MAG ONE PRODUCTS INC.

Amended and Restated Management Discussion & Analysis

9 month period ended June 30, 2019

Date of Issue: 4th December 2019

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AMENDED AND RESTAED MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The Company had filed a Management's Discussion and Analysis ("MD&A") of the financial results of (**"Mag One", ** or "the Company**"**) for the interim three and nine-month periods ended June 30, 2019 on August 29 2019. However, based on careful analysis of the agreement with Investissment Quebec ("IQ"), the financial statement required a reclassification of the Long-Term Liability pertaining to a grant received from IQ. The same has been classified as a Current Liability in the Amended and Restated Financial Statements for June 2019 (See section 6 of "Key Agreements"). The MD&A for June 2019 has accordingly been amended and restated to reflect the changes made. The Amended and Restated Management's Discussion and Analysis for the interim three and nine-month periods ended June 30, 2019 also includes certain inclusions to align the disclosures to the requirement of Form 51 102 F1. The changes made in the MD&A are summarized as below:*

Sl No	Topic	Changes Made
1	MD&A: Key Agreements: Part 2- Asbestos Corp Ltd.	Improved disclosure in context of the Option Agreement with Asbestos Corp. Ltd
2	MD&A: Key Agreements: Part 5- Technology IP Acquisition Agreement	Improved disclosure on the Agreement with Tech Magnesium.
3	MD&A: Key Agreements: Part 6- Advance from Investissment Quebec ("IQ")	Discussion on the legal position on refundability of the Advance received from IQ
4	MD&A: Research and Development	Additional Information provided in context of Research Expenses. Additional Information provided for Clean Growth Program.
5	MD&A: Financial Condition	Reclassified Advance from Investissment Quebec to Current Liabilities
6	MD&A: Variation Analysis of Profit and Loss Account	Modification of explanation for Research Expenses and Office Expenses
7	MD&A: Related Party Transactions	Included the full disclosure of Related Party Transactions.
8	Disclosure of Outstanding Share Data	Update of status upto the date of the MD&A.
9	MD&A: Subsequent Events	Updated the section
10	MD&A: Forward Looking Statements	Consolidated the disclaimers for Forward Looking Statements

*The following discussion and analysis of the financial results of Mag One Products Inc. (**"Mag One", ** or "the Company**"**) for the interim three and nine-month periods ended June 30, 2019 should be read in conjunction with the Company's amended and restated unaudited condensed interim financial statements and related notes for the period ended June 30, 2019, and the audited consolidated financial statements and MD&A for the years ended September 30, 2018 and 2017.*

This MD&A, together with the condensed interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

All dollar figures are in Canadian dollars ("C$"), unless otherwise stated.

READER ADVISORY

This MD&A contains certain forward-looking statements and forward looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A may contain forward looking statements relating to future opportunities, business strategies, mineral exploration, development and production plans and competitive advantages.

The forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, the actual results of exploration and development projects being equivalent to or better than estimated results in technical reports or prior activities, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect and such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward looking statements, including among other things: inability of the Company to continue meeting the listing requirements of stock exchanges and other regulatory requirements, general economic and market factors, including business competition, changes in government regulations or in tax laws; general political and social uncertainties; commodity prices; the actual results of exploration, development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of, or estimates contained in, feasibility studies, pre-feasibility studies or other economic evaluations; and lack of qualified, skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, all of which are filed and available for review on SEDAR at www.sedar.com. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

OVERVIEW OF BUSINESS

Business of the Corporation

Mag One Products Inc (MOPI) is engaged in the development and commercialization of technologies for the processing and production of magnesium (Mg) metal, Mg-related compounds, by-products and co-products from already mined, above ground serpentinite tailings. MOPI's goal is to become one of the lowest cost producer of Mg metal in the world by producing Mg at a price equivalent to Aluminium. Mag One's potential is evidenced by the fact that it has received support from both the Federal and Provincial governments and is in the process of negotiating further support.

History

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".

Quebec Pilot Plant Study

Mag One Operations Inc. ("MOOI"), a wholly-owned subsidiary of MOPI, is in the process of implementing its two flagship projects which will position the company and the Danville Quebec region as an emerging player in the global Mg metal, high purity magnesium oxide (HP MgO) and high purity amorphous silica (HP Silica) marketplace. The first project involves the development of a modular 30,000 tonnes per year (tpa) HP MgO & 33,000 tpa HP Silica Production facility using Serpentinite Mine Tailings as the feed source. The second project will transform the HP MgO into primary Magnesium (Mg) metal and a high value saleable by-product using 5,000 tpa aluminothermic reduction modules

Mag One's pathway to commercialization involves building a modular 30,000 TPY high purity magnesium oxide (MgO) and amorphous silica production facility followed by 5000 TPY Mg metal production modules. Subsequent modules will be financed from operating revenues until Mag One is producing 1M TPY of Mg metal.

To get to this stage Mag One needs to complete the MgO/Silica pilot plant efforts to garner offtake agreements and begin engineering of this facility. Government support for this work has been requested. In parallel Mag One will advance the Tech Magnesium metal production process, developed by Dr. Doug Zuliani for which it has exclusive rights.

Mag One has already received significant support from both Provincial (Quebec) and Federal governments due to its sustainable approach to Mg production, namely low CO_2 footprint, zero waste and rapid commercialization via its modular expansion business strategy. The government recognizes the importance of long term, environmentally sustainable projects that will generate significant jobs and sustainable growth. Mag One's modular expansion technology will result in essentially zero waste being produced as it produces Mg metal, Mg products and by-products from above ground, already-mined serpentinite tailings.

In Southern Quebec, there are significant amounts of tailings piles as a result of over one hundred years of Asbestos mining operations. The historical NI 43101 Technical Report prepared by Systémes Geostat

International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Quebec, Canada estimated 162.7M of Measured and Inferred tailings containing 37% MgO and 246.3M tonnes of inferred resources containing 38.6% MgO. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves; and Mag One is not treating the historical estimate as current mineral resources or mineral reserves.

The intended plant site is ideally located in a mining friendly jurisdiction that is close to road, rails, skilled labour and markets and boasts one of the lowest electricity costs in North America. In 2017, Mag One commissioned an NI 43-101 “Summary of Current and Scientific Technical information” report entitled “Magnesium Bearing Waste Dumps Recycling Project”. The Jeffrey Mine extracted more than 100M tonnes of chrysotile fibre 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 m3 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 m3 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.

Mag One has however, secured access to 110 million tonnes of tailings (50M at Jeffrey Mines and 60M at the former Thetford Mines locations) at a price of $1.00 per tonne as it is used. Mag One, however cannot confirm that these tonnes of tailings will contain the expected MgO composition given that an NI 43-101 resource estimate has not been completed.

Key Agreements:

1. Dundee Sustainable Technologies Inc.'s Technical Report

On May 19, 2017, the Company entered into a purchase agreement ("SPA") with Dundee Sustainable Technologies Inc. ("DST") to purchase a Technical Report titled "Resource Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Quebec, Canada" prepared by Systémes Geostat International (the "Technical Report"). The terms of the agreement are:

- Payment of $5,000 in cash and 40,000 common shares of the Company upon signing;
- $20,000 in cash and $30,000 worth of common stock in the Company at the prevailing 20-day volume weighted average price upon the commencement of commercial production of product(s) by processing the Tailings if occurring within twenty-four months of signing; and
- If the Company does not commence commercial production of product(s) by processing the Tailings within twenty-four months of signing, the Company is required to sell back the Technical Report for consideration of $1.00 to DST.

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

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

a) $1.00 on the date of signing the agreement;

b) Within 8 months of signing of the agreement,

    i) Award a contract to DST for a minimum value of $75,000 for piloting the Mag One Technology at DST's facilities in Thetford Mines; OR

    ii) Pay DST $5,000.

2. Asbestos Corp Ltd.

In connection with the SPA the Company entered into an Option Agreement ("OA") on May 19, 2017 with Asbestos Corp Ltd. ("ACL"). The terms of the OA include:

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

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

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

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

3. North American Magnesium Products, LLC

During the year ended September 30, 2015, the Company, through its wholly-owned subsidiary Mag One Operations Inc. USA (formally known as North American Magnesium Company Inc.), entered into a definitive agreement to acquire 100% of the assets of North American Magnesium Products, LLC ("NAMP"), a LLC formed by Orion Laboratories, LLC. On May 27, 2015 NAMP signed a Bill of Sale to sell 100% of the its interest in their membership of North American Magnesium Products, LLC.

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

4. MagPower

On August 31, 2017 the Company entered into an agreement to purchase 100% of the shares of MagPower Systems Inc. ('MagPower"). MagPower is a private company whose focus is the development of magnesium air batteries. The terms of the acquisition include:

- $100 for all of the issued and outstanding shares;
- 2% royalty ("royalty obligation") based on gross cash flow generated by MagPower up to $2 million;
- An option for the Company to buy the royalty obligation for $1 million for a period of 24 months; and
- Warrants issued on a prorata basis to existing MagPower shareholders with a term of two years, at a price of $1.00 for the first year, and $1.25 for the second year.

As at June 30, 2019, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred.

5. Technology IP Acquisition Agreement

On 3rd January 2019, the Company entered onto an agreement with Tech Magnesium who owns certain know how on magnesium processing (the "**Tech Mag Technology**") to collaborate on the development of the same (the "Agreement"). The Agreement allowed the Company to perform follow-up research on the Tech Mag Technology so that the technology development could be achieved in 3 phases as under:

(i) Phase 1: Lab-scale, proof-of-concept testing, with thermodynamic modelling that would result in data/information needed to produce a 3rd party (arm's length) concept study.

(ii) Phase 2: Design, construction and operation of a small-scale pilot test facility to further de-risk the technology and provide data/information needed to produce a 3rd party (arm's length) pre-feasibility / feasibility study.

(iii) Phase 3: Design, construction and operation of the first Mg metal commercial module.

The 3 phases of development as indicated above were intended to be completed within 60 months from the date of the Agreement.

By virtue of the Agreement, the Company retained a right to acquire 100% of the Tech Mag Technology within a period of 60 months (the "**Option**"), which will allow Mag One to fully acquire exclusive worldwide ownership of the Tech Mag Technology. During the term of the Agreement, the parties agreed to negotiate agreeable consideration payments to Tech Magnesium (the "Acquisition Payment").

During the ensuing period of 60 months or the date on which the Company exercises its Option, whichever is earlier, Tech Magnesium would be providing technical services to the Company in exchange for certain remuneration as outlined below:

a) Remuneration @ $1000 per day; or
b) A monthly fixed remuneration as appropriate mutually decided by the parties; and
c) Reimbursement of expenses

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

1. Payments for services in connection with the development of the Tech Mag Technology:
    a. $5,000 per month during Phase 1;
    b. $7,500 per month during Phase 2 and 3; and
    c. $35,000 within 30 days of the completion of Tech Magnesium's Phase 2 Report.
2. The Acquisition Payment that shall be triggered upon exercise of the Option to include:
    a. An initial payment of $50,000 due on the date the Company issues a notice to exercise the Option;
    b. Quarterly payments equal to 4% of all private and public financing raised by the Company that are specifically used to advance the Tech Magnesium Technology during the calendar quarter up to a maximum of $2,500,000;
    c. Quarterly royalty payments equal to 2.5% of the gross sales revenue from the sale of magnesium metaland alloys during the calendar quarter up to a maximum of $2,500,000.

Current Status:

- The Company is yet to exercise the Option;
- The Company is presently pursuing the development of a technology through Tech Magnesium which constitutes expenses towards Research and Development. While it is the intention of the Company to develop an Intangible Asset, the Intangible Asset shall be created only after the completion of the technical pre-feasibility study. At this point in time it is not known how the intended Intangible Asset shall be in a position to generate probable future economic benefits. The development of the Intangible Asset shall depend upon the availability of adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset.
- The expenses incurred and expected to be incurred under the Agreement are as follows:

Figures in C$	**Phase 1**			**Phase 2**	**Phase 3**	**Post exercise of Option**	**Total**
	Incurred	Proposed	Total	Proposed	Proposed		
Payments towards ongoing Research	50,000	10,000	60,000	215,000	180,000		455,000
Initial Payment on exercise of Option						50,000	50,000
Acquisition Payment (Balance)						2,500,000	2,500,000
Royalty payout (Commercial Operation stage)						2,500,000	2,500,000
Total payments to Tech Magnesium	50,000	10,000	60,000	215,000	180,000	5,050,000	5,505,000

The Company, however, intends to pursue with the development of the Tech Mag Technology and the estimated expenses are as follows:

Figures in C$	**Phase 1**			**Phase 2**	**Phase 3**	**Post exercise of Option**	**Total**
	Incurred	**Proposed**	**Total**	**Proposed**	**Proposed**		
Total payments to Tech Magnesium	50,000	10,000	60,000	215,000	180,000	5,050,000	5,505,000
Lab Scale work and Modelling	63,185	29,701	92,886				92,886
Consultancy expense of Mag One	64,250	8,000	72,250	300,000	1,000,000		1,372,250
Pilot Test Facility				2,500,000			2,500,000
Commercial Module					24,000,000		24,000,000
Total	177,435	47,701	**225,136**	**3,015,000**	**25,180,000**	**5,050,000**	**33,470,136**

- In accordance with IFRS / IAS 38 and the Accounting Policy of the Company, the expenses the Company is currently incurring in connection with the development of the Tech Mag Technology is charged off as an expenditure in the profit and loss account of the Company under the head 'Research Expenses'. The expenses incurred in this connection would be transferred to Capital (Fixed Assets) only after the Company exercises its Option and determines that the Tech Mag Technology is proven to be a success.
- The amendment to the agreement was not included in a Material Change Report but was reported in the MD&A of March and June 2019. The Company is taking immediate steps to file the Material Change Report incorporating the amendment to the original Tech Mag Technology agreement.

6. Advance from Investissment Quebec

The Company had entered into an agreement with Investissement Quebec ("IQ") on November 11, 2016, whereby IQ had had agreed to provide a non-refundable contribution of $495,000 (the "Grant") to the Company (The "Agreement"). The conditions governing the Grant were as follows:

a) The Company would have incurred an expenditure of $627,750 on the development of the Pilot Plant for processing of Magnesium (the "Project");

b) The Company was to complete the Project by March 31, 2017 (the "Project Completion Date");

c) The Company must establish itself within the MRC des Sources region for a minimum period of 2 years from the date of receipt of the last payment from IQ, i.e., February 14, 2020.

d) The Company was to carry out and maintain its operations related to the Project, including significant development or improvement work on the design, development activities of the product/process, and not move this work outside the municipality of the MRC des Sources, for a period of 36 months from the date of receipt of the last payment from IQ, i.e., February 14, 2021.

e) IQ reserved its rights to call back the entire grant up until the Project is completed in the event of the following:

- The Project not being completed by the Project Completion Date;
- The Company abandoning the Project;
- The Company divests of the Project or commits any act that leads to insolvency or bankruptcy or creditor protection;
- The Company defaults under any loans, if any;
- The Company makes material changes to the disbursement plans for the Company without consent of IQ;
- Commit a fraud or false statement;
- Default in any other provision of the Agreement.

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

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

According to the agreement, as per Point (c) above, the Company was required to operate out of the municipality of MRC des Sources for a period of at least 2 years following the last installment from IQ. However, the Company has yet to set up an establishment in MRC des Sources. In this regard, the Company received a notice on October 5, 2018, from IQ informing the Company on its failure to establish a place of business in MRC des Sources. The Company is in discussions with IQ and intends to make steps towards curing the default by establishing a business address in this Municipality on or before January 31, 2020. A two-year lease agreement is expected to be the first of the many definitive steps towards establishing a place of business in MRC des Sources. The Company believes that a demonstration of its intent through the lease agreement would help in gaining a favourable response from IQ in terms of acknowledging that all obligations have now been met given that the Company has signed a lease agreement.

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

Based on the facts above, the Company could be liable to refund the Grant to IQ should IQ enforce the default provisions of the Agreement. The Company had earlier misinterpreted the provisions of the Agreement and construed that the Company had 36 months from the date of receipt of the last instalment from IQ as the time it had to set up an establishment in MRC des Sources. However, on careful review of the facts outlined above, it has decided to disclose the Grant as a current liability in lieu of a Long-Term Liability as it had mistakenly done in Q2 and Q3 of 2019.

RESEARCH AND DEVELOPMENT

Mag One had reported that it had already demonstrated that its MgO manufacturing processes has the potential to produce greater than 98 weight percent pure MgO, as well as a saleable byproduct. It was also shown that the silicon contained within the serpentinite tailings that Mag One is using, can be transformed into high-value amorphous silica (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's subsidiary, Mag One Operations entered into a new contract with the University of Sherbrooke (UdS) for $12,500 to continue to advance and optimize Mag One's novel hydrometallugical process for producing high purity MgO, high-value amorphous silica and extract value from the iron-nickel residue. Mag One expects to report findings from this work in Q4 2019.

Also, during this period, Mag One Operations entered into a new contract with the Centre d'Innovation Minère de la MRC des Sources (CIMMS) for $102,300 to further optimize the pilot plant operating conditions to achieve maximum purity, minimize operating costs and better understand the parameters around Mg salt evaporation.

As previously mentioned, 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.

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. The Company is currently seeking additional extensions to the Thetford Mines option agreement.

In March 2019 the Company announced that the National Research Council of Canada (NRC), under its Industrial Research Assistance Program (NRC-IRAP) will support, on a cost-sharing basis Mag One Operations' project entitled "Feasibility – Magnesium Production using Aluminothermic Reduction Process" (the "Project"). Specifically, the NRC contract is supporting work done by Thermfact (Arthur Pelton, a thermodynamic expert), Kingston Process Metallurgy (KPM) (metallurgical testing lab) and Glencore XPS (metallurgical testing lab) in which NRC would cover 50% of eligible costs up to an amount of $98,400. The goal of the project is to demonstrate the feasibility or producing Mg metal via aluminothermic reduction (Tech Magnesium process). The project is actively underway with the effort scheduled to conclude on or before December 15, 2019 and consists of thermodynamic modelling, bench-scale experiments, process optimization and techno-economic analysis. Magnesium yields, along with by-product quality will be monitored at various processing conditions. With positive results stemming from the Project, Mag One expects to begin work towards the pilot-scale demonstration phase in Q1 2020. The final phase of development will be the design, construction and start-up of Mag One's first 5,000 tonne per year primary Mg metal module. Additional modules will then be brought online to coincide with market pull. As part of this effort, Mag One Operations has entered into contracts with Thermfact on an hourly basis, while contracts with KPM and Glencore XPS are for a fixed fee. As an aside, the Company chose to move the work to Glencore XPS after it was deemed that the KPM furnace was too small to adequately demonstrate the Mg metal production process.

Clean Growth Program of the Natural Resources Canada:

The Clean Growth Program (CGP), instituted by Natural Resources Canada is a $155 million investment in clean technology research and development (R&D) and demonstration projects in three Canadian sectors: energy, mining and forestry. This program covers five areas focused on pressing environmental challenges and economic opportunities facing Canada's natural resource operations:

- Reducing greenhouse gas and air-polluting emissions
- Minimizing landscape disturbances and improving waste management
- Producing and using advanced materials and bioproducts
- Producing and using energy efficiently
- Reducing water use and impacts on aquatic ecosystems

The Company had applied for support with the FEED Study for its 30,000 tpa magnesium oxide demonstration plant and has made significant progress in the selection process for the program. There were 800 applicants of whom 200 were qualified as semi-finalists, amongst whom 100 were selected as finalists. Mag One is one of the finalists and is undergoing "due diligence" with Natural Resources Canada. Upon final selection, the Company shall be receiving a grant of around $1.67million or 50% of the project cost estimate of $3.33million. Disbursements from this Grant require that the Company spends funds and is subsequently reimbursed for up to 50% of the eligible costs.

GENERAL CORPORATE AFFAIRS

In October 2018, the Cease Trade Order issued by the Commission on May 14, 2018 regarding the Company's non-compliant financial reporting was lifted. The Company has also taken 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 (issued August 29, 2018), for purposes of clarity, a list of corrective and preventative measures that have been undertaken by the company are as follows:

- In August 2018, the Board has appointed William Thomas, CPA, to be the company's Chief Financial Officer, as well as Corporate Secretary and Director.
- In view of Mag One's project activities being primarily based in Quebec, all the Company's financing and accounting functions have been centralized at the Montreal office.
- In September 2018, 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.
- In October 2018, Gillian Holcroft, President and Director of Mag One has also 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, has 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 has stepped down from the Board and has resigned from the Company.
- In March 2019 the Company filed the audited Annual Financial Statements and Management Discussion and Analysis ("MD&A") for the fiscal year ended September 30, 2018 as well as the Interim Financial Statements and MD&A for the three-month period ended December 31, 2018. Both of these filings have been filed on SEDAR. The failure-to-file Cease Trade Order issued by each of the British Columbia Securities Commission and the Ontario Securities Commission on February 1, 2019, was lifted as of March 5, 2019.
- In May 2019, the Company appointed Mr. Arnab Kumar De, CGMA(UK), CMA(UK), ACMA(Ind) as the CFO of the Company following the resignation of Mr. Bill Thomas. Mr. De was formerly the CFO for Tata Steel Minerals Canada (TSMC) Ltd. He is a motivated and highly skilled financial steward with expertise in all facets of financial leadership, performance analysis, reporting, and critical decision making within regulated, fast-paced environments. Having served the Tata Steel Group for about 19 years, Mr. De has been instrumental in streamlining processes, enhancing productivity, and implementing strong accounting standards and audit controls. An entrepreneurial-minded professional who gains the trust of shareholders by consistently upholding integrity, confidentiality, and professional ethics. Mr. De also served as CFO and Director in certain Tata Steel Group Companies. He has applied for his CPA certification from CPA Ontario and is currently working as

an independent consultant providing strategic, financing and CFO services to certain North American companies.

- On July 22, 2019 Mr. Frank Vlastelic joined Mag One's Board of Directors and the Company accepted the resignation of Mr. Nelson Skalbania as a member of its Board of Directors. Mr. Vlastelic's experience with public companies is extensive as he founded and listed several companies including mining, oil and gas exploration, and health care product development on the Vancouver Stock Exchange. With his extensive and strong experience in planning, organizing, negotiating and managing business operations and staff, Frank Vlastelic will be an important addition to Mag One's Board and a great support to the Company's Executive Team. Mr Skalbania will continue as a strategic advisor to Mag One's board of directors. At the same time the Company hired Mr. Ljubo Mikulic as Manager Strategic Finance on a contract basis, reporting to the CEO.
- On August 12, 2019 the Company Filed a PCT Patent application for the Production of Fine grain Magnesium Oxide and Fibrous Amorphous Silica from Serpentinite Mine Tailings.
- On August 22, 2019 the Company announced that the President and CEO received an Environmental Award from the Metallurgical Society of Canada, sponsored by Teck.
- On August 28, 2019 Mr. Dean Journeaux joined Mag One's Board of Directors as an independent director. Mr. Journeaux has over five decades of experience in the mining industry. He has held various engineering, operations and management positions with Quebec Cartier Mining Company (now ArcelorMittal Mines Canada) and Met-Chem Canada Inc (now DRA Global-Met-Chem). Mr. Journeaux was a founder of New Millennium Iron Corp and served successively as a Director, Chief Operating Officer, President & Chief Executive Officer, and Executive Vice Chairman until 2015. He rejoined the board in 2017 and continues to act as an independent Director. With his extensive experience in project execution, public company governance, mining operations and management, Mr. Journeaux will be a key addition to Mag One's Board and instrumental in providing strategic advice to the Company's Executive Team.
- The Company has reconstituted the Audit Committee as under:
    - Dean Journeaux - (Chairman) – Independent
    - Rod Burylo – (Member) – Independent
    - Frank Vlastelic – (Member) – Independent
    - Gillian Holcroft– (Member) – Executive

The Company intends to finance its phase wise development of its various projects by subsequent equity or debt financing consequent to being able to raise funds in the capital markets by way of private placement either brokered or non-brokered or prospectus offering, as the case may be and depending on the financial conditions of the market at such time as the Company would be able to attract institutional funds to subscribe to its share capital.

FINANCIAL CONDITION

The following discussion of the Company's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2019 ("financial statements") set forth herein. As discussed in Note 2 to the financial statements, they are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the IASB. These financial statements should be read in conjunction with the Company's September 30, 2018 audited consolidated financial statements.

Management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the period then ended. The Interim Consolidated Balance Sheet as of June 30, 2019 indicates cash and cash equivalents of $56,273, other receivables of $46,470, and prepayments of $5,500 resulting in total current assets of $108,243, an increase of $5,618 from September 30, 2018. The long-term assets are comprised of Intangible Assets and Plant and Machinery of $121,867 which is a decrease of $22,771 from September 30, 2018 mainly on account of amortization. The total assets are $230,110 which is an increase of $28,389 from September 30, 2018. During the May 2019, the Company completed a private placement for 5,550,000 shares @ $0.10 amounting to gross proceeds of $555,000. However, the Company also incurred a cost of $800 in raising of the finances.

The Company's current liabilities at June 30, 2019 consist of Accounts Payable and Accrued Liabilities amounting to $490,555, a decrease of $129,044 over September 2018; Dues to related Parties amounting to $238,982, a decrease of $ 60,932 over September 2018; Notes Payable amounting to $2,701 and increase of $2,125 over September 2018; and Advance from Investissement Québec $495,000, which remained same as at September 2018. During the May 2019, the Company completed a private placement to related parties for 2,760,000 shares @ $0.10 amounting to $276,000 that was used in settlement of amount owed by the Company to the said related parties (Note 10 and 14).

The Total Current Liabilities as at June 2019 stood at $1,227,238, a decrease of 187,851 over September 2018. The Long-Term Liabilities comprise of Proceeds from Convertible Debentures $150,000 totaling $645,000, which has remained same as on September 2018.

Equity attributable to shareholders of the Company is $(1,147,128), an increase of $159,462 from September 30, 2018, and is comprised of share capital of $8,753,596 (Previous Year: $7,923,396), reserves of $8,180,317 (Previous Year: $8,181,602), Subscription received in Advance $100,000 (Previous Year: 100,000) less the deficit of $(18,181,696) (Previous Year: $(17,511,588)) . As indicated above, during May 2019, the Company made a private placement for 8,310,000 shares increasing the capital base by $830,200.

The Corporation used its cash and cash equivalents from September 30, 2018 to pay its trade and other payables, fund its ongoing research programs.

For the three months ended June 30, 2019, the Company realized a net loss of $148,748, or $0.00 per share, compared to a net loss of $499,630 or $0.01 per share for the three months ended June 30, 2018. The net loss for the nine months ended June 30,2019 amounted to $670,737 or $0.02 per share. The net loss for the nine months ended June 30, 2018 amounted to $1,789,556 or $0.04 per share, which included loss on settlement of debts amounting to $331,902 (See Note 8).

The loss for the three months ended June 30, 2019 represents operating expenses of $143,254 mainly comprising of Professional and Consultancy Fees $35,114 (Previous Year: $83,793) and Research Expenses of $73,975 (Previous Year: $323,519).

The loss for the nine months ended June 30, 2019 represents operating expenses of $669,665 mainly comprising of Professional and Consultancy Fees $212,365 (Previous Year: $374,449) and Research Expenses of $361,769 (Previous Year: $715,410).

The Company expects to continue incurring losses during this period of project development. These losses are expected to be funded by the current cash and private placement financing.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company for the eight quarters ended June 30, 2019. This information is derived from unaudited quarterly financial statements prepared by management. The Company's condensed interim consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

	30 Jun19	**31Mar19**	**31Dec18**	**30Sept18**	**30Jun18**	**31Mar18**	**31Dec17**	**30Sept17**
Net Loss	$(143,547)	$(217,740)	$(308,821)	$(270,140)	$(498,186)	$(342,657)	$(966,922) (2)	$(1,516,954) (1)
Loss per share, basic and diluted	Nil	Nil	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)

(1) Charge of $756,992 on account of share-based compensation

(2) During Q1 2018, the Company recognized loss on settlement of debts of $331,902 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 $452,231, including the shares valued at $306,000 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%.

Quarter Results

During the three months ended June 30, 2019, the Company reported a net loss of $143,547 compared to a net loss of $498,186 during the same period in the prior year, representing a decrease in loss of $354,639. The decrease in loss in primarily attributed to the following:

- A decrease of $48,679 in professional and consulting fees. Professional and consulting fees were $35,114 in the three months ended June 30, 2019, compared to $83,793 in the same period in the prior year.
- A decrease of $249,544 in research expenses. Research expenses were $73,975 in the three months ended June 30, 2019, compared to $323,519 in same period in the prior year.
- A decrease of $28,886 in office and administration fees. Office and administration fees were $7,063 in the three months ended June 30, 2019, compared to $35,949 in the same period in

the prior year.

- A decrease of $14,759 in investor communication expenses. Investor communication expenses were $4,307 in the three months ended June 30, 2019, compared to $19,066 in the same period in the prior year.

These decreases were partially offset by the following expense increases:

- An increase of $1,969 in trust and filing fees. Trust and filing fees were $8,708 in the three months ended June 30, 2019, compared to $6,739 in the same period in the prior year.

The operating results of the Corporation for the 3 months ended on June 30, 2019 is as under:

	For the three months ended June 30		Variance
	2019	**2018**	
	Canadian $	Canadian $	Canadian $
Administrative Expenses			
Amortization (Notes 4 and 5)	7,591	18,369	10,778
Office and administration	7,063	35,949	28,886
Professional and consulting fees (Note 9)	35,114	83,793	48,679
Investor communication	4,307	19,066	14,759
Research (Net) (Note 9, 15)	73,975	323,519	249,544
Travel	6,496	7,816	1,320
Trust and filing fees	8,708	6,739	(1,969)
	(143,254)	(495,251)	(351,997)
Other Items			
Interest income (expense)	(293)	(2,935)	(2,642)
Loss on settlement of debts (Notes 8 and 10)	-	-	-
Net loss for the Period	(143,547)	(498,186)	(354,639)
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment	656	(1,444)	(2,100)
Comprehensive loss for the period	(142,891)	(499,630)	(356,739)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding	46,851,236	44,147,283	(2,703,953)

During the nine months ended June 30, 2019, the Company reported a net loss of $670,108 compared to a net loss of $1,807,765 during the same period in the prior year, representing a decrease in loss of $1,137,657. The decrease in loss in primarily attributed to the following:

- A decrease of $162,084 in professional and consulting fees. Professional and consulting fees were $212,365 in the nine months ended June 30, 2019, compared to $374,449 in same period in the prior year.
- A decrease of $353,641 in research expenses. Research expenses were $361,769 in the nine months ended June 30, 2019, compared to $715,410 in the same period in the prior year.
- A decrease of $163,199 in investor communication fees. Investor communication fees were

$9,045 in the nine months ended June 30, 2019, compared to $172,244 in the same period in the prior year.

- A decrease of $75,377 in office and administration expenses. Office and administration expenses were $18,643 in the nine months ended June 30, 2019, compared to $94,020 in the same period in the prior year.

These decreases were partially offset by the following expense increases:

- An increase of $18,250 in trust and filing fees. Trust and filing fees were $33,500 in the nine months ended June 30, 2019, compared to $15,250 in the same period in the prior year.

A comparison of nine month ended June 30 for 2019 and 2018 is as follows:

	For the nine months ended June 30		Variance
	2019	**2018**	
	Canadian $	Canadian $	
Administrative Expenses			
Amortization (Notes 4 and 5)	22,771	54,721	31,950
Office and administration	18,643	94,020	75,377
Professional and consulting fees (Note 9)	212,365	374,449	162,084
Investor communication	9,045	172,244	163,199
Research (Net) (Note 9, 15)	361,769	715,410	353,641
Travel	11,572	46,419	34,847
Trust and filing fees	33,500	15,250	(18,250)
	(669,665)	(1,472,513)	(802,848)
Other Items			
Interest income (expense)	(443)	(3,350)	(2,907)
Loss on settlement of debts (Notes 8 and 10)	-	(331,902)	-
Net loss for the Period	(670,108)	(1,807,765)	(1,137,657)
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment	(629)	18,209	18,838
Comprehensive loss for the period	(670,737)	(1,789,556)	(1,118,819)

(1) Professional Fees include expenses towards: (a) Accounting and Audit Expenses (b) Legal Expenses and (c) Other consultancy expenses.

The details of the above are as below.

Professional and Consulting Fees	**3 month period ended Jun-19**	**3 month period ended Jun-18**	**9 month period ended Jun-19**	**9 month period ended Jun-18**
Accounting	14,853	26,575	89,153	117,722
Legal	7,311	8,661	98,287	40,133
Other consultants	12,950	48,557	24,924	216,593
	35,114	83,793	212,364	374,448

Legal expenses pertaining to matters concerning cease trade order were booked during the nine-month ended June 30, 2019. The Company considered these expenses to be unreasonable and was able to reach a settlement in August.

Accounting expenses for the 9 month ended June 30, 2018 is higher on account of the additional audit work that was required to be done in connection with the cease trade order.

(2) Research Expenses: The Company is in the research phase of an internal project and is of the opinion that the research activities have not yet yielded any asset that could generate probable future economic benefits. Consequently, the Company recognizes spend towards research as an expense when it is incurred. (Note 3).

The details of the Research Expenses are as follows

	3 months ended ne 2019	**3 months Ended June 2018**	**9 months ended June 2019**	**9 months ended June 2018**
Technical Retainership	86,300	74,704	260,306	248,514
Technical Consultancy	3,500	4,000	7,500	12,053
Pilot Plant Testing	-	235,739	102,300	396,581
Engineering Study	-	-	-	4,251
Environment Study	-	-	-	4,118
Laboratory Testing	-	9,000	37,488	49,817
NRC-IRAP	(15,825)	-	(45,825)	-
Other	-	77	-	76
	73,975	323,519	361,769	715,410

The Company has been incurring Research costs in relation to laboratory testing and thermodynamic modelling work with the goal of proving the economic viability of producing Magnesium metal from high purity MgO via aluminothermic reduction. In addition, the Company has continued its development efforts to further optimize and demonstrate its ability to produce high purity MgO and amorphous silica. As part of this work, the Company engages technical consultants and in 2018 engaged some engineering and environmental consultants to support its efforts. During the 9-month ended June 30, 2019, the Company has cut back on the Research expenses for the current period in view of lower availability of funds. The Company, however, has been able to retain key technical personnel to provide continuity to the various activities.

Following the approval of its project entitled “Feasibility – Magnesium Production using Aluminothermic Reduction”, the Company has been awarded a grant of 98,400 by the National Research Council – Industrial Research Application Promotion (IRAP). During this period, the Company has received $45,825 from IRAP which has been credited to the Research Costs.

(3) Office Administration: The Company has made significant strides in cost reductions. With a view to reduce the exposure of administrative expenses, the Company continues to have its head office in Montreal at a new lower cost location and in addition has relocated its day to day operations from

Vancouver to Montreal. This move has led to a significant reduction of rental expenses. The insurance cost for the Company has increased during the 9-month ended June 30 2019 on account of the increased tariffs for the Directors and Officers Liability insurance as a fall out of the cease trade order. Details of the Office Administration Expenses are as follows:

	3 months ended June 30 2019	3 months ended June 30 2018	9 months ended June 30 2019	9 months ended June 30 2018
Bank Charges	708	1,318	2,427	4,377
Insurance	5,175	3,625	13,888	5,755
Computer Related Expenses	168	1,083	642	3,893
Office Expenses	727	510	1,031	8,080
Rent	285	16,759	655	58,410
Telephone	-	1,424	-	2,275
Foreign Exchange	-	11,230	-	11,230
	7,063	35,949	18,643	94,020

(4) Trust Filing Fees: The filing fees during the 9 month ended June 30 2019 increased substantially on account of the increased fees paid in connection with the lifting of cease trade order.

Use of Accounting Estimates and Judgments

Please refer to Note 3 of the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2019 and the audited consolidated financial statements for the year ended September 30, 2018 for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

Standards Issued but Not Yet Effective

The information is provided in Note 3 of the financial statements.

Financial Instruments

1. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, amounts receivable and trade payables and accrued liabilities approximate their fair values because of their short-term nature. The fair values of marketable securities are based on current bid prices at June 30, 2019.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The carrying amounts and fair value of financial instruments presented in the statement of financial position are as follows:

	2019		2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash and cash equivalents	**56,273**	**56,273**	30,916	30,916	19,475	19,475
Financial liabilities						
Accounts payable and accrued liabilities (Note 6)	**490,555**	**490,555**	619,599	619,599	219,564	219,564
Due to related parties (Note 9)	**238,982**	**238,982**	299,914	299,914	42,076	42,076
Notes payable (Note 8)	**2,701**	**2,701**	576	576	120,000	120,000
Proceeds from convertible debentures (Note 16)	**150,000**	**150,000**	150,000	150,000	0	0

2. Financial Instrument Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash which is held in bank accounts. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is low and is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consists primarily of refundable government goods and services taxes.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company monitors its ability to meet its short-term research and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset-backed commercial papers.

(iii) Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

The Company's functional currency is the Canadian dollar. Therefore, the Company is not exposed to foreign exchange risk.

(iv) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Financial assets and financial liabilities are not exposed to interest rate risk because they are non-interest bearing.

(v) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of palladium, nickel, and gold. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

During the nine months ended June 30, 2019, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

Capital Management Policies and Procedures

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the research and development expenses with a view to develop intellectual property rights that would enable value creation for the shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities.

In order to maintain or adjust the capital structure, the Company may issue common shares or securities convertible or exercisable into common shares. No changes were made in the objectives, policies and processes for managing capital during the 9 month period ending June 30, 2019. The Company is not subject to any externally imposed capital requirements.

Liquidity and Capital Resources

Working Capital

Working capital at June 30, 2019 of $(1,268,995) represents an increase of $182,233 from the levels of September 30, 2018 total of $(1,451,228). This increase in working capital is mainly due to cash infusion in terms equity which was offset by the utilization of cash to meet the operating expenses during the quarter.

Capital Expenditures

There were no Capital Expenditures incurred by the Company during the six months ended June 30, 2019 and 2018.

Convertible Debentures

During April 2018, the Company issued 100 units of convertible debenture amounting to $50,000. The term of each Convertible Debenture matures three (3) years from the date of issuance, carries an interest rate of six percent (6%) per annum, (interest paid upfront in advance) and is convertible to common shares of the Company at a conversion price of $0.50 per common share, (or at 10% below the market price, whichever is less, subject to exchange approval).

On May 14, 2018, the Company announced a non-brokered private placement offering of up to $5,000,000 (the “Offering”), by the issuance of convertible debentures of the Company (each a “Convertible Debenture”).

There are 100 units available in the Offering, with a minimum tranche of $50,000. The term of each Convertible Debenture matures three (3) years from the date of issuance, carries an interest rate of eight percent (8%) per annum, (interest paid upfront in advance) and is convertible to common shares of the Company at a conversion price of $0.50 per common share, (or at market price, whichever is less, subject to exchange approval). Maturity is subject to an accelerated maturity of 30 days in the event the Company’s common shares trade at $1.00 or more for ten consecutive trading days.

During the year ended September 30, 2018, the Company received $100,000 related to the Offering. The Convertible Debentures will be issued subject to regulatory approval.

No new Debentures were issued or repaid during the quarter ended June 30, 2019.

The timelines for meeting the liabilities are as follows:

Liabilities	Amount ($)	Year of Payment	Mode of Payment
Current Liabilities	490,555	2019 - 2020	Cash
Due to Related Parties	238,982	2019 - 2020	Cash / Issuance of Shares
Notes Payable	2,701	2019 - 2020	Cash
Advance from Investissment Quebec	495,000	2019 - 2020	Cash. *However, the Company does not expect to refund the amount to Investissment Quebec as the Company is in the process of setting up an establishment at MRC des Sources, which is the only pending condition of the grant.*

Convertible Debentures	150,000	2021	Issuance of shares
Capital Commitments	Nil		
Subscription received in Advance	100,000	2019 - 2020	This amount might have to be refunded to the past Chairman and Director as the shares are yet to be issued. Negotiation is ongoing.

Capital Resources

Equity attributable to shareholders of the Company is $(1,147,128), an increase of $(159,162) from September 30, 2018, and is comprised of share capital of $8,753,596 (Previous Year: $7,923,396), reserves of $8,180,973 (Previous Year: $8,181,602), Subscription received in Advance $100,000 (Previous Year: 100,000) less the deficit of $(18,181,696) (Previous Year: $(17,511,588)) .

Management of the Corporation does not believe that it has sufficient funds to pay its ongoing general and administrative expenses including research and development expenses, to pursue development of the various projects and meeting the existing commitments for the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Corporation's ability to continue future operations beyond September 30, 2019 and fund its research and development expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required.

While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts eventually realized for assets might be less than amounts reflected in these consolidated financial statements.

Transactions with Related Parties

Compensation paid to key management and directors

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

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

Research costs include $144,000 paid to the company of the Chairperson, President and Chief Executive Officer and Director of the Company (June 2018: $144,000). For the 3 months ended June 30, 2019, the expenses on this account has been $48,000.

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

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

Amounts due to related parties

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

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.

On April 4, 2018, the former CEO of the Company subscribed to 500,000 units at $0.20 per unit for total proceeds of $100,000. As of the date of these financial statements, these units have not been issued.

Dues to related parties

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of dues payable to the Chairman and CEO of the Company in connection with technical and scientific services amounting to $108,000 (Notes 10 and 14). The fair value of the debt settlement was estimated at $108,000, including the shares valued at $108,000. The warrants were assigned no value under the residual method.

During the nine months ended June 30, 2019, the Company received $137,944 from the former Chairman. Also, during the same period June 30, 2019, the Company have repaid $168,000 to the former Chairman and / or a company controlled by the former Chairman in the form of Units as follows:

a) On May 23, 2019 the Company issued 1,280,000 units of the Company in settlement notes payable to the Director and former Chairman of the Company amounting to $128,000 (Notes 10 and 14). The fair value of the debt settlement was estimated at $128,000, including the shares valued at $128,000. The warrants were assigned no value under the residual method.

b) On May 23, 2019 the Company issued 400,000 units of the Company in settlement notes payable to a company owned by the Director and former Chairman of the Company amounting to $40,000 (Notes 10 and 14). The fair value of the debt settlement was estimated at $40,000, including the shares valued at $40,000. The warrants were assigned no value under the residual method.

During the year ended September 30, 2018, the Company received $88,286 and $44,195 from the former Chairman and a family member related to the former Chairman, respectively. These funds were advanced for short term working capital needs. The advances bear no interest, are unsecured and are payable on demand.

Other transactions

On October 5, 2017 the Company issued 125,000 units of the Company to a family member of a director in relation to the $25,000 subscriptions received in advance during the year ended September 30, 2017 (Note 10). Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017 the Company issued 1,002,930 units to the former Chairman in relation to the $200,586 subscriptions received in advance during the year ended September 30, 2017 (Note 10). Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

During the year ended September 30, 2017, the Company issued 446,500 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November 2018, these units were returned to treasury of the Company for cancellation (Note 10).

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

On October 27, 2017, a company controlled by the former CEO exercised 400,000 options with an exercise price of $0.30 for total proceeds of $120,000 (Note 10).

On October 27, 2017, the former CEO of the Company exercised 100,000 warrants with an exercise price of $0.50 for total proceeds of $50,000 (Note 10).

On November 23, 2017, a company controlled by the former CEO exercised 200,000 options with an exercise price of $0.30 for total proceeds of $60,000 (Note 10).

On November 23, 2017, a director of the Company exercised 80,000 options with an exercise price of $0.30 for total proceeds of $24,000 (Note 10).

On November 30, 2017, a company controlled by the former CEO exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 10).

On November 30, 2017, the former CEO of the Company exercised 40,000 options with an exercise price of $0.30 for total proceeds of $12,000 (Note 10).

On December 6, 2017, the former CEO of the Company exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 10).

On December 21, 2017, the former CEO of the Company exercised 70,000 options with an exercise price of $0.30 for total proceeds of $21,000 (Note 10).

Commitments and Contingencies

On August 31, 2017 the Company entered into an agreement to purchase 100% of the shares of MagPower Systems Inc. ('MagPower"). MagPower is a private company whose focus is the development of magnesium air batteries. The terms of the acquisition include:

- $100 for all of the issued and outstanding shares;
- 2% royalty ("royalty obligation") based on gross cash flow generated by MagPower up to $2 million;
- An option for the Company to buy the royalty obligation for $1 million for a period of 24 months; and
- Warrants issued on a prorata basis to existing MagPower shareholders with a term of two years, at a price of $1.00 for the first year, and $1.25 for the second year.

As at June 30, 2019, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred. The Company is in the process of negotiating an extension of the option period of 24 months.

On 3rd January 2019, the Company entered onto an agreement with Tech Magnesium who owns certain know how on magnesium processing (the "**Tech Mag Technology**") to collaborate on the development of the same (the "Agreement"). The Agreement allowed the Company to perform follow-up research on the Tech Mag Technology so that the technology development could be achieved in 3 phases as under:

(i) Phase 1: Lab-scale, proof-of-concept testing, with thermodynamic modelling that would result in data/information needed to produce a 3rd party (arm's length) concept study.

(ii) Phase 2: Design, construction and operation of a small-scale pilot test facility to further de-risk the technology and provide data/information needed to produce a 3rd party (arm's length) pre-feasibility / feasibility study.

(iii) Phase 3: Design, construction and operation of the first Mg metal commercial module.

The 3 phases of development as indicated above were intended to be completed within 60 months from the date of the Agreement.

By virtue of the Agreement, the Company retained a right to acquire 100% of the Tech Mag Technology within a period of 60 months (the "**Option**"), which will allow Mag One to fully acquire exclusive worldwide ownership of the Tech Mag Technology. During the term of the Agreement, the parties agreed to negotiate agreeable consideration payments to Tech Magnesium (the "Acquisition Payment").

During the ensuing period of 60 months or the date on which the Company exercises its Option, whichever is earlier, Tech Magnesium would be providing technical services to the Company in exchange for certain remuneration as outlined below:

a) Remuneration @ $1000 per day; or
b) A monthly fixed remuneration as appropriate mutually decided by the parties; and
c) Reimbursement of expenses

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

3. Payments for services in connection with the development of the Tech Mag Technology:
   a. $5,000 per month during Phase 1;
   b. $7,500 per month during Phase 2 and 3; and
   c. $35,000 within 30 days of the completion of Tech Magnesium's Phase 2 Report.
4. The Acquisition Payment that shall be triggered upon exercise of the Option to include:
   a. An initial payment of $50,000 due on the date the Company issues a notice to exercise the Option;
   b. Quarterly payments equal to 4% of all private and public financing raised by the Company that are specifically used to advance the Tech Magnesium Technology during the calendar quarter up to a maximum of $2,500,000;
   c. Quarterly royalty payments equal to 2.5% of the gross sales revenue from the sale of magnesium metaland alloys during the calendar quarter up to a maximum of $2,500,000.

The Company is working with Dr. Zuliani and Glencore XPS as part of an NRC IRAP grant to complete Phase 1. The work is progressing and the Company to complete this phase in December 2019, the deadline being February 3, 2020. The Company continues to meet all of its obligations under Phase 1. Furthermore, the Company is yet to exercise the Option. The Company is presently pursuing the development of a technology through Tech Magnesium which constitutes expenses towards Research and Development. (Also see "**Key Contracts – Part 5"** above)

Controls and Procedures Over Financial Reporting

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company.

Share capital

(a) Authorized:

Unlimited number of Class A common voting shares without par value.
Unlimited number of non-voting Class B preferred shares, without nominal or par value.

(b) Issued as of June 30, 2019: The Company has 51,744,903 common shares issued (September 30, 2018: 44,147,283).

As at June 30, 2019, the Company had 51,744,903 common shares issued and outstanding. As at the same date, there were 15,685,120 warrants outstanding, and 3,010,000 options were outstanding.

	Number of Shares	Number of Options	Exercise Price	Expiry Date
Issued and Outstanding	51,744,903	3,010,000	$0.30	September 24, 2019
		3,010,000		

Warrants

Number Outstanding	Exercise Price	Expiry Date
412,500	$1.10	August 26, 2020
8,310,000	$0.25	May 22, 2020
2,905,940	$0.50	October 10, 2019
4,056,680	$0.50	August 17, 2019
15,685,120	$0.53	

As on the date of the MD&A, the outstanding share position is as follows:

	No of Shares	Warrants	Options
Balance as on June 30 2019	51,744,903	15,685,120	3,010,000
Stock Options Issued in July 2019			4,200,000
Private Placement in July 2019	3,298,000	3,298,000	
Expired in August 2019		(4,056,680)	
Expired in September 2019			(3,010,000)
Expired in October 2019		(2,905,940)	
Balance as on the date of the MD&A	55,042,903	11,822,500	4,200,000

On July 20, 2019 4,200,000 Stock Options were issued to qualified optionees as an incentive according to the company's stock option plan. The Options have an exercise price of $0.10 and a term of 1 year. The Company also concluded a Private placement of 3,298,000 shares @ $0.10 in August 2019. Each

Unit is comprised of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.25 per common share for a period of one year from the date of issue.

BUSINESS RISKS

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment. The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been relatively successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

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 success of the Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

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 on grade, already-mined, serpentinite tailings to produce magnesium metal and other related Mg byproducts. The Company has secured a long-term option agreement for the raw material supply of 50M tonnes at a very low ($1.00/tonne as it is used) price. The Company has an option for an additional 60M tonnes in Thetford Mines Quebec. These two option contracts ensures a long-term raw material supply and as such this risk has been mitigated.

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.

Legal Risk

In the normal course of the Company's business, Mag One may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to the personal injuries, property damage, property tax, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

SUBSEQUENT EVENTS

- On July 20, 2019 4,200,000 Stock Options were issued to qualified optionees as an incentive according to the company's stock option plan. The Options have an exercise price of $0.10 and a term of 1 year.
- The Company also concluded a Private placement of 3,298,000 shares @ $0.10 in August 2019. Each Unit is comprised of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.25 per common share for a period of one year from the date of issue.
- 4,056,680 and 2,905,940 warrants expired in August and October 2019 respectively.
- 3,010,000 options expired in September 2019.
- On August 12, 2019 the Company Filed a PCT Patent application for the Production of Fine grain Magnesium Oxide and Fibrous Amorphous Silica from Serpentinite Mine Tailings.
- The Company has ceased to carry on business through its Tennessee based 100% subsidiary NAMP LLC with effect from August 6, 2019
- On November 5, 2019 the Company has signed a non-binding letter of intent with Blue Lagoon Resources Inc. ("BLR") pursuant to which BLR may acquire up to a 70% equity joint venture ownership interest in Mag One Operations ("Mag One Ops") by purchasing up to $5.25 million of shares of Mag One Ops (the "Transaction"). The proceeds would also be used to upgrade the historical resource to a current NI 43-101 compliant resource. BLR has engaged MRB & Associés of Val d'Or Quebec to conduct the technical work and to prepare a NI43-101 technical report.

- On November 29, 2019, the Company entered into an agreement with Dundee Sustainable Technologies Inc.("DST"), whereby, Mag One Operations was transferred the 43-101 Technical Report prepared by Systemes Geostat International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Quebec, Canada (the "Technical Report") for a consideration of :
    - (1) $1.00 on the date of signing the agreement;
    - (2) Within 8 months of signing of the agreement,
        - (a) Award a contract to DST for a minimum value of $75,000 for piloting the Mag One Technology at DST's facilities in Thetford Mines; OR
        - (b) Pay DST $5,000.

Approved on behalf of the Board

"Dean Journeaux"

Director
Dean Journeaux

"Gillian Holcroft"

Director
Gillian Holcroft