MAG ONE PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2020

(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)

	June 30 2020	September 30 2019
ASSETS		
Current Assets		
Cash	3,309	42,747
Other receivable (Note 6)	11,022	20,925
Sales tax receivable	6,472	10,261
Prepayments	3,017	6,080
Assets classified as held for sale (Note 4)	-	57,750
	23,820	137,763
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	462,192	386,403
Due to related parties (Note 9)	413,134	209,591
Notes payable (Note 7)	2,842	2,722
Advance for Investissement Quebec (Note 6)	528,963	514,285
Proceeds from convertible debentures (Note 8)	163,749	155,499
Subscriptions received in advance (Note 10)	-	100,000
	1,570,880	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	(19,103,855)	(18,789,676)
	(1,547,060)	(1,230,737)
	23,820	137,763

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 18)

Approved on hehalf of the Board:

"*Frank Vlastelic*" "*Tony Louie*"

Frank Vlastelic
Director

Tony Louie
Director

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

MAG ONE PRODUCTS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended June 30		For the nine months ended June 30	
	2020	**2019**	**2020**	**2019**
Administrative Expenses				
Amortization (Note 4)	-	7,591	-	22,771
Office and administration	3,893	7,063	19,580	18,643
Management compensation	89,800	-	89,800	-
Professional and consulting fees (Note 9)	2,970	35,114	146,630	212,365
Investor communication	6,000	4,307	(13,252)	9,045
Research (Net) (Note 9, 15)	36,577	73,975	155,280	361,769
Travel	-	6,496	7,937	11,572
Trust and filing fees	5,518	8,708	22,359	33,500
	(144,758)	(143,254)	(428,334)	(669,665)
Other Items				
Interest income (expense)	(7,550)	(293)	(23,182)	(443)
Impairment loss on receivable (Note 4)	-	-	(17,750)	-
Gain on contract cancellation (Note 13)	50,474	-	50,474	-
Other income (Note 14)	-	-	104,613	-
Net loss for the period	(101,834)	(143,547)	(314,179)	(670,108)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	-	656	(2,144)	(629)
Comprehensive loss for the period	(101,834)	(142,891)	(316,323)	(670,737)
Basic and diluted loss per share	(0.002)	(0.003)	(0.006)	(0.015)
Weighted average number of common shares outstanding	55,042,903	46,851,236	55,042,903	44,698,879

MAG ONE PRODUCTS INC.

Condensed Interim Consolidated Statements of Cash Flow
(Unaudited - Expressed in Canadian Dollars)

	Nine Months ended	
	June 30 2020	June 30 2019
Cash provided by (used in)		
Operating Activities		
Net loss for the period	(314,179)	(670,108)
Add items not involving cash:		
Accrued interest on convertible debentures	8,250	-
Accrued interest on government grants	14,678	-
Amortization	-	22,771
Impairment of receivable	(17,750)	-
Non-cash working capital items	-	-
Sales tax receivable	3,789	-
Other receivable	27,653	-
Prepayments	3,063	30,975
Accounts payable and accrued liabilities	93,289	(129,044)
Due to related parties	86,043	215,067
Net cash (used in) operating activities	(95,164)	(530,339)
Financing activities		
Proceeds from issuance of promissory notes	120	2,125
Share subscriptions received	-	554,200
Proceeds from sale of assets classified as held for sale	57,750	-
Net cash provided by (used in) financing activities	57,870	556,325
Effect of foreign currency on cash	(2,144)	(629)
Change in cash during the period	(37,294)	25,986
Cash, beginning of period	42,747	30,916
Cash, end of period	3,309	56,273

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

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

	Share Capital		Reserve						
	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	-	-	-	-	-	(629)	-	-	(629)
Subscription received (Note 10)	5,550,000	554,200	-	-	-	-	-	-	554,200
Unit issuance - settlement of notes payable (Notes 6 and 10)	2,760,000	276,000	-	-	-	-	-	-	276,000
Cancellation of units (Note 10)	(712,380)	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(670,108)	(670,108)
Balance at June 30, 2019	51,744,903	8,753,596	1,181,804	2,664,963	4,311,156	23,050	100,000	(18,181,696)	(1,147,128)
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	-	-	-	-	-	-	-	(314,179)	(314,179)
Balance at June 30, 2020	55,042,903	9,063,200	1,181,804	2,664,963	4,631,220	15,608	-	(19,103,855)	(1,547,060)

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 June 30, 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 October 14, 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**	**June 30, 2020**	**September 30, 2019**
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 October14, 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

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)
June 30, 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)
June 30, 2020	-	-	-

Net Book Value:			
September 30, 2019	-	57,750	57,750
June 30, 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 on 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 June 30, 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

	June 30, 2020	September 30, 2019
	$	$
Trade payables (Net)	333,692	358,486
Accrued liabilities	129,000	27,917
	462,692	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 June 30, 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 November 30, 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 nine months ending June 30, 2020, the Company accrued $14,678 in interest on the Grant. Total interest accrued from the date of notice of default is $33,963.

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 as a set off to research expense.

On April 20, 2020 Company subsidiary Mag One Operations entered into 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.

6. Government Grants (continued)

At June 30, 2020, the Company has recorded a receivable of $11,022 from CGP which is reflected as a set off to research expense.

7. Notes Payable

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

8. 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 nine months ended June 30, 2020, the Company accrued $8,250 of interest related to the convertible debentures. No new Debentures were issued or repaid during the nine months ended June 30, 2020.

(Expressed in Canadian Dollars)

9. Related Party Transactions and Balances

Compensation paid to key management and directors

	Nine Months Ended	
	June 30 2020	**June 30 2019**
Chief Executive Officer	75,000	-
Company of current CEO and COO of subsidiary Mag One Operations Inc.	128,000	144,000
Company of a Director	5,000	-
	208,000	144,000

The $128,000 paid to the company controlled by the current CEO and COO of subsidiary Mag one Operations Inc. is comprised of $14,800 in management compensation, $67,200 in research expense and $46,000 in professional and consulting fees.

Amounts due to related parties

	June 30 2020	**September 30, 2019**
	$	**$**
Company of former Chairperson ,former President, former CEO and former director	-	33,797
Former Chairman and former director	-	131,599
Family member of a former Director and the Former Chairman	-	44,195
Former Strategic Manager of Corporate Finance	18,840	-
Persons related to the former Strategic Manager of Corporate Finance	71,000	-
Certain shareholders of the Company	30,000	-
Company controlled by significant shareholder	293,294	
	413,134	209,591
Subscription received in advance from former Chairman and former Director	-	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 $75,000 owing to the CEO, $48,000 owing to a company controlled by the current CEO and COO of subsidiary Mag One Operations Inc. and $17,000 owing to Directors.

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. This was recorded as a liability and has now been transferred to due to related parties.

9. Related Party Transactions and Balances (Continued)

Amounts due to related parties (continued)

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of amounts payable to the current CEO and COO of subsidiary Mag One Operations Inc. in connection with technical and scientific services amounting to $108,000 (Note 10). 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 a former Chairman and / or a company controlled by a former Chairman in the form of Units as follows:

a) On May 23, 2019 the Company issued 1,280,000 units of the Company in settlement of notes payable to a former Director and former Chairman of the Company amounting to $128,000 (Note 10). The fair value of the units issued was 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 former Director and former Chairman of the Company amounting to $40,000 (Notes 10). The fair value of the units issued was estimated at $40,000, with the shares being 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 a 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 nine month period ended June 30, 2020, the Company received $18,840 (2019 – Nil) from the former Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. Of the advances, $16,000 bears 8% interest, is unsecured and payable within 12 months from the date of advance.

During the nine month period ended June 30, 2020, the Company received $71,000 (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. Of the advances, $70,000 bears 8% interest, is unsecured and is payable within 12 months from the date of advance.

During the nine month period ended June 30, 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.

The amount owing to a significant shareholder of $293,294 arose from previously recorded transactions between related parties, including the payment related to the share subscription of $100,000.

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.

10. Share Capital (continued)

(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.

On May 23, 2019, the Company completed the private placement of 5,550,000 units at a price of $0.10 per unit for net proceeds of $554,200. 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 incurred share issuance costs of $13,378 in relation to this private placement. The warrants were assigned no value under the residual method.

On May 23, 2019, the Company also issued:

a) 1,080,000 units of the Company in settlement of amounts payable to current CEO and COO of subsidiary company Mag One Operations Inc. in connection with technical and scientific services amounting to $108,000 (Note 9). The units consist of one common share 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 fair value of the units issued was estimated at $108,000.

b) 1,280,000 units of the Company in settlement notes payable to a former Director and former Chairman of the Company amounting to $128,000 (Note 9). The units consist of one common share 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 fair value of units issued was estimated at $128,000.

c) 400,000 units of the Company in settlement notes payable to the company of a former Director and former Chairman of the Company amounting to $40,000 (Note 9). The units consist of one common share 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 fair value of the units issued was estimated at $40,000.

On August 7, 2019, the Company completed a private placement of 3,298,000 units at a price of $0.10 per unit for net proceeds of $329,800. 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 incurred share issuance costs $7,618 in relation to this private placement. The warrants were assigned no value under the residual method.

2020

There were no share capital transactions during the nine months ended June 30, 2020.

(Expressed in Canadian Dollars)

(c) Warrants

Details of common share purchase warrants outstanding at June 30, 2020 are as follows:

	Nine months ended June 30, 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	**(10,950,060)**	**$**	**0.50**	(4,322,560)	$	0.50
Cancelled				(712,380)		0.50
Ending	**3,710,500**		**$0.33**	14,660,560	$	0.32

As at June 30, 2020, the following share purchase warrants were outstanding:

Number	Exercise price	Expiry date
412,500	$1.00	August 26, 2020
3,298,000	$0.25	August 8, 2020
3,710,500		

As at June 30, 2020, warrants outstanding have an average life of 0.25 years and average exercise price of $0.33. All of the outstanding warrants subsequently expired unexercised.

(d) Stock Options

Stock options issued and outstanding at June 30, 2020 are as follows:

	Nine months ended June 30, 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

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

10. Share Capital (continued)

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 June 30, 2020, 4,200,000 stock options remain outstanding and exercisable. The weighted average remaining life was 1.06 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. The subscription was refunded during the period ended June 30, 2020.

11. Financial Instruments

Fair values

The company's financial instruments consist of cash, accounts 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 June 30, 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.

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. Gain on cancellation of contract

On January 6, 2020 the Company 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 Company subsidiary Mag One Operations Inc by purchasing up to $5.25 million of shares of Mag One Operations Inc.

During the six months ended March 31, 2020, the Company received advances of $50,474 from BLR.

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 and the Company accordingly recognized a Gain on Contract Cancellation of $50,474.

14. 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 had 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.

The Company received $10,00 for contract consulting work in December 2020.

15. Research Expenses

During the quarter ended June 30, 2020, the Company incurred $36,577 (2019: $73,975) towards various research activities. During the same period, the Company recognized grant income (i) from the NRC's Industrial Research Assistance Program amounting to $Nil (2019: $45,825), and (ii) from the GWP in the amount of $11,022 (2019 $Nil), both of which have been applied to reduce research expense.

16. Commitments

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.
- 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 Mag One must finance Phase 2 (Design, construction and operation of a small-scale pilot test facility of

16. Commitments (continued)

Tech Magnesium technology) on or before January 2022 in order to retain the Technology) within 5 years of signature in order to retain the exclusive license option for this technology.

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 could be triggered upon exercise of the Option. The specific amounts have been redacted due to confidentiality concerns.

17. Supplemental Disclosure with Respect to Cash Flows

Significant non-cash transactions for the nine months ended June 30, 2020.were the transfer of certain accounts payable of $17,500 and the liability of $100,000 related to a share subscription were both transferred to due to related parties.

18. Subsequent Events (not otherwise disclosed)

a) Announcements regarding Vera Clean Products

On August 19, 2020, the Company announced the signing of a License and Commercialization Agreement with Vera CLS Pty Ltd. (“Vera”).

The Company will receive an exclusive license for the manufacturing, commercialization and distribution of all Vera Licenced Products which include all natural, plant-based disinfectant and cleaning solutions. The Company’s exclusivity encompasses the United States of America, including the District of Columbia and all territories and possessions of the United States of America, including Puerto Rico and the U.S. Virgin Islands, Canada and all of its provinces and territories, and the European Union (“the Territory”).

The Agreement provides the Company with exclusive licensing and commercialization rights in this Territory for five years with 2 subsequent 5-year exclusive renewal terms.

The Company’s obligations are a one-time payment of $100,000 and an ongoing royalty of 8% of gross sales for the five-year period of the agreement. The one-time payment will be paid out on the following schedule:

- $25,000 within 14 days from the signing of this agreement
- $25,000 within 14 days after the initial payment
- $25,000 within 90 days of the last payment
- $25,000 within 90 days of the last payment

The 8% Royalty will be paid within 30 days at the end of each quarter.

There is no obligation to pay the total unpaid part of the Initial Licensing Payment if this Agreement is terminated prior to the due date for a particular unpaid payment related thereto.

Year two of the agreement provides a guaranteed royalty to Vera of $120,000 or 8% of gross sales – whichever is the greater of the two. Years three to five require a minimum growth of 10% year over year in royalty payments

18. Subsequent Events (not otherwise disclosed) (continued)

a) Announcements regarding Vera Clean Products (continued)

The Company 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 is twenty-four months with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. The agreement specifies 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 (a) the completion of the Company's due diligence and signing of the Master Licensing / Distribution Agreement with Vera Clean Products, and (b) the completion of regulatory approvals for the sale and distribution of Vera Clean products as an all natural, green product in its contracted territories.

b) Other

On October 7, 2020, the Company announced that, effective October 19, 2020, the Company will (i) change its name to Cover Technologies Inc., and (ii) consolidate all of its issued and outstanding common shares on the basis of 20:1, with each 20 pre-consolidation common shares converted into 1 post consolidation common share.