MAG ONE PRODUCTS INC.

Management's Discussion & Analysis

Year Ended September 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2018
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 year ended September 30, 2018.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2018. 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 February 27, 2019.

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, Mg-related compounds, byproducts and co-products from serpentinite tailings.

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

<u>Research and Development</u>

Last year it was reported that Mag One demonstrated that its MgO manufacturing processes have 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 (SiO_2), 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. Not only does the high-purity MgO have a significant commercial market, it will also serve as a feedstock for Mag One's innovative aluminothermic reduction process to produce magnesium metal. Furthermore, the iron residue from the magnesium recovery process contains nickel, which has potential value for existing nickel recovery operations. Therefore, Mag One's chlorine-free approach to transform serpentinite tailings into high purity MgO and SiO_2 is targeted to be essentially a near 'zero discharge' operation.

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 ("MELCC"). 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 the MELCC has implemented specific legislation in 2018 which may impact their environmental evaluation decision. Management's decision to begin permitting efforts, a key requirement for commercial operations, has not been based on results from a feasibility study of mineral reserves that would demonstrate economic and technical viability of the project. Without this study there is increased uncertainty and increased economic and technical risks. Management does intend to engage an engineering firm to carry out a pre-feasibility study once the pilot plant effort is nearing completion and will use the pilot data as a basis for the study.

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.

Between August 2018 and December 2018 the Company negotiated no cost extensions to the Jeffrey Mines (50M tonnes Serpentinite) and the Thetford Mines (60M tonnes Serpentinite tailings) option agreements.

In November, 2017 the Company provided an update on its Phase 1 hydrometallurgical pilot plant ("Pilot Plant") in which seven pilot trials were performed with each successive test showing improved performance. Specifically amorphous silica, having a purity >88% and a surface area > 300 m2/g, along with the precursor magnesium compound having a purity of ~99.0% have been observed. The intent is to engage two separate third-party industrial research groups to evaluate and qualify the amorphous silica produced by the pilot plant for value-added incorporation into high performance concrete, rubber, and other materials. The purpose of the Pilot Plant, designed to process 100 kg/hr of serpentinite tailings, is two-fold: (1) to gather engineering data in order to design, build and operate a commercial 30,000 metric ton per year MgO production facility in Southeastern Quebec; and, (2) to generate MgO and amorphous silica for qualification purposes by third parties, including potential customers, for establishing offtake agreements. In August 2018, the Company filed a patent application for its novel approach to transforming serpentinite tailings into high purity Magnesium oxide and high purity amorphous silica.

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 which was approved shortly thereafter, resulting in a total of $495,000 of reimbursed expenditures to date. Mag One completed the Phase I Pilot Plant in February 2018 and received the balance of funds on the non-refundable contribution agreement from IQ on February 23, 2018. The reimbursement was based on eligible and qualified expenses.

In December 2017 the Company welcomed a new Independent Director to its Board, Mr. Rod Burylo, CIM, FCSI, (Chartered Investment Manager and Fellow of the Canadian Securities Institute.), replacing Charn Deol. Mr. Burylo has thirty years of investment management, business development, and governance experience with a focus on capital markets. In addition, he has specialized experience in the review and management of both private and public securities. His current experience in compliance and ethics, financial services, and as an international speaker and educator will greatly benefit Mag One.

In February 2018 the Company applied for a grant as part of the Canadian Clean Growth Program. The application was to advance the engineering for a 30,000 TPY MgO plant. The Company was advised in June 2018 that its application was selected to submit a final proposal due in August 2018. Mag One was amongst 100 companies selected to submit a full proposal out of ~800 submissions.

To qualify Mag One's amorphous silica with industry players such as Holcim-Lafarge, Ciment Quebec and others, in May 2018, Mag One began working with the University of Sherbrooke's (UdS) Civil Engineering department experts to carry out qualification testing required for use certification of this material in structural high performance concrete. The UdS team are world leaders in the development of high performance concretes, including the development and use of novel supplementary cementitious materials such as amorphous silica. In parallel, Mag One is investigating non-structural concrete, composite and rubber applications for our amorphous silica. Beginning in May 2018, Mag One initiated work with CTTÉI, a Quebec-based Industrial Ecology Technology Transfer Centre, who is currently reviewing applications for the silica. CTTÉI specializes in identifying and developing commercial applications for by-product and waste streams from a wide variety of industries to enable recycling and re-use of materials. In August 2018 CTTÉI provided an initial report on their findings which the Company is currently reviewing and which looks very promising.

In May 2018 the Company accepted the resignation of Dr. James Blencoe and announced that it had entered into a Technology Agreement (the "Agreement") with Tech Magnesium (or "Tech Mag"). Tech Mag and its founder, Dr. Douglas Zuliani, possess several magnesium-related production technologies that Mag One is confident will bring new value to the Company and its shareholders, by helping to rapidly commercialize the production of Mg metal. Tech Mag also possesses experience and proprietary knowledge of casting, extrusion, rolling and other wrought processing and fabrication methods for magnesium metal and alloys which will also be presented to Mag One. Under the Agreement, Tech Mag will also provide both technical and commercial support for Mag One's commercialization efforts. Mag One's goal is to rapidly evaluate synergies that can be leveraged from Tech Mag that will help accelerate the Company's road to production and revenue generation. Dr. Zuliani has nearly forty years of experience in metals production and processes. From 1985 to 2001, he held a number of senior management positions with Timminco Ltd., the most recent being Vice President – Manufacturing and Technology. In this position, he had responsibilities for Timminco's magnesium and specialty metals facilities as well as for the company's R&D, market development and capital/engineering programs. Between 2007 and 2013, Dr. Zuliani collaborated with Gossan Resources on the development of the Zuliani Process. After completion of the Gossan contract, Dr. Zuliani subsequently brought the Process and the other technologies back under the Tech Mag umbrella. Between May and August 2018 Mag One and Tech Mag evaluated the synergies between the approaches for magnesium metal production. In August, negotiations began with Tech Mag to finalize a technology acquisition agreement. In January 2019 it was announced that Mag One and Tech Mag reached an agreement.

In August of 2018, the Company announced the resignation of Mr. Nelson Skalbania as the Company's Chairman and CEO of the Company. Mr. Skalbania will continue to serve on the Board. Ms. Gillian Holcroft has assumed the role of Chairperson, President and CEO of the Company. The Company also appointed Mr. William Thomas to the Board as well as the Company's CFO and Secretary.

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.

Financing Summary

- During the year ended September 30, 2018, the Company issued 2,047,990 units at $0.20 per unit for gross proceeds of $409,598 in connection with the private placements announced in the prior year. 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 year ended September 30, 2018, the Company issued 600,000 units at $0.20 per unit in full settlement of a note payable of $120,000. 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 year ended September 30, 2018, 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 year ended September 30, 2018, 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.
- During the year ended September 30, 2018, the Company received a loan proceeds of $50,000 from an arm's length party. The loan was personally repaid by Mr. Nelson Skalbania and is now part of subscriptions received in advance related to a non-brokered private placement of 250,000 units at $0.20 per unit. During the year, the Company received a further $50,000 from Mr. Nelson Skalbania towards this private placement. As of the date of these financial statements, these units have not been issued.
- During the year ended September 30, 2018, the Company received $150,000 related to the non-brokered private placement offering of convertible debentures of the Company. The convertible debentures mature three (3) years from the date of issuance, carries an interest rate of 8% per annum (interest paid annually, in advance) and is convertible to common shares of the Company at a conversion price of $0.50 per common share, (or at market price, whichever is less, subject to exchange approval). The convertible debentures have not been issued as of the date of this report.
- On November 26, 2018, the Company announced a non-brokered private placement of up to 20,000,000 units of the Company (each a "Unit"), at a subscription price of $0.10 per Unit and a half warrant at $0.25 for gross proceeds of up to $2,000,000. This Private placement was extended in January for an additional 45 days.
- 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.

In total the Company raised $1.48M by way of private placements in the prior year. The use of proceeds specifically from the private placements are as follows:

Use of Proceeds	Amount
Phase 1 Pilot Plant	$569,000
R&D to support pilot plant and Mg metal, including work performed by NAMC	$348,000
NI 4311 Tailings Report	$46,000
MagBoard	$49,000
MagPower	$23,000
Loan Repayment	$250,000
Working Capital	$196,000
Total	**$1,481,000**

The Company originally intended to employ more funds towards MagBoard during this period as the goal was to secure a small facility and begin steps to purchase equipment for assembling MagBoard products locally in Quebec. Key experts from this industry were engaged as planned and advised Mag One that although the market potential was significant for MagBoard and that the benefits were clear, the construction industry in this region is highly conservative. As such the time required for architects and building contractors to consider using a new material would be significant. Mag One's management realigned its MagBoard strategy to be more conservative by focusing its efforts on understanding the market barriers and to securing advanced sales prior to procuring equipment and building a facility to roll out the product.

The funds from the Private Placements were re-deployed to further advance the pilot plant and R&D efforts. In addition to these efforts some of the funds intended for MagBoard were used to complete the NI-43101 compliant Technical Summary report, to better understand the MagPower commercial landscape, to repay a loan and for general working capital purposes.

Funds received by way of exercise of options and warrants, were deployed for general working capital needs, and funds received from government funding were used for the Company's Phase 1 Pilot Plant.

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. In addition, the Company continues to apply for government grants and support to further the technology development efforts.

On May 14, 2018, as a result of a review by the British Columbia Securities Commission, was issued a Cease Trade Order as a result of non-compliant financial reporting. On August 17, 2018 the Company filed amended and restated financial statements and management's discussion and analysis for its most recent year ended September 30, 2017, for its first quarter ended December 31, 2017 and for its second quarter ended March 31, 2018. The Company's consolidated financial statements for these periods have been restated to correct for errors in the original financial statements. The amendments relate to corrections to the misclassification of certain amounts recorded to due from/to related parties, accounts payable and accrued liabilities, notes payable to related parties, note payable, share capital subscriptions received in advance, reserves, and subscription receivable as at September 30, 2017. The amendments also included the correction to arithmetical errors in the statements of cash flows. These financial statements also reflected a change to consulting and interest expenses that were not recorded in the previously issued audited financial statements. An adjustment was made to gain/(loss) on settlement of debt that was incorrectly calculated. Refer to note 18 of the consolidated financial statements for the year ended September 30, 2017 for the detail of the restatement adjustments

On October 22, 2018, as a result of a review by the British Columbia Securities Commission, the Cease Trade Order issued by the Commission on May 14, 2018 regarding the Company's non-compliant financial reporting was lifted. The Company also took measures to ensure that these non-compliances will not reoccur. Though alluded to in the Company's press release of August 22, 2018, along with the Company's Management Discussion and Analysis for Q3 2018 for purposes of clarity, please find below a list of corrective and preventative measures that were undertaken by the company:

- The Board appointed William Thomas, CPA, to be the company's Chief Financial Officer, as well as Corporate Secretary and Director. Mr. Thomas has over forty years of experience in international finance and has been the CFO for several publicly traded companies.
- Given that Mag One's project activities are primarily based in Quebec, all the Company's bookkeeping is now being managed by the Montreal office.
- In September, Mag One's board of directors authorized McMillan LLP, Barristers and Solicitors, as the agent of the Company to maintain and administer the Records Office of the Company.

- Gillian Holcroft, President and Director of Mag One assumed the role of Chairman and CEO. As Ms. Holcroft is based in Montreal, Quebec, she is well placed to assume the CEO role and to ensure a rigorous management of Mag One's accounting and operations.
- Nelson M. Skalbania, co-Founder and former Chairman & CEO of Mag One, stepped down from a day-to-day role in the Company, but remains on the Board of Directors.
- James G. Blencoe, Co-Founder, Chief Technology Officer and Director of Mag One stepped down from the Board and resigned from the Company.

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 SiO_2, 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:

	2018 $	2017 $	2016 $
Revenue	-	-	-
Loss from continued operations	(2,077,905)	(2,828,592)	(5,544,256)
Loss from continued operations per share, basic and diluted	(0.05)	(0.08)	(0.17)
Net income (loss)	(2,077,905)	(2,828,592)	(5,544,256)
Earnings (loss) per share, basic and diluted	(0.05)	(0.08)	(0.17)
Non-current liabilities	-	-	-
Total assets	258,499	452,335	504,196
Cash dividend	-	-	-

In 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 which continued into 2017 and 2018.

SUMMARY OF QUARTERLY RESULTS

The Company did not earn any revenue in fiscal 2018 and does not expect to earn revenue 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.

	Q4 2018	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net loss from continued operations	(270,140)	(498,186)	(342,657)	(966,922)	(1,516,954)	(461,829)	(434,225)	(415,584)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)	(0.01)	(0.01)	(0.01)

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

During Q1 2018, the Company recognized loss on settlement of debts of $271,902 related to the Company's issuance of 600,000 units to settle a note payable of $120,000. These units had a fair value of $392,231, including the shares valued at $246,000 and the warrants estimated at $146,231. The warrants were measured using the Black Scholes option pricing model with the following assumptions and inputs: expected life 2 years; volatility 131%; dividend yield 0%; and risk free rate 1.55%.

RESULTS OF OPERATIONS

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

Year Ended September 30,	2018	2017	2018 – 2017	Ref
	$	$		
Expenses				
Amortization	73,222	63,103	10,119	1
Office and administration	58,087	90,631	(32,544)	
Promotion and investor communication	240,771	311,931	(71,160)	2
Research	825,751	708,570	117,181	3
Professional and consulting fees	414,322	612,739	(198,417)	4
Share-based compensation	-	756,992	(756,992)	5
Travel	48,888	40,085	8,803	2
Trust and filing fees	27,885	25,865	2,020	
Total operating expenses	(1,688,926)	(2,609,916)	920,990	
Net loss	(2,077,905)	(2,828,592)	750,687	

1	*Amortization increased as a result of the amortization of the intangible assets that were acquired during fiscal 2017.*
2	*The Company was more active in 2017 with respect to promotion and investor activities 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. In 2018, the Company has less promotion and investor relations activities as a result of the Cease Trade Order (CTO) received during the fiscal 2018 restricting the Company with equity financing.*
3	*For fiscal 2017 the pilot project was just being initiated with equipment being purchased while during the fiscal 2018 it was in full operation generating key results that enabled the Company to complete this phase and prepare for Phase 2 piloting. Major expenditures included: $160k for the Centre d'Innovation Minière (CIMMS) piloting subcontract in Asbestos QC, $150k for Mag One's technical team, and $20k for Engineering & Environmental permitting. By comparison, for fiscal 2017 significant research related work was being carried out by NAMP in Tennessee of approximately $265k expenditures and $90k by the technical team in Quebec.*
4	*The Company incurred a significantly higher professional and consulting fees during Q4 2017 as a result of contracting additional consultants and professionals for accounting, legal and corporate services. Similarly, the Company incurred a large professional and consulting fees during Q1 2018; however, the Company was relatively inactive during the second half of fiscal 2018 as a result of the CTO.*
5	*In September 2017, the Company granted stock options to certain officers, directors and/or consultants of the Company exercisable at $0.30 for a period of 2 years. The fair value of these options was determined to be $756,992 calculated using the Black-Scholes Option Pricing Model. The Company did not grant any options during fiscal 2018.*

Three Months Ended September 30,	2018	2017	2018 – 2017	Ref
	$	$		
Expenses				
Amortization	18,501	34,596	(16,095)	1
Office and administration (recovery)	(35,933)	20,548	(56,481)	
Promotion and investor communication	68,527	201,319	(132,792)	2
Research	110,341	35,183	75,158	3
Professional and consulting fees	39,873	264,104	(224,231)	4
Share-based compensation	-	756,992	(756,992)	5
Travel	2,469	10,179	(7,710)	
Trust and filing fees	12,635	4,566	8,069	
Total operating expenses	(216,413)	(1,327,487)	1,111,074	
Net loss	(270,140)	(1,516,954)	1,246,814	

1	*The Company acquired additional equipment during fiscal 2017 resulting in higher amortization in 2017.*
2	*The Company terminated a contract with one of its investors relations firm resulting in a significant decrease in recent quarters.*
3	*During this year, the Phase 1 pilot efforts were being completed. Major expenditures included Mag One's technical team and work initiated at the University of Sherbrooke to prepare for the Phase 2 pilot efforts. In the comparative period, the majority of the expenses were related research efforts carried out by NAMP in Tennessee.*
4	*Professional and consulting fees for Q4 2018 decreased significantly as a result of the Company's CTO and the Company being diligent with its cash position.*
5	*The Company did not grant any stock options during fiscal 2018. In 2017, the Company granted stock options to certain officers, directors and/or consultants of the Company exercisable at $0.30 for a period of 2 years.*

LIQUIDITY & CAPITAL RESOURCES

Financing of operations has been achieved primarily by equity and debt financing. On September 30, 2018, the Company had a working capital deficiency of $1,301,228. 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

During the year ended September 30, 2018:

The Company paid and/or accrued management fees of $72,000 (2017 - $96,000) to Mr. Nelson Skalbania, Director and former Chairman of the Board (the "Chairman").

The Company paid and/or accrued research consulting fees of $192,000 (2017 - $144,000) to GLH Strategic Consulting, a company of Ms. Gillian Holcroft, the Chairperson, President, Chief Executive Officer ("CEO") and a Director.

The Company paid and/or accrued rent expenses of $53,500 (2017 - $32,000) to Regal RV Resorts, a company of Mr. Nelson Skalbania.

The recorded amounts of the transactions reflect their respective fair market value as the fees are negotiated between the parties. There are no ongoing contractual or other commitments with the above key management and directors of the Company.

Amounts due to related parties

	September 30, 2018 $	**September 30, 2017 $**
GLH Strategic Consulting	94,064	42,076
Mr. Nelson Skalbania	161,655	-
Ms. Rozanda Skalbania, a family member of Mr. Nelson Skalbania	44,195	-
	299,914	42,076

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.

Notes payable to related parties

During the year ended September 30, 2016, the Company issued a promissory note of $50,000 payable to a company controlled by Mr. Lucky Janda, the former CEO (the "Promissory Note A"). This note was unsecured, due on demand, and bears interest at 5% per annum. As at September 30, 2017, the Company has a balance payable of $nil (2016 - $53,750) including principal and accrued interest.

During the year ended September 30, 2017, the Company issued a promissory note of $400,000 payable to the spouse of the Company's Mr. Lucky Janda, former CEO (the "Promissory Note B"). The note was secured by a corporate guarantee provided by the Company and a personal guarantee from a director of the Company, due on March 19, 2017 and bears interest of 10% per annum.

During the year ended September 30, 2017, the Promissory Notes A and B including principals and accrued interest were repaid in full as follows.

- A cash payment of $250,000;
- A cash payment of $150,000 paid by the Chairman on behalf of the Company during the year ended September 30, 2017.

- 100,000 common shares of the Company with the fair value of $21,500. The Company recorded a gain on settlement of the loans of $60,120.

During the year ended September 30, 2018, the Company received $88,286 and $44,195 from Mr. Nelson Skalbania and Ms. Rozanda Skalbania, respectively. The loans bear no interest, unsecured and payable on demand.

<u>Other transactions</u>

On October 5, 2017 the Company issued 125,000 units of the Company to Ms. Rozanda Skalbania in relation to the $25,000 subscriptions received in advance during the year ended September 30, 2017. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017 the Company issued 1,002,930 units to Mr. Nelson Skalbania in relation to the $200,586 subscriptions received in advance during the year ended September 30, 2017. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017, the Company issued 257,950 units of the Company in error. Each unit consists of one common share and one share purchase warrant. Subsequent to issuance, these units will be returned to treasury of the Company for cancellation.

On October 10, 2017 the Company issued 20,060 units of the Company to Ms. Rozanda Skalbania in relation to the $4,012 subscriptions received in advance during the year ended September 30, 2017. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 27, 2017, Regal RV Resorts exercised 400,000 options with an exercise price of $0.30 for total proceeds of $120,000.

On October 27, 2017, Mr. Nelson Skalbania exercised 100,000 warrants with an exercise price of $0.50 for total proceeds of $50,000.

On November 23, 2017, Regal RV Resorts exercised 200,000 options with an exercise price of $0.30 for total proceeds of $60,000.

On November 23, 2017, a director of the Company exercised 80,000 options with an exercise price of $0.30 for total proceeds of $24,000.

On November 30, 2017, Regal RV Resorts exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000.

On November 30, 2017, Mr. Nelson Skalbania exercised 40,000 options with an exercise price of $0.30 for total proceeds of $12,000.

On December 6, 2017, Mr. Nelson Skalbania exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000.

On December 21, 2017, Mr. Nelson Skalbania exercised 70,000 options with an exercise price of $0.30 for total proceeds of $21,000.

During the year ended September 30, 2017, the Company issued 300,000 units of the Company to Ms. Rozanda Skalbania at a price of $0.70 per unit for gross proceeds of $210,000.

During the year ended September 30, 2017, the Company issued 500,000 units of the Company to Regal RV Resorts at a price of $0.20 per unit for gross proceeds of $100,000.

During the year ended September 30, 2017, the Company settled a balance of $30,700 payable to Mr. Nelson Skalbania with the issuance of 153,500 units of the Company. The fair value of the debt settlement was estimated at $64,623 and the Company recorded a loss on settlement of the debt of $33,923.

During the year ended September 30, 2017, the Company issued 446,500 units to Mr. Nelson Skalbania in error. These units will be returned to treasury for cancellation.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 43,442,833 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
4,769,060	$0.50	August 17, 2019
2,905,940	$0.50	October 10, 2019
8,087,500		

Options

Number	Exercise price	Expiry date
3,010,000	$0.30	September 24, 2019

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, 2018.

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.

FINANCIAL INSTRUMENTS AND RISKS

The Company has not changed its approach in handling the risks associated with its financial instruments.

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	September 30, 2018 $	September 30, 2017 $
Financial assets:		
Loans and receivables:		
Cash	30,916	19,475
	30,916	19,475
Financial liabilities		
Cheques in excess of funds available	-	5,096
Accounts payable	618,712	208,204
Due to related parties	299,914	42,076
Notes payable	576	120,000
Proceeds from convertible debentures	150,000	-
	1,069,202	375,376

(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, 2018.

As at September 30, 2018, the fair values of accounts payable and due to related parties 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

Ms. Gillian Holcroft, Chairperson, CEO, President & Director
Mr. William Thomas, Secretary, CFO & Director
Mr. Nelson Skalbania, Director
Mr. Rod Burylo, Director