations, staffing, sales and channel development for the Vera Clean line of products that the Company has secured for Canada, United States, Italy, Spain, Portugal and Austria. The term of this Agreement shall be twenty-four months from the effective date (June 8th, 2020) hereof with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. Unless the contracted tasks are completed and a mutually agreed upon termination is executed. (the “Consulting Period”). The terms of the agreement will be a monthly retainer of $10,000.00 as well as Gross Over-Ride Royalty (GORR) / commission on the sales of Mag One’s “Vera Clean Products” to be determined shortly. The GORR / commission will be in line with industry standards. The execution of the contract and engagement is subject to the completion of the Company’s due diligence and signing of the Master Licensing / Distribution Agreement with Vera Clean Products.

iii) The Company announced that it has signed a non-binding Letter of Intent (“LOI”) to lease a bottling / manufacturing facility from Naturo Group Investments (the “Lessor”). The Company through its partnership with VEMO, was able to secure the Naturo facility located in Bridesville, British Columbia. The terms of the non-binding LOI will pay to the Lessor the amount of $5,000.00 on the first day of each month starting on the 1st day of July 2020. The term of the lease is 36 months and can be terminated if both parties mutually agree in writing with 60 days’ notice. The lease can be renewed 30 days before the end of the lease.

iv) The Company announced that it has signed a Consulting Agreement with MiAnna Consulting & Design Inc (the “MiAnna”). MiAnna will be leading and responsible for the for the following deliverables:

- Rebrand Vera Clean products for the North American Market;
- Lead and manage all logistics for the delivery, production and sales of all Vera Clean products in North America;
- Lead and manage all regulatory requirements for the production, sale and distribution of Vera Clean products in North America;
- additional services as may be mutually agreed by the Contractor and the Company in writing.

The term of this Agreement shall be thirty-six months from the effective date (July 1, 2020) with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. MiAnna would receive three million common shares of the Company for their services. The execution of the contract and engagement is subject to the completion of the Company’s due diligence and signing of the Master Licensing / Distribution Agreement with Vera Clean Products.

All of the foregoing relating to Vera Clean Products will not be effective until/if the Company completes its due diligence and moves ahead with its master licensing / distribution agreement with Vera Clean.

18. Subsequent Events (not otherwise disclosed) Continued)

c) The Company announced a nonbrokered private placement financing of up to CDN $500,000 in units (each, a “Unit”) at a price of CDN $0.08 per Unit (the “Financing”). Each Unit consists of one (1) common share (a “Share”) in the capital of the Company and one (1) transferable common share purchase warrant (a “Warrant”). Each Warrant will entitle the holder thereof to purchase one (1) additional Share at a price of CDN$0.20 for a period of eighteen (18) months from the closing date of the Financing, subject to an acceleration provision whereby if the Shares trade at a price on the CSE (or such other exchange on which the Shares may be traded at such time) (the “Exchange”) of CDN$0.50 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the Financing, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of Warrants) and, in such case, the Warrants will expire on the 31st day after the date of such notice.

The Company may elect to close the Financing in one of more tranches.