MAG ONE PRODUCTS INC.

Management's Discussion & Analysis

Three Months Ended December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED DECEMER 31, 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 three months ended December 31, 2018.

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2018 and the audited 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 March 4, 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:

Research and Development

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 November 2018, the Company entered into contract discussions with the Centre d'Innovation Minere de la MRC des Sources (CIMMS) and with the University of Sherbrooke (UdS) to continue to advance the hydrometallurgical pilot plant and laboratory tests as part of the Phase 2 effort. As previously reported, Phase 1 demonstrated the ability to produce 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 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 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. The proposal is currently under review by CGP as Mag One has reached the due diligence stage.

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 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.

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.

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 a prior year, the Company received a further $50,000 from Mr. Nelson Skalbania towards this private placement. During the current period, the Company received a further $60,000 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 NI43-101 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.

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.

	Q1 2019	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net loss from continued operations	(308,821)	(270,140)	(498,186)	(342,657)	(966,922)	(1,516,954)	(461,829)	(434,225)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)	(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.

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 Q1-2019 compared to the results of Q1-2018 are as follows:

Three months ended December 31,	**2018**	**2017**	**2018 – 2017**	**Ref**
	$	$		
Expenses				
Amortization	7,590	18,201	(10,611)	1
Office and administration	3,597	31,447	(27,850)	2
Promotion and investor communication	2,568	140,499	(137,931)	3
Research	195,100	255,398	(60,298)	4
Professional and consulting fees	91,631	151,335	(59,704)	5
Travel	971	33,483	(32,512)	3
Trust and filing fees	7,207	4,260	2,947	
Total operating expenses	(308,664)	(634,623)	325,959	
Net loss	(308,821)	(966,922)	658,101	

1	*Amortization decreased as a result of the impairment loss recognized on laboratory and lab equipment during the year ended September 30, 2018.*
2	*The Company was highly inactive during the first quarter as it was in the process of implementing a new management as well as focusing all of its effort on the Cease Trade Order that was ultimately lifted.*
3	*The Company terminated a contract with one of its investors relations firm during the year ended September 30, 2018 resulting in a significant decrease.*
4	*Major expenditures included: $102k for the Centre d'Innovation Minière (CIMMS) piloting subcontract in Asbestos QC, $89k for Mag One's technical team, and $4k for external consultants. Research costs decreased compared to Q1-2018 as a result of management's effort to preserve cash as the Company was not able to complete the financing due to the Cease Trade Order.*
5	*The Company incurred a lower professional and consulting fees during Q1-2019 as a result of eliminating various consultants and professionals by the new management team to simply operating processes.*

LIQUIDITY & CAPITAL RESOURCES

Financing of operations has been achieved primarily by equity and debt financing. On December 31, 2018, the Company had a working capital deficiency of $1,694,380. 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 three months ended December 31, 2018:

The Company paid and/or accrued management fees of $Nil (2017 - $24,000) to Mr. Nelson Skalbania, Director and former Chairman of the Board (the "Chairman").

The Company paid and/or accrued research consulting fees of $48,000 (2017 - $36,000) 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 $Nil (2017 - $15,000) 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

	December 31, 2018 $	**September 30, 2018 $**
GLH Strategic Consulting	133,480	94,064
Mr. Nelson Skalbania	201,994	161,655
Ms. Rozanda Skalbania, a family member of Mr. Nelson Skalbania	44,195	44,195
	379,669	299,914

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, 2018, the Company received $88,286 and $44,195 from Mr. Nelson Skalbania and Ms. Rozanda Skalbania, respectively. During the three months ended December 31, 2018, the Company received $40,000 from Mr. Nelson Skalbania. The loans bear no interest, unsecured and payable on demand.

Other transactions

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 were 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 were 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
4,322,560	$0.50	August 17, 2019
2,647,990	$0.50	October 10, 2019
7,383,050		

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 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.

Changes in accounting policies

IFRS 9, *Financial Instruments* – The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

IFRS 15, *Revenue from Contracts with Customers*. On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Future accounting policy

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.

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	December 31, 2018 $	September 30, 2018 $
Financial assets:		
Loans and receivables:		
Cash	22,962	30,916
	22,962	30,916
Financial liabilities		
Accounts payable	797,348	618,712
Due to related parties	379,669	299,914
Notes payable	1,773	576
Proceeds from convertible debentures	150,000	150,000
	1,328,790	1,069,202

(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 December 31, 2018.

As at December 31, 2018, the fair values of the Company's financial instruments 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