

CHLORMET TECHNOLOGIES, INC.

(formerly Newton Gold Corp.)

Management's Discussion and Analysis

For the Year Ended December 31, 2013

(Expressed in Canadian Dollars)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Chlormet Technologies, Inc. (formerly Newton Gold Corp.) (the "Company" or "Chlormet") for the year ended December 31, 2013 should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2013 which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guideline for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at April 24, 2014. All dollar figures stated herein are expressed in Canadian dollars.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty regarding the potential acquisition of AAA Heidelberg; uncertainty regarding obtaining a Marihuana for Medical Purposes Regulations license by Health Canada; uncertainty regarding changes in laws, regulations, and guidelines issued by Health Canada; uncertainty regarding the risks inherent in an agricultural business such as insects and plant diseases; product liability; fluctuations in prices; fluctuations in energy costs; and uncertainty as to timely availability of licenses, permits, and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

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It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of April 24, 2014 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for satisfactory drill results and satisfactory resolution of the Company's contingent liability and the Letter of Intent regarding the Company's investment in AAA Heidelberg.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

Chlormet Technologies, Inc. was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("TSX-V") as a Tier 2 mining issuer since 2005 and trades under the trading symbol CMT. On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp. and on November 7, 2013 to Chlormet Technologies, Inc. In conjunction with changing its name to Chlormet Technologies, Inc., the Company consolidated its issued and outstanding shares on a five (5) old for one (1) new basis. The Company's current trading symbol is CMT.

The Company's primary business has been the acquisition and exploration of mineral properties in British Columbia. At the time of this MD&A it has not been determined whether the Company's mineral properties contain economically recoverable ore reserves.

The Company continues to hold a 100% interest in one B.C. based exploration project - the 54 square kilometre Chuchi property. In addition, the Company holds a 5% net profit interest in the Newton property that is owned 100% by Amarc Resources Ltd.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for \$120,000. The Company has signed a Letter of Intent with the principals of AAA Heidelberg whereby the Company has been granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license to AAA Heidelberg and by issuing up to 16,000,000 common shares of the Company subject to TSX Venture Exchange escrow policies.

The Company has not finalized the transaction with AAA Heidelberg and the Company is proceeding with its due diligence review of AAA Heidelberg. The Company does not know, nor can it predict the timeframe for AAA Heidelberg to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg will be granted a license under MMPR, or that a transaction will be completed.

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As a result of the announcement on March 26, 2014, the shares of the Company were halted on April 4, 2014 at the request of the TSX Venture Exchange (or "Exchange"). The Company has been advised that the Exchange is concerned that the LOI entered into between the Company and AAA Heidelberg may constitute a Change of Business, as such term is defined by the Exchange. The Company anticipates that trading may remain halted until filings prescribed by the Change of Business policy are accepted by the Exchange, or such other time as dictated by the Exchange. In the interim, the Company is seeking a listing on the Canadian Stock Exchange.

The Company has a favourable corporate structure with approximately 20.9 million shares outstanding as at the date this MD&A was prepared.

The Company's corporate office and principal place of business is at Suite 350 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

EXPLORATION AND EVALUATION PROPERTIES**Chuchi Property, British Columbia**

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

In December 2008 the Company wrote down the recorded cost of the property to \$Nil. As at December 31, 2013, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

On March 11, 2014, the Company announced that it initiated its planned 2014 work program on the Chuchi property. The Company has commissioned an aster satellite survey of the property in anticipation of its 2014 field work program that will be designed to follow up on the successful soil sampling survey conducted in 2012. In addition to expanding the soil grid, the Company plans to prospect/geological map certain areas within the property, as well as locate and survey all of the fifty plus known drill holes within the property. The start of the 2014 field season has not been set and will be dependent on weather and snow melt.

On March 17, 2014, the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi property, located in northern British Columbia. The arbitration stemmed from the Company's allowing a number of claims to lapse in 2007 and subsequently acquiring certain claims covering a portion of the area of the lapsed claims at a later date from a third party. The arbitrator in the case has ruled in favour of the Company's claim that the 3% net smelter royalty that was attached to the original claims (that were dropped) does not apply to the disputed ground. As such, the vendors of the property own a 3% NSR on only the five core claims to the property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi property. In addition, the vendors' claim for damages for breach of contract by reason of the forfeiture of mineral claims acquired under the agreement was dismissed, and the vendors must immediately remove the notice to third parties that they had previously filed with the Mining Recorder's Office on the records of the mineral claims. The Company must pay the vendors a total of \$40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest), and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of \$20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims.

No field work was been completed at Chuchi in 2013 and the property is in good standing until September 2014.

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Newton Property, British Columbia

On August 12, 2009, the Company entered into an agreement with Amarc Resources Ltd. ("Amarc") by which Amarc was granted an option to acquire an 80% interest in the Newton property. Under the terms of the agreement, Amarc paid \$60,000 to the underlying Newton property owners and agreed to expend a total of \$4,940,000 on the property in exploration expenditures over seven years.

Amarc earned an 80% interest in the Newton property and outlying area of interest under the option agreement by funding \$5,000,000 in exploration activities. On May 16, 2011 the Company and Amarc entered into a Joint Venture Agreement to further explore the Newton property.

The Company held a 20% participating interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Property. Certain claims within the property were subject to a 2% NSR. The NSR could have been purchased at any time by the Company for \$2,000,000. Under the agreement with Amarc Resources Ltd. ("Amarc") Amarc could cause the Company to exercise its option to purchase the NSR and the Company would be required to pay its proportionate share of the purchase price, namely \$400,000 to retain its 20% residual interest in the royalty. If the Company's interest in the Joint Venture is reduced to 10%, or less, then the Company's interest will be converted to a 5% net profit interest.

Effective May 22, 2012, the Company exercised its right to convert its 20% participating interest to a 5% net profit interest in the Newton Joint Venture. As such, the Company has no ongoing financial obligations regarding this property.

As at December 31, 2013, the Company had advanced \$1,585,486 (December 31, 2012 – \$1,585,486) to Amarc Resources Ltd., of which \$1,580,486 (December 31, 2012 - \$1,580,486) was utilized for exploration expenditures and was written down during the current year (December 31, 2012 - \$Nil).

As at December 31, 2013, acquisition costs of \$5,000 remain capitalized as exploration and evaluation assets.

Sibley Road Property, Nova Scotia

On October 11, 2012, the Company signed the Letter of Intent to acquire an option to purchase up to a 100% interest in the Sibley Road property located in Halifax County, Nova Scotia.

The Company agreed to a two stage option. To exercise the First Option and earn a 50% interest in the property, Chlormet would pay the vendor \$150,000 and incur a total of \$12,000,000 in expenditures within four years as follows:

- pay \$40,000 (paid) on signing of the Letter of Intent;
- pay \$110,000 within 24 hours of receiving the conditional acceptance of the agreement by the TSX Venture Exchange;
- incur \$2,000,000 in expenditures by the first anniversary date of the agreement for Phase I exploration work;
- incur a further \$3,000,000 in expenditures by the second anniversary date of the agreement for Phase II exploration work;
- incur a further \$3,000,000 in expenditures by the third anniversary date of the agreement for Phase III exploration work; and
- incur a further \$4,000,000 in expenditures by the fourth anniversary date of the agreement for Phase IV exploration work.

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After exercising the First Option, the Company would have 90 days to deliver notice of its intention to exercise the Second Option. In order to exercise the Second Option and earn an undivided 100% interest in the property, the Company would, within two business days of delivering the Second Option Notice, issue common shares to the Optionor with a value of \$12,000,000 at a price per common share equal to the volume weighted average closing price over the 20 trading days preceding the delivery of the Second Option Notice.

On August 26, 2013, the Company announced that it had dropped the option for the Sibley Road property. During the year ended December 31, 2013, the Company has written off the accumulated costs for this property of \$44,225 (December 31, 2012 - \$Nil).

Pugu Hills Property, Tanzania

On June 6, 2013, the Company signed the Letter of Intent to acquire an option to purchase up to 100% of the Pugu Hills property located in Tanzania.

Under the Letter of Intent, the Company had the right to acquire a 100% undivided interest in the property in two stages with Stage 1 to earn an initial 65% interest and Stage 2 to earn the remaining 35%. To exercise Stage 1 of the Option and earn a 65% interest in the property, Chlormet was required to pay the vendor \$250,000 and issue 3.5 million shares over an eighteen month period. To exercise Stage 2 of the Option to acquire the remaining 35% interest in the property Chlormet was required to pay the vendor an additional \$125,000 within 90 days of the successful demonstration that the carbo-chlorination pilot plant successfully produces 99.9% pure aluminum chloride and issue an additional 3.5 million shares.

Upon the completion of 100% of the option for a 100% undivided interest in the property, there was a 3% NSR on the property that would not have a buyout or fixed price. The option agreement was subject to Exchange approval.

As at December 31, 2013, the Company had advanced \$Nil towards this acquisition.

On January 20, 2014, the Company announced that it decided not to proceed with the Letter of Intent to acquire a 100% undivided interest in the Pugu Hills kaolin clay property in Tanzania.

SELECTED ANNUAL INFORMATION

The following table provides selected annual audited financial information that should be read in conjunction with the audited financial statements and notes:

	December 31 2013	December 31 2012	December 31 2011
Administrative expenses	\$ 362,801	\$ 428,482	\$ 795,196
Mining exploration tax credit disallowed	\$ -	\$ -	\$ 11,817
Other income	\$ -	\$ 104,931	\$ 134,752
Write-off of exploration and evaluation assets	\$ 1,624,711	\$ -	\$ -
Net and comprehensive loss for the year	\$ 1,987,512	\$ 323,551	\$ 672,261
Basic and diluted loss per share	\$ 0.26	\$ 0.05	\$ 0.15

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RESULTS OF OPERATIONS

The Company's net loss for the year ended December 31, 2013 was \$1,987,512 compared to a net loss of \$323,551 for the year ended December 31, 2012. The increase in the loss is due to the write-off of exploration and evaluation assets in the current year totaling \$1,624,711 (December 31, 2012 - \$Nil).

During the year ended December 31, 2013, total administrative expenses had decreased to \$362,801 compared to \$428,482 for the year ended December 31, 2012.

For the year ended December 31, 2013, accounting and auditing fees decreased to \$38,356 (December 31, 2012 - \$40,966); administration fees increased with a new agreement for such services to \$1,869 (December 31, 2012 - \$Nil); consulting and management fees increased to \$210,250 (December 31, 2012 - \$206,405); director fees decreased to \$2,933 (December 31, 2012 - \$6,000); insurance costs decreased as the Company did not have funds to renew the policy in 2013 to \$1,725 (December 31, 2012 - \$10,469); investor communication expenses increased with more news releases disseminated during the year to \$3,968 (December 31, 2012 - \$2,297); legal fees increased as a result of new agreements and the Chuchi arbitration to \$47,802 (December 31, 2012 - \$39,895); office and sundry expenses decreased to \$19,739 (December 31, 2012 - \$38,530); regulatory and transfer agent fees increased slightly to \$22,241 (December 31, 2012 - \$21,323); shared-based compensation decreased with fewer stock options issued to \$7,625 (December 31, 2012 - \$44,651); and travel and business development decreased to \$6,293 (December 31, 2012 - \$17,946).

For the year ended December 31, 2012, there was \$104,928 in other income reported when the liability on flow-through shares was settled with no such amount occurring for the year ended December 31, 2013.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended	Revenue	Net (Income)		Loss/(Earnings) Per Share
				Loss	
Q4/2013	December 31, 2013	\$	-	\$ 1,679,847	\$0.22
Q3/2013	September 30, 2013	\$	-	\$ 141,850	\$0.02
Q2/2013	June 30, 2013	\$	-	\$ 82,380	\$0.01
Q1/2013	March 31, 2013	\$	-	\$ 83,435	\$0.01
Q4/2012	December 31, 2012	\$	-	\$ (10,281)	\$0.00
Q3/2012	September 30, 2012	\$	-	\$ 70,442	\$0.01
Q2/2012	June 30, 2012	\$	-	\$ 140,090	\$0.02
Q1/2012	March 31, 2012	\$	-	\$ 123,300	\$0.02

FOURTH QUARTER RESULTS OF OPERATIONS

The Company's net loss for the three months ended December 31, 2013 was \$1,679,847 compared to net income of \$10,281 for the three months ended December 31, 2012. The increase in the loss is due to the write-off of exploration and evaluation assets in the fourth quarter of \$1,580,586 whereas the same quarter last year had net income as a direct result of \$104,928 in other income reported when the liability on flow-through shares was settled.

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During the three months ended December 31, 2013, total administrative expenses had increased slightly to \$99,361 compared to \$98,647 for the three months ended December 31, 2012.

LIQUIDITY

The Company's cash on hand decreased to \$5,372 at December 31, 2013 from \$76,807 at December 31, 2012. The Company had a working capital deficiency of \$500,937 at December 31, 2013 compared to a working capital deficiency of \$110,536 at December 31, 2012.

The Company's current asset balance of \$10,598 (December 31, 2012 - \$86,271) is comprised of cash of \$5,372 (December 31, 2012 - \$76,807), amounts receivable of \$4,260 (December 31, 2012 - \$4,467) which is the GST refund, and prepaid expenses of \$966 (December 31, 2012 - \$4,997).

The Company's current liabilities total of \$511,535 (December 31, 2012 - \$196,807) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of \$176,360 (December 31, 2012 - \$95,507), amounts due to related parties of \$293,713 (December 31, 2012 - \$101,300), and loans payable of \$41,462 (December 31, 2012 - \$Nil).

On March 6, 2014, a loan payable in the principal amount of \$20,000 was partially repaid in the amount of \$10,000.

On March 10, 2014, a loan payable in the principal amount of \$20,000 was repaid to a company with common directors. The amount repaid including principal and accrued interest was \$21,120.

On March 10, 2014, the Company issued 13,256,000 units at \$0.05 per unit for gross proceeds of \$662,800. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 10, 2015 at \$0.075 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of \$15,600 along with the issuance of 312,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until September 10, 2015 at \$0.075 per share. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of \$42,959 or \$0.14 per option, assuming an expected life of one and a half years, a risk-free interest rate of 1.04%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 204%.

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year. There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

PROPOSED TRANSACTIONS

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for \$120,000. The Company has signed a Letter of Intent with the principals of AAA Heidelberg whereby the Company has been granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license to AAA Heidelberg and by issuing up to 16,000,000 common shares of the Company subject to TSX Venture Exchange escrow policies.

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AAA Heidelberg currently owns a secure 8,800 square foot commercial building and land located in London, Ontario. Since December 2013, AAA Heidelberg has had an application pending with Health Canada for a new MMPR license for the production of up to 1,320 pounds of marijuana in the first year.

As a result of the early application, the licensing process is well under way. Upon completion of the interior of the building to the strict guidelines of Health Canada, which will include four grow rooms; labs; offices; and secure storage for the product, Health Canada will be asked to perform a final inspection to complete the licensing process.

AAA Heidelberg's personnel include an experienced grow-master who is currently a "designated grower" under current Marijuana Medical Access Regulations ("MMAR") licensing. The current crops that are being grown under the continuing MMAR license are thriving due to the injunction by Health Canada and include ten different strains of marijuana that range from high CBD content to high THC content. This crop is anticipated to be sold between \$5 and \$15 per gram depending on the strain.

As of April 1, 2014, new producers will be required to be licensed by Health Canada and to conform to strict new regulations. On April 2, 2014, the Company received its final copy of an independent economic analysis on the Company's entry into Canada's emerging medical marijuana industry. The report states "the new regulations suggest that the medical marijuana industry will be put on the same footing as the pharmaceutical manufacturing sector. The regulations are quite onerous in terms of production distribution and security standards. Health Canada will only issue licenses to producer/distributors that they deem capable of meeting these detailed regulatory standards. That suggests that Canada will very rapidly evolve from a market of thousands of informal producers to one of a much smaller number of sophisticated producers."

It is AAA Heidelberg's intent to become a growing player in the burgeoning medical marijuana industry to position themselves as a quality producer focusing on research and development to create unique patentable strains of cannabis. The report states "the new regime requires a degree of supply chain and logistical sophistication well beyond the means of those who have, up to this point, grown for their personal use."

The Company does not know nor can it predict the timeframe for AAA Heidelberg to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg will be granted a license under MMPR, or that the transaction will be completed.

Should AAA Heidelberg be granted a license, the Company intends to complete the transaction by signing a Definitive Agreement. The completion of the transaction will be considered a Change of Business and at that time the Company will make a filing with the TSX Venture Exchange, create a disclosure statement, and convene a special meeting to seek shareholder approval.

The following risk factors should be carefully considered in evaluating the Company, its potential acquisition of AAA Heidelberg, and the resulting Company post transaction. The risks presented below may not be all of the risks that the Company post transaction and AAA Heidelberg may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which AAA Heidelberg currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Reliance on license

AAA Heidelberg's ability to grow, store, and sell medical marijuana in Canada is dependent on obtaining a license under the MMPR from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of AAA Heidelberg and the Company post transaction.

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Regulatory risks

The activities of AAA Heidelberg are subject to regulation by governmental authorities, particularly Health Canada. Achievement of AAA Heidelberg's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. AAA Heidelberg cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of AAA Heidelberg and the Company post transaction.

Change in laws, regulations, and guidelines

AAA Heidelberg's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of AAA Heidelberg's management, AAA Heidelberg is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of AAA Heidelberg may cause adverse effects to AAA Heidelberg's operations.

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the Marihuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on AAA Heidelberg are unknown. It is unclear how the Government of Canada will react to this order or how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of AAA Heidelberg represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, in which AAA Heidelberg is a licensed producer. This could significantly reduce the addressable market for AAA Heidelberg's products and could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg and the Company post transaction.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations, or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on AAA Heidelberg's operations that is materially different than the effect on similar-sized companies in the same business as AAA Heidelberg.

Limited operating history

AAA Heidelberg, while incorporated in 2010, began carrying on business in 2013 and has yet to generate revenue from the sale of products. AAA Heidelberg is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that AAA Heidelberg will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Reliance on a single facility

To date, AAA Heidelberg's activities and resources have been primarily focused on its facility in London, Ontario and AAA Heidelberg will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on AAA Heidelberg's business, financial condition, and prospects.

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Reliance on management

The success of AAA Heidelberg is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on AAA Heidelberg's business, operating results, or financial condition.

Factors which may prevent realization of growth targets

AAA Heidelberg is currently in the early development stage. AAA Heidelberg's growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that AAA Heidelberg may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

AAA Heidelberg has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability

AAA Heidelberg has incurred losses in recent periods. AAA Heidelberg may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, AAA Heidelberg expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If AAA Heidelberg's revenues do not increase to offset these expected increases in costs and operating expenses, AAA Heidelberg will not be profitable.

Additional financing

The building and operation of AAA Heidelberg's facilities and business are capital intensive. In order to execute the anticipated growth strategy, AAA Heidelberg will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to AAA Heidelberg or the Company when needed or on terms which are acceptable. AAA Heidelberg's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit AAA Heidelberg's growth and may have a material adverse effect upon future profitability. AAA Heidelberg and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

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Competition

There is potential that AAA Heidelberg and the Company post transaction will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than AAA Heidelberg. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg and the Company post transaction.

Because of the early stage of the industry in which AAA Heidelberg operates, AAA Heidelberg expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and AAA Heidelberg expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, AAA Heidelberg will require a continued high level of investment in research and development, marketing, sales, and client support. AAA Heidelberg and the Company post transaction may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg and the Company post transaction.

Risks inherent in an agricultural business

AAA Heidelberg's business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although AAA Heidelberg grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

AAA Heidelberg's medical marijuana growing operations consume considerable energy, making AAA Heidelberg and the Company post transaction vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of AAA Heidelberg and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of AAA Heidelberg's products, AAA Heidelberg will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of AAA Heidelberg and the Company post transaction. Rising costs associated with the courier services used by AAA Heidelberg to ship its products may also adversely impact the business of AAA Heidelberg and its ability to operate profitably.

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Unfavourable publicity or consumer perception

AAA Heidelberg believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of AAA Heidelberg's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for AAA Heidelberg's products and the business, results of operations, financial condition and cash flows of AAA Heidelberg and the Company post transaction. AAA Heidelberg's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on AAA Heidelberg and the Company, the demand for AAA Heidelberg's products, and the business, results of operations, financial condition and cash flows of AAA Heidelberg and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or AAA Heidelberg's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, AAA Heidelberg faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of AAA Heidelberg's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of AAA Heidelberg's products or in combination with other medications or substances could occur. AAA Heidelberg and the Company may be subject to various product liability claims, including, among others, that AAA Heidelberg's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against AAA Heidelberg could result in increased costs, could adversely affect AAA Heidelberg's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of AAA Heidelberg and the Company post transaction. There can be no assurances that AAA Heidelberg will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of AAA Heidelberg's potential products.

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Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of AAA Heidelberg's products are recalled due to an alleged product defect or for any other reason, AAA Heidelberg could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. AAA Heidelberg may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although AAA Heidelberg has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of AAA Heidelberg's significant brands were subject to recall, the image of that brand and AAA Heidelberg could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for AAA Heidelberg's products and could have a material adverse effect on the results of operations and financial condition of AAA Heidelberg and the Company post transaction. Additionally, product recalls may lead to increased scrutiny of AAA Heidelberg's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

AAA Heidelberg's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of AAA Heidelberg and the Company post transaction. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, AAA Heidelberg might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to AAA Heidelberg in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of AAA Heidelberg and the Company post transaction.

Dependence on suppliers and skilled labour

The ability of AAA Heidelberg to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that AAA Heidelberg will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by AAA Heidelberg's capital expenditure program may be significantly greater than anticipated by AAA Heidelberg's management, and may be greater than funds available to AAA Heidelberg, in which circumstance AAA Heidelberg may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of AAA Heidelberg.

Difficulty to forecast

AAA Heidelberg must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg and the Company post transaction.

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Operating risk and insurance coverage

AAA Heidelberg has insurance to protect its assets, operations, and employees. While AAA Heidelberg believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which AAA Heidelberg is exposed. In addition, no assurance can be given that such insurance will be adequate to cover AAA Heidelberg's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If AAA Heidelberg were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if AAA Heidelberg were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when the Company post transaction's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

AAA Heidelberg may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of AAA Heidelberg to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of AAA Heidelberg to deal with this growth may have a material adverse effect on AAA Heidelberg's business, financial condition, results of operations and prospects.

Conflicts of interest

Certain of the directors and officers of AAA Heidelberg and the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of AAA Heidelberg and the Company and as officers and directors of such other companies.

Litigation

AAA Heidelberg may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which AAA Heidelberg becomes involved be determined against AAA Heidelberg such a decision could adversely affect its ability to continue operating and the market price for the Company post transaction common shares and could use significant Company resources. Even if AAA Heidelberg is involved in litigation and wins, litigation can redirect significant company resources.

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The market price of the Company's post transaction's common shares may be subject to wide price fluctuations

The market price of the Company post transaction's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company post transaction and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company post transaction and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's post transaction control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, as well as general economic and political conditions which could adversely affect the market price of the Company's post transaction common shares.

Dividends

The Company pre or post transaction has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Environmental and employee health and safety regulations

AAA Heidelberg's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. AAA Heidelberg will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to AAA Heidelberg's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg and the Company post transaction.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

COMMITMENTS

On January 28, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "consultant"). The consultant acts as the Chief Executive Officer and a director of the Company. A monthly consulting fee of \$6,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. On March 1, 2014, the agreement with McLeary Capital Management, Inc. was terminated and the termination clause waived. Mr. McLeary has resigned as an officer and director of the Company.

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On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), for the consultant to continue to act as primary technical consultant and a director of the Company. Effective, January 1, 2013, a monthly consulting fee of \$5,000 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. On March 1, 2014, the agreement with Foremost Geological Consulting was terminated and the termination clause waived.

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned jointly by Mark McLeary, a former officer and director, and Ian Foreman, a current director. The agreement provides for Foremost Management Services Inc. to earn an administration fee calculated as 10% of all incurred monthly expenses in exchange for managing the affairs of the Company. Effective October 1, 2013, the agreement was amended to include a sublease agreement for \$500 per month representing rent for one office. On March 1, 2014, the Company amended the sublease agreement to \$1,000 per month, inclusive of the goods and services tax, effective October 1, 2013. At December 31, 2013, \$4,436 (December 31, 2012 - \$1,478) due to Foremost Management Services Inc. was included in the amount due to related parties.

On March 1, 2014, the Company entered into a Management Consulting Services Agreement with Foremost Management Services Ltd., a private company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to provide management consulting services to the Company for a one year period and then on a month to month basis thereafter. The contract may be cancelled by either party after the first year on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to one year's annual fees. In the event the management consultant breaches the terms of the agreement, no notice is required by the Company. Upon termination of the contract, the management consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until such time as the management consultant no longer holds unexercised stock options in the Company. The options will not be cancelled or have an expiry date upon termination. On exercise of the management consultant's options, the relationship between the consultant and the Company will cease. A monthly consulting fee of \$7,500 is payable along with the issuance of 500,000 stock options in the Company. These options were subsequently granted on March 12, 2014 at an exercise price of \$0.16 per share, with an expiry date of March 11, 2019. The options vest immediately.

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US\$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation. The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the year ended December 31, 2013 and 2012:

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	Administration			Director		Share-Based Compensation	December 31, 2013 Total
	Accounting	Fees	Consulting	Fees	Rent		
Foremost Geological Consulting	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Foremost Management Services Inc.	-	1,869	-	-	2,857	-	4,726
Graphene Corp.	-	-	30,000	-	-	-	30,000
Ian Flint	-	-	20,750	-	-	6,381	27,131
McLeary Capital Management, Inc.	-	-	78,000	-	-	-	78,000
T. St. Denis, Inc.	25,170	-	-	-	-	-	25,170
Timeline Filing Services Ltd.	-	-	4,500	-	-	-	4,500
Yari Nieken	-	-	17,000	2,933	-	1,244	21,177
	\$ 25,170	\$ 1,869	\$ 210,250	\$ 2,933	\$ 2,857	\$ 7,625	\$ 250,704

	Administration			Director		Share-Based Compensation	December 31, 2012 Total
	Accounting	Fees	Consulting	Fees	Rent		
Fehr and Associates	\$ 14,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,289
Foremost Geological Consulting	-	-	42,000	-	-	-	42,000
Laara Shaffer	-	-	835	-	-	3,168	4,003
Lindsay Bottomer	-	-	1,250	6,000	-	-	7,250
McLeary Capital Management, Inc.	-	-	78,000	-	-	-	78,000
T.St. Denis, Inc.	15,240	-	-	-	-	-	15,240
Timeline Filing Services Ltd.	-	-	12,000	-	-	-	12,000
	\$ 29,529	\$ -	\$ 134,085	\$ 6,000	\$ -	\$ 3,168	\$ 172,782

On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), for the consultant to continue to act as primary technical consultant and a director of the Company. Effective January 1, 2013, a monthly consulting fee of \$5,000 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. At December 31, 2013, \$87,570 (December 31, 2012 - \$23,520) due to Foremost Geological Consulting was included in the amount due to related parties. Subsequent to the year end, this agreement was terminated and the termination clause was waived.

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned jointly by Mark McLeary, a former office and director, and Ian Foreman, a current director. The agreement provides for Foremost Management Services Inc. to earn an administration fee calculated as 10% of all incurred monthly expenses in exchange for managing the affairs of the Company. Effective October 1, 2013, the agreement was amended to include a sublease agreement for \$500 per month representing rent for one office. On March 1, 2014, the Company amended the sublease agreement to \$1,000 per month, inclusive of the goods and services tax, effective October 1, 2013. At December 31, 2013, \$4,436 (December 31, 2012 - \$1,478) due to Foremost Management Services Inc. was included in the amount due to related parties.

Graphene Corp. is a private company owned by the former President, Dr. Ian Flint, through which Dr. Flint provided consulting services to the Company. At December 31, 2013, \$30,000 (December 31, 2012 - \$Nil) due to Graphene Corp. was included in the amount due to related parties.

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Dr. Ian Flint is the former President of the Company and provided consulting services to the Company. Dr. Flint was granted 80,000 stock options on January 16, 2013 with an exercise price of \$0.50, an expiry date of January 16, 2016, and a fair value of \$6,381. These options were cancelled on March 19, 2014.

At December 31, 2013, \$4,557 (December 31, 2012 - \$122) due to Mark McLeary for reimbursement of expenses was included in the amount due to related parties.

On January 28, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "consultant"). The consultant acts as the Chief Executive Officer and a director of the Company. A monthly consulting fee of \$6,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. At December 31, 2013, \$126,945 (December 31, 2012 - \$43,680) due to McLeary Capital Management Inc. was included in the amount due to related parties. Subsequent to the year end, this agreement was terminated and the termination clause was waived. Mr. McLeary has resigned as an officer and director of the Company.

T. St. Denis, Inc. is a private accounting firm owned by the current Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. At December 31, 2013, \$20,459 (December 31, 2012 - \$Nil) due to T. St. Denis, Inc. was included in the amount due to related parties and \$6,000 was included in accounts payable and accrued liabilities.

Timeline Filing Services Ltd. is a private company owned by the Corporate Secretary, Laara Shaffer. At December 31, 2013, \$2,625 (December 31, 2012 - \$Nil) due to Timeline Filing Services Ltd. was included in the amount due to related parties.

Yari Nieken is a director and President of the Company. At December 31, 2013, \$721 (December 31, 2012 - \$Nil) due to Mr. Nieken was included in the amount due to related parties. Mr. Nieken was granted 50,000 stock options on January 8, 2013 with an exercise price of \$0.50, an expiry date of January 8, 2014, and a fair value of \$1,244. These options have expired.

Fehr and Associates is a private accounting firm owned by the former Chief Financial Officer, Ann Fehr. Fehr and Associates provided accounting services to the Company. At December 31, 2013 and 2012, no amount was owing to Fehr and Associates.

Golden Sun Mining Corp. is a public company with common directors. At December 31, 2013, there was a loan payable to the company in the amount of \$20,969 (December 31, 2012 - \$Nil) and \$15,287 (December 31, 2012 - \$32,500) included in the amount due to related parties. On March 10, 2014, the loan payable was repaid including principal and accrued interest was \$21,120 along with the \$15,287 due to related parties.

Ian Foreman is a director of the Company. At December 31, 2013, \$1,113 (December 31, 2012 - \$Nil) was due to Mr. Foreman and included in the amount due to related parties.

Lindsay Bottomer is a former director of the Company and received director fees. At December 31, 2013, \$6,160 (December 31, 2012 - \$6,160) due to Mr. Bottomer was included in accounts payable and accrued liabilities.

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CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Fair value of financial instruments**

The carrying values of cash, accounts payable and accrued liabilities, amounts due to related parties, and loans payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2013 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

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Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At December 31, 2013, the Company has interest bearing loans payable which were repaid subsequent to the year end. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at December 31, 2013 which bear interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk to the extent that all monetary assets and liabilities are denominated in Canadian currency and all operations are in Canada to date.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

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Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sale of its equity or debt securities to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

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Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

The Company's mineral properties are located in Canada; accordingly, future changes in exchange rates do not affect the viability of exploring and development these mineral properties at this time.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings to further exploration programs

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a 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 for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

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SIGNIFICANT ACCOUNTING POLICIES**Financial instruments**

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. The Company has not classified any financial assets as fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash is classified as loans and receivables.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

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Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, amounts due to related parties, and loans payable which are recognized at amortized cost.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash and subject to insignificant interest or credit risk.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral claims, and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral claims are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes net income (loss) costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount and the Company recognizes this as a gain on sale of mineral rights.

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All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they will be charged to profit or loss.

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

Joint venture accounting

Certain of the Company's exploration and evaluation asset activities are conducted with others; accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Share capital**Common shares**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for warrants.

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Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company also derecognizes the liability on the flow-through share premium, as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from equity reserve to accumulated deficit.

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

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Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of exploration and evaluation assets.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of exploration and evaluation assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. For the year ended December 31, 2013, the Company wrote off \$1,624,711 (December 31, 2012 - \$nil) of exploration and evaluation assets.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statement of comprehensive loss. For the year ended December 31, 2013, the Company recognized \$7,625 (December 31, 2012 - \$44,651) as share-based compensation expense.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR**IFRS 10 Consolidated Financial Statements**

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces *Standing Interpretations Committee 12 Consolidation – Special Purpose Entities* (SIC 12) and IAS 27 *Consolidated and Separate Financial Statements* (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights.

Management has determined that the adoption of IFRS 10 has no impact on the Company's financial statements as it does not have any subsidiaries at this time.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 *Joint Arrangements* (IFRS 11), in addition to IFRS 10 and IFRS 12. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

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Management has determined that the adoption of IFRS 11 has no impact on the Company's financial statements as it does not have any joint arrangements at this time.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

Management has determined that the adoption of IFRS 12 has no impact on the Company's financial statements as it does not have any subsidiaries or joint arrangements at this time.

Other

In January 2013, the IASB issued amendments to IAS 27 *Separate Financial Statements*, which aligns the new consolidation guidance prescribed in IFRS 10, *Consolidated Financial Statements*, as it applies to investments in subsidiaries, joint ventures, and associates when an entity either elects or is required by local regulations to prepare separate financial statements in accordance with IFRS.

In January 2013, the IASB issued amendments to IAS 28 *Investments in Associates and Joint Ventures*, which was amended as a consequence of the issue of IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; and IFRS 12, *Disclosure of Interests in Other Entities*. IAS 28 provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Management has determined that the adoption of IFRS 27 and 28 have no impact on the Company's financial statements as it does not have any subsidiaries, joint ventures, associates, or joint arrangements at this time.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**IFRS 9 Financial Instruments**

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

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CAPITAL RESOURCES

Common shares

	Number	Issue Price	Amount
Balance at December 31, 2012 and December 31, 2013	7,602,574	-	\$ 11,173,347
Private placement	13,256,000	0.05	662,800
Balance at April 24, 2014	20,858,574		\$ 11,836,147

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2012	4,478,720	1.250
Warrants expired	(3,226,720)	1.170
Balance at December 31, 2013	1,252,000	1.600
Warrants expired	(252,000)	2.000
Warrants issued	13,256,000	0.075
Balance at April 24, 2014	14,256,000	\$ 0.175

Expiry Date	Number of Warrants	Exercise Price
January 28, 2015 ⁽¹⁾	1,000,000	\$ 1.500
September 10, 2015	13,256,000	0.075
	14,256,000	\$ 0.175

(1) On December 14, 2012 the TSX Venture Exchanged consented to the extension date of 1,000,000 warrants that originally expired on January 28, 2013 to January 28, 2015.

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Agent warrants

	Number of Agent Warrants	Weighted Average Exercise Price
Balance at December 31, 2012	136,070	\$ 0.80
Agent warrants expired	(136,070)	0.80
Balance at December 31, 2013	-	-
Agent warrants granted	312,000	0.075
Balance at April 24, 2014	312,000	\$ 0.075

Expiry Date	Number of Agent Warrants	Exercise Price
September 10, 2015	312,000	\$ 0.075

Stock Options

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2012	330,000	\$ 0.900
Options granted	130,000	0.810
Options cancelled	(170,000)	0.970
Balance at December 31, 2013	290,000	0.710
Options cancelled	(80,000)	0.500
Options expired	(50,000)	0.500
Options granted	1,500,000	0.160
Balance at April 24, 2014	1,660,000	\$ 0.240

Grant Date	Expiry Date	Number of Options Outstanding	Exercise Price
January 4, 2011	January 4, 2016	160,000	\$ 0.875
March 12, 2014	March 11, 2019	1,500,000	0.160
		1,660,000	\$ 0.240

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Agent Options

	Number of	Weighted Average
	Agent Options	Exercise Price
Balance at December 31, 2012	51,200	\$ 1.25
Agent options expired	(51,200)	1.25
Balance at December 31, 2013 and April 24, 2014	-	\$ -

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.