



## **MAG ONE PRODUCTS INC.**

**AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE 9 MONTH PERIOD ENDED JUNE 30, 2019**

(Expressed in Canadian Dollars)



**AMENDED AND RESTATED 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 amended and restated unaudited condensed interim consolidated financial statements of Mag One Products Inc. as at June 30, 2019 and for the three-month and nine-month periods ended June 30, 2019 and 2018, have not been reviewed by the Company's external auditors.

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Director  
Frank Vlastelic



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Director  
Gillian Holcroft

**MAG ONE PRODUCTS INC.**

## Amended and Restated Unaudited Condensed Interim Consolidated Statements of Financial Position

	As at June 30 2019	As at September 30 2018
	Canadian \$	Canadian \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	56,273	30,916
Sales tax receivable	46,470	67,955
Prepayments	5,500	14,990
	108,243	113,861
Plant and equipment (Note 5)	118,086	129,513
Intangible asset (Note 4)	3,781	15,125
	230,110	258,499
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	490,555	619,599
Due to related parties (Note 9)	238,982	299,914
Notes payable (Note 8)	2,701	576
Advance from Investissement Québec (Note 7)	495,000	495,000
	1,227,238	1,415,089
<b>Long Term Liabilities</b>		
Proceeds from convertible debentures (Note 16)	150,000	150,000
	150,000	150,000
	1,377,238	1,565,089
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 10)	8,753,596	7,923,396
Reserves (Note 10)	8,180,973	8,181,602
Subscriptions received in advance (Note 10)	100,000	100,000
Deficit	(18,181,696)	(17,511,588)
	(1,147,128)	(1,306,590)
	230,110	258,499

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 17)

**Approved on behalf of the Board:***"Frank Vlastelic"*


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 Frank Vlastelic  
 Director
*"Gillian Holcroft"*


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 Gillian Holcroft  
 Director

**MAG ONE PRODUCTS INC.**

## Amended and Restated Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

	For the three months ended June 30		For the nine months ended June 30	
	2019 Canadian \$	2018 Canadian \$	2019 Canadian \$	2018 Canadian \$
<b>Administrative Expenses</b>				
Amortization (Notes 4 and 5)	7,591	18,369	22,771	54,721
Office and administration	7,063	35,949	18,643	94,020
Professional and consulting fees (Note 9)	35,114	83,793	212,365	374,449
Investor communication	4,307	19,066	9,045	172,244
Research (Net) (Note 9, 15)	73,975	323,519	361,769	715,410
Travel	6,496	7,816	11,572	46,419
Trust and filing fees	8,708	6,739	33,500	15,250
	(143,254)	(495,251)	(669,665)	(1,472,513)
<b>Other Items</b>				
Interest income (expense)	(293)	(2,935)	(443)	(3,350)
Loss on settlement of debts (Notes 8 and 10)	-	-	-	(331,902)
<b>Net loss for the Period</b>	(143,547)	(498,186)	(670,108)	(1,807,765)
<b>Other Comprehensive Income (Loss)</b>				
Foreign currency translation adjustment	656	(1,444)	(629)	18,209
<b>Comprehensive loss for the period</b>	(142,891)	(499,630)	(670,737)	(1,789,556)
<b>Basic and diluted loss per share</b>	(0.00)	(0.01)	(0.02)	(0.04)
<b>Weighted average number of common shares outstanding</b>	46,851,236	44,147,283	44,698,879	43,925,835

**MAG ONE PRODUCTS INC.**

## Amended and Restated Unaudited Condensed Interim Consolidated Statements of Cash Flow

	<b>For the nine month period ended June 30</b>	
	<b>2019</b>	<b>2018</b>
	<b>Canadian \$</b>	<b>Canadian \$</b>
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss for the period	(670,108)	(1,807,765)
Add items not involving cash:		
Accrued interest on note payable	-	329
Amortization	22,771	54,721
Loss on settlement of debts	-	331,902
Non-cash working capital items		
Other receivables and prepaid	30,975	(69,978)
Accounts payable and accrued liabilities	(129,044)	303,152
Due to related parties	215,067	120,365
<b>Net cash (used in) operating activities</b>	<b>(530,339)</b>	<b>(1,067,274)</b>
<b>Financing activities</b>		
Proceeds from issuance of promissory notes	2,125	50,000
Proceeds from issuance of related party promissory notes	-	132,481
Proceeds from convertible debentures	-	150,000
Share subscriptions received	554,200	50,000
Exercise of warrants	-	50,000
Exercise of options	-	297,000
Advance from Investissement Québec	-	346,500
Bank indebtedness	-	(5,096)
<b>Net cash provided by (used in) financing activities</b>	<b>556,325</b>	<b>1,070,885</b>
Effect of foreign currency on cash	(629)	7,407
<b>Change in cash during the period</b>	<b>25,986</b>	<b>11,018</b>
<b>Cash, beginning of the period</b>	<b>30,916</b>	<b>19,475</b>
<b>Cash, end of the period</b>	<b>56,273</b>	<b>30,493</b>

Supplemental disclosure with respect to cash flows (Note 14)

**MAG ONE PRODUCTS INC.**

## Amended and Restated Unaudited Condensed Interim Consolidated Statements of Changes in Equity

	Share Capital		Reserve				Share subscriptions advanced	Deficit	Total
	Number of Shares	Amount \$	Warrant \$	Loan \$	Option \$	Translation gain (loss) \$			
<b>Balance at September 30, 2017</b>	40,151,343	6,733,442	1,035,573	2,664,963	4,498,512	13,790	409,598	(15,433,683)	(77,805)
Foreign exchange adjustment	-	-	-	-	-	18,209	-	-	18,209
Subscriptions received (Note 10)	-	-	-	-	-	-	50,000	-	50,000
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	-	-	-	-	-	-	-	(1,807,765)	(1,807,765)
<b>Balance at June 30, 2018</b>	44,147,283	7,796,040	1,181,804	2,664,963	4,498,512	31,999	50,000	(17,241,448)	(1,018,130)
<b>Balance at September 30, 2018</b>	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	-	-	-	-	-	(629)	-	-	(629)
Subscriptions received (Note 10)	5,550,000	554,200	-	-	-	-	-	-	554,200
Unit issuance - settlement of note payable (Notes 8 & 10)	2,760,000	276,000	-	-	-	-	-	-	276,000
Cancellation of units issued in error (Note 10)	(712,380)	-	-	-	-	-	-	-	-
Net and comprehensive loss	-	-	-	-	-	-	-	(670,108)	(670,108)
<b>Balance at June 30, 2019</b>	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)

# **MAG ONE PRODUCTS INC.**

## **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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### **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 Street, Vancouver, V6Z 1S4. The Company’s shares are currently traded on the Canadian Securities Exchange (“CSE”) under the symbol “MDD” and are also listed on the Börse Frankfurt stock exchange (“Frankfurt”) with the ticker symbol “304” and on the OTCBB symbol, “MGPRF”.

The Company’s principal business is the development and commercialization of technologies for the processing and production of magnesium metal, magnesium compounds, by-products and vertically integrated 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, 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 amended and restated consolidated financial statements were approved and authorized by the Board of Directors on December 6, 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 AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

#### 3. Basis of Presentation (Continued)

Name	Country of Incorporation/formation	Ownership Percentage	
		June 30, 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 June 30, 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.

#### 4. 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 June 30, 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

###### *Adoption of IFRS 9*

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.



## MAG ONE PRODUCTS INC.

### NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

#### 5. Significant Accounting Policies (Continued)

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

##### a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets/Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables at amortized cost	Financial asset at amortized cost
Share subscription receivable	Loans and receivables at amortized cost	Financial asset at amortized cost
Other receivables	Loans and receivables at amortized cost	Financial assets at amortized cost
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Dues to related parties	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Notes payable	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Proceeds from convertible debentures	Other financial liabilities at amortized cost	Financial liabilities at amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

##### b) Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss and comprehensive loss. Realized and unrealized

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

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#### **3. Significant Accounting Policies (Continued)**

gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net loss and comprehensive loss in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*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 recognizes 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.

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **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.
- The Company is renegotiating an extension to the SPA.

During the year ended September 30, 2017, \$5,000 in cash was paid to DST and 40,000 common shares were issued with a fair value of \$9,000.

In connection with the SPA the Company entered into an Option Agreement (“OA”) with Asbestos Corp Ltd. (“ACL”). The terms of the OA include:

- The Option to purchase up to 60,000,000 tonnes of the Tailings as identified in the Technical Report for a term of six months from signing, for consideration of 5,000 cash and 50,000 shares of the Company as a non-refundable deposit; and
- Upon exercise of the Option, the Company would be required to pay \$100,000 in cash, \$1.00/tonne of Tailings used as a royalty, and would have access to a minimum of five acres of the land for necessary plant and equipment.

During the year ended September 30, 2017, \$5,000 in cash was paid to ACL and 50,000 common shares were issued with a fair value of \$11,250.

During the nine months ended June 30, 2019, the Company recorded amortization of \$11,344 (2018 - \$11,344) related to these intangible assets.

The OA was extended until June 30, 2019. Since that time, the Company is engaged in negotiations with ACL to further extend the OA. It is anticipated that these negotiations will be completed before the year end.

**MAG ONE PRODUCTS INC.****NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

**5. Plant and Equipment**

	Laboratory	Equipment	Total
	Canadian \$	Canadian \$	Canadian \$
<b>Cost:</b>			
September 30, 2017	173,547	220,980	394,527
Addition	-	-	-
Foreign Currency Translation	10,662	5,857	16,519
June 30, 2018	184,209	226,837	411,046
September 30, 2018	-	152,368	152,368
Addition	-	-	-
June 30, 2019	-	152,368	152,368
<b>Accumulated Amortization:</b>			
September 30, 2017	70,113	22,551	92,664
Amortisation	26,769	16,608	43,377
Foreign Currency Translation	4,727	990	5,717
June 30, 2018	101,609	40,149	141,758
September 30, 2018	-	22,855	22,855
Addition	-	11,427	11,427
June 30, 2019	-	34,282	34,282
<b>Net Book Value:</b>			
September 30, 2018	-	129,513	129,513
<b>June 30, 2019</b>	<b>-</b>	<b>118,086</b>	<b>118,086</b>

**6. Accounts Payable and Accrued Liabilities**

	30-Jun-19	Sept. 30, 2018
	Canadian Dollars	Canadian Dollars
Trade payables (Net)	489,649	618,712
Accrued liabilities	906	887
	490,555	619,599

**7. Advance from Investissement Québec ("IQ")**

Based on the facts below, the Company could be liable to refund the Grant to IQ should IQ enforce the default provisions of the Agreement. The Company had earlier misinterpreted the provisions of the Agreement and construed that the Company had 36 months from the date of receipt of the last instalment from IQ as the time it had to set up an establishment in MRC des Sources. However, on

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **7. Advance from Investissement Québec (Continued)**

careful review of the facts outlined below, it has decided to disclose the Grant as a current liability in lieu of a Long-Term Liability as it had mistakenly done in Q2 and Q3 of 2019.

##### Background Facts:

The Company had 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 conditions governing the Grant were as follows:

- a) The Company would have incurred an expenditure of \$627,750 on the development of the Pilot Plant for processing of Magnesium (the “Project”);
- b) The Company was to complete the Project by March 31, 2017 (the “Project Completion Date”);
- c) The Company must establish itself within the MRC des Sources region for a minimum period of 2 years from the date of receipt of the last payment from IQ, i.e., February 14, 2020.
- d) The Company was to carry out and maintain its operations related to the Project, including significant development or improvement work on the design, development activities of the product/process, and not move this work outside the municipality of the MRC des Sources, for a period of 36 months from the date of receipt of the last payment from IQ, i.e., February 14, 2021.
- e) IQ reserved its rights to call back the entire grant up until the Project is completed in the event of the following:
  - The Project not being completed by the Project Completion Date;
  - The Company abandoning the Project;
  - The Company divests of the Project or commits any act that leads to insolvency or bankruptcy or creditor protection;
  - The Company defaults under any loans, if any;
  - The Company makes material changes to the disbursement plans for the Company without consent of IQ;
  - Commit a fraud or false statement;
  - Default in any other provision of the Agreement.

The Company has met all the requirements noted above except for Point (c). Specifically, the Company was granted a delay until February 28, 2018 to complete the Project and received the last installment of the Grant on February 14, 2018. IQ has therefore accepted that the Project has been completed including the compliance of points (a), (b) and (e) above. The date of payments from IQ were as follows:

- February 21, 2017: \$148,500
- January 10, 2018: \$256,467
- February 14, 2018: \$ 90,033

According to the agreement, as per Point (c) above, the Company was required to operate out of the municipality of MRC des Sources for a period of at least 2 years following the last installment from IQ. However, 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 January 31, 2020. A two-year lease agreement is expected to be the first of the many definitive steps towards

## MAG ONE PRODUCTS INC.

### NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

establishing a place of business in MRC des Sources. The Company believes that a demonstration of its intent through the lease agreement would help in gaining a favourable response from IQ in terms of acknowledging that all obligations have now been met given that the Company has signed a lease agreement.

Regarding Point (d), the Company needs to continue to work out of the MRC des Sources municipality until the compliance period which ends on February 14, 2021 unless again the Company receives confirmation prior to that date that all obligations have been met. The Company continues to engage the Centre d'Innovation Minière de la MRC des Sources (CIMMS) following the Completion of the Project and has not moved its pilot plant subcontracting outside of the MRC des Sources municipality and doesn't expect to do so prior to the February 2021 date.

#### 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 nine months ended June 30, 2019, the Company received further loan proceeds of \$8,161. These loans are unsecured, non-interest bearing and due on demand. The Company has also repaid \$6,000 during the nine-month period ended June 30, 2019

#### 9. Related Party Transactions and Balances

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

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

Research costs include \$144,000 paid to the company of the Chairperson, President and Chief Executive Officer and Director of the Company (June 2018: \$144,000).

**MAG ONE PRODUCTS INC.****NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS***AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018***9. Related Party Transactions and Balances (Continued)**

Professional and Consulting Fees include \$ Nil paid to Director and former Chairman of the Board (June 2018: \$72,000) and \$Nil paid to the company of the Director and former Chairman of the Board (June 2018: \$48,000).

<b>Nine months ended June 30</b>	<b>2019</b>	<b>2018</b>
Director and former Chairman of the Board ("Chairman")	-	72,000
Company of Chairperson, President, Chief Executive Officer ("CEO") and a Director	144,000	144,000
Company of a Director and former Chairman	-	48,000
	144,000	264,000

Amounts due to related parties

	<b>June 30 2019</b>	<b>Sept. 30 2018</b>
	<b>Canadian \$</b>	<b>Canadian \$</b>
Company of Chairperson, President, CEO and a Director	63,188	94,064
Director and former Chairman	131,599	161,655
Family member of a Director and the former Chairman	44,195	44,195
	238,982	299,914
Subscription received in advance from Director and former Chairman	100,000	100,000
<b>Total</b>	<b>338,982</b>	<b>399,914</b>

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.

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.

Dues to related parties

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of dues 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 debt settlement was estimated at \$108,000, including the shares valued at \$108,000. The warrants were assigned no value under the residual method.

During the nine months ended June 30, 2019, the Company received \$137,944 from the former Chairman. Also, during the same period June 30, 2019, the Company have repaid \$168,000 to the former Chairman and / or a company controlled by the 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 notes payable to the Director and former Chairman of the Company amounting to \$128,000 (Notes 10 and 14). The fair value of the debt settlement was estimated at \$128,000, including the shares valued at \$128,000. The warrants were assigned no value under the residual method.

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- b) On May 23, 2019 the Company issued 400,000 units of the Company in settlement notes payable to a company owned by the Director and former Chairman of the Company amounting to \$40,000 (Notes 10 and 14). The fair value of the debt settlement 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, 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 AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **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 AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **(b) Common Shares – issued and outstanding (Continued)**

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).

#### **2018**

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 712,380 common shares and 712,380 share purchase warrants that were issued in error (Note 9).

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 \$800 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 dues payable to the Chairman and CEO of the Company in connection with technical and scientific services amounting to \$108,000 (Notes 9 and 14). The fair value of the debt settlement was estimated at \$108,000, including the shares valued at \$108,000. The warrants were assigned no value under the residual method.
- b) 1,280,000 units of the Company in settlement notes payable to the Director and former Chairman of the Company amounting to \$128,000 (Notes 9 and 14). The fair value of the debt settlement was estimated at \$128,000, including the shares valued at \$128,000. The warrants were assigned no value under the residual method.
- c) 400,000 units of the Company in settlement notes payable to the company of the Director and former Chairman of the Company amounting to \$40,000 (Notes 9 and 14). The fair value of the debt settlement was estimated at \$40,000, including the shares valued at \$40,000. The warrants were assigned no value under the residual method.

**MAG ONE PRODUCTS INC.****NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

**10. Share Capital (Continued)****(c) Warrants**

Details of common share purchase warrants outstanding at June 30, 2019 are as follows:

	June 30, 2019		September 30, 2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding - beginning of period	8,087,500	\$ 0.53	6,143,560	\$ 0.64
Granted	8,310,000	\$ 0.25	2,905,940	\$ 0.50
Exercised	-	-	(100,000)	\$ 0.50
Expired	-	-	(862,000)	\$ 1.21
Cancelled	(712,380)		-	-
Outstanding - end of period	15,685,120	\$ 0.38	8,087,500	\$ 0.53

As at June 30, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise price	Expiry date
412,500	\$ 1.10	August 26, 2020
4,056,680	\$ 0.50	August 17, 2019
2,905,940	\$ 0.50	October 5, 2019
8,310,000	\$ 0.25	May 22, 2020
15,685,120	\$ 0.53	

As at June 30, 2019, warrants outstanding have an average life of 0.59 years and average exercise price of \$0.25.

**(d) Stock Options**

Stock options issued and outstanding at June 30, 2019 are as follows:

	June 30 2019		September 30 2018	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
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	\$ 0.30	3,010,000	\$ 0.30

**MAG ONE PRODUCTS INC.****NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

**10. Share Capital (Continued)**

Details of the share options outstanding and exercisable as at June 30, 2019 are as follows:

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Number of Options Unvested</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Life</b>
September 14, 2019	3,010,000	3,010,000	-	\$ 0.30	0.21

On September 14, 2017, the Company granted a total of 4,000,000 stock options to certain officers, directors and/or consultants of the Company exercisable at \$0.30 for a period of two years. The fair value of the stock options was determined to be \$756,992 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 2 years; expected volatility – 125%; expected dividend yield – 0%; and risk-free rate – 1.58%.

As at June 30, 2019, 3,010,000 stock options remain outstanding and exercisable. The weighted average life was 0.21 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. As of the date of these financial statements, these units have not been issued. Since substantial time has lapsed between the time of receiving the share subscription in advance, the Company has engaged in a negotiating with the former Chairman and Director on the price of issuance. Should the negotiation not be successful the Company may need to refund the amount to the former Chairman and Director.

**11. Financial Instruments**

## Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	<b>June 30 2019</b>	<b>September 30 2018</b>
	Canadian \$	Canadian \$
<b>Financial assets:</b>		
Loans and receivables:		
Cash	56,273	30,916
Share subscription receivable	-	
	<b>56,273</b>	<b>30,916</b>
<b>Financial liabilities:</b>		
Accounts payable	490,555	618,712
Due to related parties	238,982	299,914
Notes payable	2,701	576
Proceeds from convertible debentures	150,000	150,000
	<b>882,238</b>	<b>1,069,202</b>

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018

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#### **11. Financial Instruments (Continued)**

##### *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.

##### *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) 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.

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **13. Commitments (Continued)**

As at June 30, 2019, 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, 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 significant terms of the agreement are as follows:

- The Company is required to pay, Dr. Doug Zuliani, President of Tech Magnesium a daily rate of \$1,000. In return Dr. Zuliani will work with Mag One to further de-risk his Mg metal processing technology.
- Mag One must finance Phase 1 (Lab-scale proof-of concept testing with thermodynamic modelling" of the Tech Magnesium technology) on or before February 2020 in order to retain the exclusive license option for this technology.
- 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
- During the Term of the Agreement, the Parties undertake to negotiate agreeable Acquisition Payments which will allow Mag One to fully acquire exclusive worldwide ownership of the Tech Mag Technology

On March 25, 2019 the Company, in recognition of the substantial engagement required by Tech Magnesium in the development of the Tech Mag Technology, amended the agreement to include the following:

Payments for services in connection with the development of the Tech Mag Technology:

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

The Acquisition Payment that shall be triggered upon exercise of the Option for a total aggregate payment of \$2,550,000 to include:

- An initial payment of \$50,000 due on the date the Company issues a notice to exercise the Option;
- 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 / or alternatively
- 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.

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **13. Commitments (Continued)**

The Company is working with Dr. Zuliani and Glencore XPS as part of an NRC IRAP grant to complete Phase 1. The work is progressing and the Company to complete this phase in December 2019, the deadline being February 3, 2020. The Company continues to meet all of its obligations under Phase 1. Furthermore, the Company is yet to exercise the Option. The Company is presently pursuing the development of a technology through Tech Magnesium which constitutes expenses towards Research and Development. While it is the intention of the Company to develop an Intangible Asset, the Intangible Asset shall be created only after the completion of the technical pre-feasibility study. At this point in time it is not known how the intended Intangible Asset shall be in a position to generate probable future economic benefits. The development of the Intangible Asset shall depend upon the availability of adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset.

#### **14. Supplemental Disclosure with Respect to Cash Flows**

During the 9-month period ended June 30, 2019, the Company had issued shares in settlement of dues as follows:

Particulars	Settlement Amount (\$)
Units issued to the former Chairman	128,000
Units issued to a company controlled by the former Chairman	40,000
Units issued to the Chairman and Chief Executive Officer	108,000

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 June 30, 2019, the Company incurred \$73,975 (Net) (June 30, 2018: \$323,519) 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 \$45,825 (June 30, 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.

## **MAG ONE PRODUCTS INC.**

### **NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*AS AT AND FOR THE NINE MONTHS ENDED JUNE 30, 2019 AND 2018*

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#### **16. Convertible Debentures (cont'd)**

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 nine-month period ended June 30, 2019.

#### **17. Subsequent Events**

On July 20, 2019 4,200,000 Stock Options were issued to qualified optionees as an incentive according to the company's stock option plan. The Options have an exercise price of \$0.10 and a term of 1 year.

4,056,680 and 2,905,940 warrants expired in August and October 2019 respectively.

3,010,000 options expired in September 2019.

The Company also concluded a Private placement of 3,298,000 shares @ \$0.10 in August 2019. Each Unit is comprised of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.25 per common share for a period of one year from the date of issue.

On August 12, 2019 the Company Filed a PCT Patent application for the Production of Fine grain Magnesium Oxide and Fibrous Amorphous Silica from Serpentinite Mine Tailings.

The Company has ceased to carry on business through its Tennessee based 100% subsidiary NAMP LLC with effect from August 6, 2019

On November 5, 2019 the Company has signed a non-binding letter of intent with Blue Lagoon Resources Inc. ("BLR") pursuant to which BLR may acquire up to a 70% equity joint venture ownership interest in Mag One Operations ("Mag One Ops") by purchasing up to \$5.25 million of shares of Mag One Ops (the "Transaction"). The proceeds would also be used to upgrade the historical resource to a current NI 43-101 compliant resource. BLR have engaged MRB & Associés of Val d'Or Quebec to conduct the technical work and to prepare an NI43-101 technical report for a portion of the Thetford Mines tailings piles.

On November 29, 2019, the Company entered into an agreement with Dundee Sustainable Technologies Inc. ("DST"), whereby, Mag One Operations was transferred the 43-101 Technical Report prepared by Systemes Geostat International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Quebec, Canada (the "Technical Report") for a consideration of :

- (1) \$1.00 on the date of signing the agreement;
- (2) Within 8 months of signing of the agreement,
  - (a) Award a contract to DST for a minimum value of \$75,000 for piloting the Mag One Technology at DST's facilities in Thetford Mines; OR
  - (b) Pay DST \$5,000.