MAG ONE PRODUCTS INC.

Management's Discussion & Analysis

Quarter Ended December 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
QUARTER ENDED DECEMBER 31, 2017
FORM 51-102F1

DATE AND SUBJECT OF REPORT

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of the operations of Mag One Products Inc., ("Mag One", the MOPI", or the "Company") for the quarter ended December 31, 2017.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the quarter ended December 31, 2017. The Company's financial statements and other important information of the Company such as press releases and informational circular are available at www.sedar.com. This MD&A has been prepared effective as of March 1, 2018.

FORWARD LOOKING STATEMENTS

This MD&A contains or incorporates forward-looking statements within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only Mag One's expectations, estimates and projections regarding future events.

While the company considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are subject to risks and uncertainties that are difficult to predict. The results or events set forth in forward-looking statements may differ materially from actual results or events. Several factors could cause our actual results or events to differ materially from those expressed in forward-looking statements including, but not limited to, the following: a number of risks and uncertainties relating to the techno-economic viability of the proposed technology for producing Magnesium metal, magnesium compounds and by-products, including the failure to satisfy all required conditions, including required regulatory approvals, any significant impairment of the carrying amount of certain of our assets; variations from our assumptions with respect to foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities, and effective tax rates; fluctuations in supply and demand in the magnesium-based products markets; changes in competitive pressures, including pricing pressures; adverse or uncertain economic conditions and changes in credit and financial markets; economic and political uncertainty around the world; changes in capital markets; inadequate insurance coverage for a significant liability; inability to obtain relevant permits for our operations; catastrophic events or malicious acts, including terrorism; certain complications that may arise in our manufacturing process; our ability to attract, develop, engage and retain skilled employees; rates of return on, and the risks associated with, our investments and capital expenditures; timing and impact of capital expenditures; the impact of further innovation; adverse developments in pending or future legal proceedings or government investigations; and violations of our governance and compliance policies.

As a result of these and other factors, there is no assurance that any of the events, circumstances or results anticipated by forward-looking statements included or incorporated by reference into this MD&A will occur or, if they do, of what impact they will have on our business, our performance, the results of our operations and our financial condition. Forward-looking statements are given only as at the date of this report and the company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

OVERALL PERFORMANCE

Mag One Products Inc. was incorporated on June 18, 2007 in British Columbia, Canada. The Company's head office is located at Suite 145 – 925 Georgia Street West, Vancouver, V6C3L2. The Company's shares are currently traded on the Canadian Securities Exchange ("CSE") under the symbol "MDD and are also listed on the Börse Frankfurt stock exchange ("Frankfurt") with the ticker symbol "304" and on the OTCBB symbol, "MGPRF".

The Company's principal business is the development and commercialization of technologies for the processing and production of magnesium (Mg) metal and Mg-related compounds and byproducts and co-products from serpentinite tailings.

Following is a summary of the significant operating events during the period:

Research and Development

Last year it was reported that Mag One demonstrated that its MgO manufacturing processes has the potential to produce greater than 98 weight percent pure MgO, as well as a saleable byproduct. It was also shown that the silicon contained within the serpentinite tailings that Mag One is using, can be transformed into high-value amorphous silica (SiO2), which has potential commercial applications in the construction industry as a replacement for silica fume in concrete and in the rubber tire industry as a replacement for carbon black. Furthermore, the iron residue from the magnesium recovery process contains nickel, which has potential value for existing nickel recovery operations. Therefore, Mag One's MgO + SiO2 manufacturing is targeted to be essentially a near 'zero discharge' operation.

Mag One received $148,500 in February 2017 from Invéstissement Québec (IQ) as an advance towards the non-refundable contribution of up to $495,000. This significant funding towards Phase I of Mag One's Hydrometallurgical Pilot Plant (high-purity magnesium oxide ("MgO") and SiO_2) went towards the purchase of essential pilot equipment, onsite project management and operations, consumables and engineering costs. This pilot plant is essential in attempting to demonstrate to potential customers interested in offtake agreements who need to confirm the physical and chemical characteristics of these products prior to establishing pricing and supply agreements. In addition, results from the pilot plant will be used to engineer the commercial plant.

On March 22, 2017 Mag One issued a clarification disclosure in which past disclosures provided estimates of tonnes and grades with respect to its project. Mag One retracted past disclosures regarding estimates of tonnes and grade with respect to its project site in Quebec. Mag One however re-confirms that it is under contract to secure a significant quantity of serpentinite tailings produced by the former Mine Jeffrey operations at the Company's project site in Quebec. Prior statements regarding tonnes in its stockpile and concentrations or presence of mineralization were non-compliant and restricted. The information included contract representations by Mine Jeffrey Inc. as well as production reports from previous mining operations.

In June 2017 Mag One acquired the rights to process additional serpentinite tailings, located in Thetford Mines, QC, which is only 35 miles away from the Company's other serpentinite tailings stockpile, located adjacent to Mine Jeffrey. The Company also acquired the rights to the NI 43.101 Technical Report on Resources Estimation associated with these tailings which is being treated as an historical estimate. The report focused on the nickel content in the tailings of special interest are the following oxide contents of magnesia and silica along with nickel found in the serpentinite tailings: MgO 38% (23% Magnesium), SiO_2 39% (18% Silicon), Ni 0.23%

In July 2017 a press conference was held at the Mag One Pilot Plant Facility. The Canadian federal government and Quebec provincial government formally acknowledged their support for the Centre d'innovation Minière de la MRC des Sources' (CIMMS) projects by making a non-repayable $2,500,000 financial contribution to the CIMMS. Mag One was identified as the first client of CIMMS.

In October 2017 Mag One received positive feedback on its commercial high-purity magnesium oxide (MgO) and silica (SiO_2) project description submitted during the summer to the Quebec Ministry of the Environment ("MDDELCC"). Specifically, Mag One learned in this communication that the proposed project in Southeastern Quebec will not be subject to an environmental evaluation, a process which is often lengthy and costly. As such, the process to obtain a certificate of authorization (CA) for the environmentally-friendly commercial 30,000 tonnes/year (tpy) high-purity magnesia and 33,000 tpy silica plant will be simpler, faster and more cost-effective, given that less administrative measures are involved. Mag One is aware, however, that MDDELCC is reviewing specific legislation in 2018 which may impact their environmental evaluation decision.

In November 2017 Mag One produced a NI 43-101 Summary of Current and Scientific Technical Information. The report is entitled "Magnesium Bearing Waste Dumps Recycling Project". Mag One is committed to processing the Jeffrey Mine tailings to recover magnesium, silica and nickel. The Jeffrey Mine extracted more than 100M tonnes of chrysotile fiber from 1886 to 2012. Historical data further indicate that 188M tonnes of tailings were produced from the Jeffrey Mine and about 25% of that quantity has been made available under contract for Mag One's project. The available tailings, as a result of this historical production, are prepped in their present state and are not toxic. Using the available data, it is not possible to calculate a Mineral Resource nor a Mineral Reserve for this project. The two independent Authors, namely Jacques Marchand, a Quebec Ingénieur Géologue Conseil and Qualified Person per NI 43-101 and Christian Derosier a Professional Geologist, MSc, DSc and Qualified Person per NI 43-101, are however able to disclose a potential quantity and grade, expressed as ranges, of a target for further exploration. Specifically, the northern part of Mag One's Jeffrey tailings averages 38.5% +/-0.3% MgO (23.2% +/-0.3% Mg) and is considered representative of the 81,000 m^3 sampled in 2015. The volume of tailings that are therefore available to Mag One range from 0.08 to 18M cubic meters of chrysotile with a grade range of 26 to 41% MgO. Considering the compositional homogeneity of the tailings that were generated from the mine production rejects along with the historical tailings testing that was carried out by the Centre de Recherche Minerale (CRM), the independent Authors believe that the average compositional grades might be representative of the 3M m^3 of the shallower part of the tailings but caution that this is not a mineral resource estimate. The Authors confirm that the potential quantity and grade discussed above is conceptual as there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource. The basis for the determination of the potential volume is based on surveying done in 2015 and before. A resource/reserve calculation might be useful but in the Authors' opinion will not add material value to the project.

In January and February of 2018, the Company received $256,467 and $90,033 respectively as part of its contribution agreement with Investissement Québec ("IQ") as a non-refundable reimbursement for the Phase I Pilot Plant of which has closed as of date of the MD&A. Up until this date, the advances were treated as a liability, as the terms of the government grant call for an application to be filed which includes an independent auditor’s opinion on the qualified expenditures eligible for 44.09% reimbursement. The Company completed its first formal application in December 2017, and another in January of 2018, which were both approved shortly thereafter, resulting in a total of $495,000 of reimbursed expenditures received by the Company since February of 2017. As Mag One has completed Phase 1 in February 2018, the Company will submit a proposal for Phase 2 support in March of 2018.

In conjunction with the pilot plant efforts ongoing in Quebec, Mag One’s Tennessee operations have been working diligently to advance the method for transforming the high-purity MgO into magnesium metal. Refining the specific reactions and evaluating the economics of the specific technological methods to be employed are amongst the current work in progress.

Technical disclosure within this MD&A was prepared and approved by Gillian Holcroft B.Eng., M.Eng., a Qualified Person as defined by NI 43-101.

In February of 2017, the Company announced that its President and CEO of its wholly-owned subsidiary, Mag One Operations Inc., Ms. Gillian Holcroft was appointed to the Board and accepted the role and duties of President of MOPI, the public company. Similarly, it was announced that Mag One’s Chairman, Mr. Nelson Skalbania would also assume the role of interim CEO following the resignation of Mr. Lucky Janda. Subsequent to the year, in December the Company announced the appointment of Rod Burylo to the Board, replacing Charn Deol.

Financing Summary

- During the period ended December 31, 2017, the Company issued 2,905,940 units at $0.20 per unit for gross proceeds of $581,188. Each unit consisted of one common share and one full share purchase warrant, exercisable to one common share at $0.50 for a period of two years after issuance.
- During the period ended December 31, 2017 the company issued 100,000 common shares as a result of the exercise of warrants at $0.50 per share for gross proceeds of $50,000.
- During the period ended December 31, 2017 the company issued 990,000 common shares as a result of the exercise of options at $0.30 per share for gross proceeds of $297,000.
- The Company is actively seeking investors, financing and end-users of its products (for offtake agreements) to secure funding to permit ongoing construction of its pilot plant and other projects.

OUTLOOK

Business outlook

Mag One’s goal is to be a global leader in the Magnesium industry with high-purity Mg compounds and Mg metal, using its technology, process and unique modular expansion method. The intent is for the initial module to generate sufficient revenues to be break-even or better and more importantly to demonstrate to potential offtake clients that the company is capable of producing on-spec product at a commercial scale. MagOne’s strategy is to then add more processing modules as market demand increases and financing is arranged.

Mag One’s projects are all located in the province of Quebec, near the Company’s secured serpentinite tailings pile. These projects will include an assembly plant for Mg-based wall panels, a commercial plant for the production of high-purity MgO and other Mg compounds, byproducts and coproducts including SiO2, and possibly Ni and ultimately, 99.9% pure Mg metal ingots. The location has numerous benefits: local available skilled labour, very low electrical costs, on road and rail and support of the Quebec Provincial government. The Company’s operating subsidiary, Mag One Operations Inc. will oversee all projects, be responsible for coordinating construction, staffing, technology, equipment, etc. allowing the same management infrastructure to manage/operate all of the Company’s modular operations, which will help reduce operating costs.

Because Mag One’s operations are largely decoupled, the Company can execute these efforts as distinct projects. In addition, the Company can reduce fixed operating costs by sharing Mag One’s management infrastructure over these various divisions making overall operations more cost -effective. Mag One is proud to find a solution to transform what is considered an industrial waste into environmentally friendly products. The objective is to create a Magnesium Valley that will provide jobs and opportunities in southwest Quebec and at the same time provide a stable and secure Canadian source of Mg metal.

SELECTED ANNUAL INFORMATION

The following table includes selected annual information of the last three recent years:

	2017 $	2016 $	2015 $
Revenue	-	-	-
Loss from continued operations	(2,834,829)	(5,536,814)	(600,841)
Loss from continued operations per share, basic and diluted	(0.08)	(0.17)	(0.02)
Net income (loss)	(2,972,782)	(5,544,256)	306,790
Earnings (loss) per share, basic and diluted	(0.08)	(0.17)	0.01
Non-current liabilities	-	-	-
Total assets	508,335	504,196	440,377
Cash dividend	-	-	-

During the second half of fiscal 2015, the Company spun out all of the subsidiaries that were making investment in real estate and farming projects and changed its principal business into development and commercialization of technologies for the processing and production of magnesium (Mg) metal and Mg-related compounds and by-products. As a result, the amount of total assets reduced significantly in 2015. As the Company ramped up its activities related to Mg technology commercialization, it incurred higher losses in 2016 and 2017 compared to 2015. The Company expects to incur more expenditures in fiscal 2018 as it continues to develop its magnesium businesses.

SUMMARY OF QUARTERLY RESULTS

The Company does not expect to earn revenue in FY 2018 unless it is successful in finalizing joint venture agreements with a revenue generating Mg related business. The Company does intend to continue to secure financing through private placements and if successful by securing off take agreements for its Mg related products and by-products.

The table below sets out the recent eight quarterly results of the Company.

	Q1 2018	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**	**Q2 2016**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net loss from continued operations	(696,688)	(1,667,144)	(461,829)	(434,225)	(415,584)	(1,289,545)	(343,527)	(407,855)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.01)	(0.01)

The Company's operating expenses have been fairly consistent over the past eight quarters, except for Q4, 2016 Q4, 2017 when the Company recognized share-based compensation of $474,320 and $756,992, respectively.

RESULTS OF OPERATIONS

The Company's results of 2018 compared to the results of 2017 are as follows:

Three months ended December 31,	**2017**	**2016**	**2017 - 2016**	**Ref**
	$	$		
Expenses				
Amortization	74,637	-	74,637	1
Office and administration	21,455	17,155	4,300	
Promotion and investor communication	140,500	51,904	88,596	2
Research	255,398	182,247	73,151	3
Professional and consulting fees	165,375	132,537	35,838	4
Travel	33,483	19,476	14,007	2
Trust and filing fees	4,260	4,648	(388)	
Total operating expenses	(695,108)	(407,967)	(290,141)	
Net loss	(696,688)	(415,584)	(281,104)	

1	*Amortization increased due to plant, equipment and intangible assets not on hand in the relative quarter.*
2	*The Company was more active in the current period with respect to promotion and investor activities relative to the comparative period with the needs to raise capital and fund operations. As such, the Company met with current and potential Canadian, US and European investors during the period to provide updates and engage accordingly along.*
3	*Research increased relative to the comparative period as the Company was more focused on the Phase 1 pilot plant activities which closed in February of 2018. In Q1 2017 the pilot project was just being initiated, and in Q1 2018 it was in full operations generating key results, This enabled the Company to*

	close off Phase 1, and move onto Phase 2 preparations.
4	*With the increased efforts in Quebec, Mag One engaged additional technical consultants to support the additional Pilot Pant activities and technology development relative to the comparative period. In addition, accounting and legal consultants were engaged to address financial reporting and compliance matters.*

LIQUIDITY & CAPITAL RESOURCES

Financing of operations has been achieved primarily by equity and debt financing. On December 31, 2017, the Company had a working capital deficiency of $815,080. The Company is not subject to external working capital requirements. The Company is in the process of raising more equity financing in order to finance the Company's operations and to eliminate the working capital deficiency.

Management realizes that the capital and liquidity on hand is not adequate for the Company to achieve its long-term business objectives. While the Company could raise financing when needed in the past, there is no guarantee that the Company can do so in the future.

TRANSACTIONS WITH RELATED PARTIES

Compensation paid to key management and directors

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

Three months ended December 31,	**2017** $	**2016** $
Chairman of the Board	24,000	24,000
President and CEO of a subsidiary	36,000	24,000

Amounts due from related parties

	December 31, 2017 $	**September 30, 2017** $
Chairman of the Board	-	56,000

Amounts due to related parties

	December 31, 2017 $	September 30, 2017 $
Chairman of the Board	12,000	-
Companies with common directors and management	24,300	56,300
Notes payable to related parties (see below)	152,038	150,526
	188,338	206,826

Except for the notes payable to related parties below, all amounts owing to related parties do not bear any interest, are unsecured and are due on demand.

Related companies

The Company owed $12,000 to Regal RV Resorts Ltd. Controlled by Lucky Janda, the former CEO of the Company.

The Company owed $6,000 to Innovative Properties Inc. Controlled by Lucky Janda, the former CEO of the Company.

The Company owed $3,150 to each of Grand Peak Corp. and JG Wealth Management Corp., both companies controlled by Sonny Janda, a former Director of the Company.

Notes payable

During the year ended September 30, 2016, the Company had a promissory note payable of $100,000 owing to a Company controlled by the former CEO. This note payable was unsecured, was bearing interest at 5% per annum, and was payable on demand.

During the year ended September 30, 2017, the Company issued another promissory note of $400,000 owing to the spouse of the Company's former CEO. This note payable was secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company, was bearing interest of 10% per annum, and was due on March 19, 2017.

On August 29, 2017, the Company settled amounts due to related parties in the amount of approximately $539,800 ($500,000 of promissory note and $39,800 accrued interests) by:

- A cash payment of $250,000;
- Issuance of a four month note payable in the amount of $150,000 secured by 1,500,000 common shares of the Company, with interest at 10% per annum along with a four month term; and
- Issuance of 100,000 common shares. The market price on the date of settlement of $0.215 was used for accounting purposes.

During the period, the above note payable in the amount of $150,000 was repaid by a related party. The amount is non-interest bearing and due on demand.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 44,147,283 common shares outstanding.

The following warrants and stock options are also outstanding as of the date of this MD&A.

Warrants

Number	Exercise price	Expiry date
412,500	$1.10	August 26, 2020
550,000	$1.10	August 16, 2018
312,000	$1.40	March 9, 2018
4,769,060	$0.50	August 17, 2019
2,905,940	$0.50	October 10, 2019
8,949,500		

Options

Number	Exercise price	Expiry date
3,010,000	$0.30	September 24, 2017

SUBSEQUENT EVENTS

Subsequent to September 30, 2017 the following events occurred:

On January 11, 2018, the Company received $256,467 from IQ in connection with formally filing its claim for a reimbursement of eligible expenditures incurred on its Phase 1 Pilot Plant. Upon approval of this reimbursement, the $148,500 advance from IQ as of September 30, 2017 was also formally approved for reimbursement as such became non-refundable.

On February 23, 2018 the Company received $90,033 from IQ in connection with filing another claim for reimbursement of eligible expenditures incurred on its Phase 1 Pilot Plant.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING POLICIES

The Company has not adopted new accounting policies during the year ended September 30, 2017.

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include expected life of equipment and property and the recoverability and measurement of deferred tax assets.

IFRS 9, *Financial Instruments* – The IASB intends to replace IAS 39, Financial Instruments: *Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*. This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any significant impact from the adoption of IFRS 15.

IFRS 16, *Leases*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet evaluated the impact of this standard on the Company's consolidated financial statements.

The Company has not changed its approach in handling the risks associated with its financial instruments since its recent quarter ended December 31, 2017.

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

Financial assets:		
Loans and receivables:		
Cash	19,475	19,475
Amounts due from related parties	-	56,000
	19,475	75,475
Financial liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable	570,694	334,468
Due to related parties	188,338	206,826
Notes payable	100,000	100,000
Advances by Investissement Quebec	148,500	148,500
	1,007,532	794,890

(b) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's cash was measured at fair value using level 1 inputs as at September 30, 2017.

As at December 31, 2017, the fair values of bank indebtedness, accounts payable, due to related parties and notes payable approximate their carrying values due to the relatively short-term maturity of these instruments.

RISK FACTORS

Risks of the Company's business include the following:

Competition
Magnesium Metal is a competitive market and the ability to secure offtake agreements with magnesium metal clients and customers is critical. The key to success is to ensure that a stable, low-cost ultrapure magnesium metal (and Mg-related byproducts and compounds) is produced at a price less than its competitors while the sale of products from its other related operations assists in revenue flow. The Company's other assets are its technology, process and innovative modular plant expansion design.

New Business
The Company currently does not have any contractual customers. To mitigate this risk, the Company is actively in discussion with several large companies who have shown great interest in purchasing the Company's magnesium based products. However, there is a risk that the Company may not be able to find sufficient customers at the early stages.

Market
The profitability of the Company's operations is significantly affected by changes in the market prices of the products. The level of interest rates, the rate of inflation, and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Project Execution Risk
The business is based on a novel, low-cost modular method for producing magnesium metal and magnesium oxide. Although the majority of the unit operations are commercially proven, several key processing steps need to undergo a technical and economic review and possible testing prior to engineering and construction. To mitigate this risk, this capital and operating cost review will be carried out by an independent engineering firm prior to detailed engineering design and construction of the facility.

Once the detailed engineering design is complete, there are no guarantee that the processing facility will be built on time and on budget. Any delays in receiving the appropriate environmental and construction permits, construction delays, as well as ramp up to full capacity may materially impact the Company's financial performance and cash flow. This risk, however is being mitigated through the design and construction of a modular facility. This approach limits the financial exposure and helps to ensure adequate cash flow prior to expanding production through additional modular units.

Key Personnel
The loss or departure of the Company's key management personnel, (if not immediately replaced) would have a material impact on delivering the novel magnesium processing facility. This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot plant and other operations is complete, this risk is further mitigated

The facilities' location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

Product Quality

The unique Magnesium process is designed to produce 99.9% wt. magnesium metal ingots. If the processing steps result in inconsistent product quality, then the Company may not be able to fulfill its contractual agreements to its customers which could adversely impact its financial performance, if the Company's other products sales are not high enough to compensate.

In addition to producing Magnesium ingots, the process is also designed to produce significant quantities of secondary Mg-related byproducts, co-products and compounds for sale to customers as well as its Mg-based panels for the construction industry and Mg-Air Fuel Cell development as commercial viability is determined. The Company is determined to create a solid, stable, Canadian source of Mg and its other products to enable both Canada and the USA to rely less on other foreign imports.

Consumable and Raw Material costs

The process is based on processing ongrade, already-mined, serpentinite tailings to produce magnesium metal and other related Mg byproducts. The Company has secured a long-term agreement for the raw material supply at a very low ($1.00/tonne as it is used) price. These two contracts (50 million+ tonnes) ensures a long-term raw material supply and as such this risk has been mitigated.

Because the process is based on novel technologies and unique modular plant design, the risk of higher consumable pricing from third parties has also been mitigated. In addition, the location of the production facility in Canada, specifically the province of Quebec is in a mining, industrial-friendly, abundance of skilled labour and extremely low-cost electrical power jurisdiction and a very supportive Quebec government.

Property Damage

The facility will be insured against loss of property as well as other insurances to protect against certain risks. The Company, however cannot insure against operator error, improper maintenance, and general equipment failure. As such these events may increase the overall operational costs of the facility and thus impact the profitability of the Company.

Environmental and Safety Compliance

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety non-compliance.

Intellectual Property

The Company has significant know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the

competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

OFFICERS AND DIRECTORS

Mr. Nelson Skalbania, Chairman, CEO & Director
Ms. Gillian Holcroft, President & Director
Dr. James Blencoe, Chief Technology Officer & Director
Mr. Rod Burylo, Director