MAG ONE PRODUCTS INC.

Management's Discussion & Analysis

Three Month Period Ended March 31, 2020

Date of Issue: 13 July 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THREE MONTH PERIOD ENDED MARCH 2020
FORM 51-102F1

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 month period ended March 30, 2020.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the three-month period ended March 31, 2020. 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 July 13, 2020.

This MD&A, together with the 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" or "Mag One") 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 producers 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 600 – 777 Hornby Street, Vancouver, BC V6Z 1S4. 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 annum (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 tpa high purity magnesium oxide (MgO) and amorphous silica production facility followed by 5,000 tpa Mg metal production modules. Subsequent modules will be financed from operating revenues until Mag One is producing 1 million tpa 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 was requested and receipt of at $1.91M grant from the Canadian Government's Clean Growth Program was announced on April 20, 2020. In parallel Mag One will advance the Tech Magnesium metal production process, developed by Dr. Doug Zuliani for which its subsidiary, Mag One Operations' has exclusive rights, based upon meeting certain milestones.

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. On November 26, 2019 Blue Lagoon Resources Inc (BLR) announced that it had signed a letter of intent (LOI), dated November 25, 2019, with MOPI and its wholly owned subsidiary MOOI, pursuant to which BLR may acquire up to a 70% equity joint venture ownership interest in MOOI by purchasing up to $5.25 million of shares of MOOI (the "Transaction"). On January 7, 2020 BLR and MOPI entered into a Definitive Agreement as per the conditions agreed to in the LOI. On April 15, 2020, MOPI and BLR signed a Mutual Termination and Release agreement ("MTRA") to terminate the Agreement between the parties. A term of the MTRA specifies that MOPI has no obligations to BLR. In a subsequent period, MOPI recognized a Gain on Contract Cancellation of $50,474.

In Southern Quebec, there are significant amounts of tailings piles as a result of over one hundred years of Asbestos mining operations. Mag One has, however, secured access to 110 million tonnes of tailings (50M at Jeffrey Mines and 60M at the former Thetford Mines locations). The price negotiated for the Jeffrey Mines tailings is $1.00 per tonne as it is used. The price negotiated for the former Thetford Mine tailings has been redacted from the published agreement due to confidentiality concerns.

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 ready for production 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.

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. Given that a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, Mag One cannot treat the historical estimate as current mineral resources or mineral reserves. For this reason, upon announcement of the Transaction, Rana Vig, President and CEO of BLR retained JPL GeoServices, a Val-d'Or-based, independent geological consulting firm, to author a National Instrument 43-101 (NI 43-101) Technical Report (the "Report") on the Normandie Tailings Project (the "Project") that was mandated to include a Mineral Resource Estimate ("MRE") for the Normandie tailings site, situated on the Property. This firm issued an NI 43-101 Technical report on a portion of the Normandie tailings with the result being in line with what the Company had anticipated. Specifically, these tailings have a measured and indicated Mineral Resource Estimate (MRE) of 26.6M tonnes and a grade of 37.1% MgO. The Company could ultimately use its novel modular high purity MgO technology to build 10 plants, each producing 30,000 tonnes per year (TPY) of MgO and 33,000 TPY of amorphous silica for 30 years without having to seek another stockpile. 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.

KEY AGREEMENTS

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 Mag One Operations entered into a new agreement with DST, whereby, Mag One Operations purchased and was subsequently transferred the 43-101 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 (the "Technical Report"). The contract was published on SEDAR and involves and initial price upon signing with a subsequent payment due within 8 months from signing or alternatively following the award of a contract to DST for a minimum value.

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 million 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 year ended September 30, 2019, the Company recorded amortization of $15,125 (2018 -

$15,125) related to these intangible assets.

On March 18, 2019 the Company entered into a new agreement with ACL whereby Mag One Operations would have access to recover and process up to 60M tonnes of tailings. The contract was published on SEDAR with specific financial details in terms of price to be paid per ton of tailings redacted due to confidentiality considerations. The term of the agreement will automatically be extended until March 1, 2022 if, prior to March 1, 2020, Mag One Operations provides ACL with notice in writing that it has completed a Technical Report on the Normandie Tailings pile in the form required pursuant to National Instrument 43-101. Although the Technical Report was issued on April 14, 2020, the draft report was completed in early February, well before the deadline.

Mine Jeffrey Inc. and Beausite Metal Inc.

On November 29, 2019 Mag One re-negotiated its exclusive access to recover up to 25M tonnes of serpentine tailings from Mine Jeffrey site that includes an option to have exclusive access to recover an additional 25M tonnes of serpentine tailings. The key change in the agreement is that the condition to exercise this option has been extended to November 30, 2024. The other terms have remained the same an include 1.00/tonne of tailings to be paid, with inflationary rider based on the Consumer Price Index from statistics Canada to be implemented on each January 1st of the calendar years subsequent achieving production. The new agreement acknowledged the pre-payment of $100,000 for the first 100,000 tonnes of tailings that was made in 2017.

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 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.

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 pro rata 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 September 30, 2019, the acquisition has not been finalized, no consideration has been paid, and ownership had not been transferred.

MagBoard LLC

On October 23, 2019, the Company was repaid $50,000 USD plus interest for a total of $71,100 USD pursuant to an agreement signed with Mag Board LLC in July 2016 whereby the Company entered into a Convertible Debenture (CD) and loaned Mag Board LLC $150,000 USD. The Company is considering converting the balance of the CD into shares of GDR Global, the firm who recently acquired controlling interest in MagBoard LLC. The paperwork for this transaction is currently under review by management.

Technology IP Acquisition Agreement

On January 3, 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").

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 specific payments for services in connection with the development of the Tech Mag Technology that would increase as the phases of the project evolved. The contract has been posted on SEDAR with the specific financial details redacted due to confidentiality concerns. In addition, the Agreement includes specific acquisition payments that would be triggered upon exercise of the Option. The specific amounts have been redacted due to confidentiality concerns. The 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.

- 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.

- On January 29, 2020 Tech Magnesium and the Company acknowledged that Phase 1 was completed prior to the February 2020 deadline and that they were agreeable to pursue Phase 2.

Advance from Investissement 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 favorable 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 been reported 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 hydrometallurgical process for producing high purity MgO, high-value amorphous silica and extract value from the iron-nickel residue.

Also, during this period, Mag One Operations entered into a new contract with the Centre d'Innovation Minière 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 tonne 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.

On October 30, 2019 the Company, as part of the original contract signed with the Centre d'Innovation Minière de la MRC des Sources ("CIMMS") that it would sell the pilot plant equipment assets for up to $75,000. Upon negotiation with CIMMS, and in consideration of past efforts and the actual amount of equipment purchased the Company agreed to be sell the pilot plant equipment for $57,750 whereby $40,000 would be received as a cash payment and $17,750 would be credited towards future work at CIMMS for a minimum contract of $100,000.

Between August 2018 and March 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 has entered into new agreements with both Jeffrey Mines and Asbestos Corp Limited as detailed in the Key Agreements Section.

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) and Glencore XPS (both metallurgical testing labs) 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). Although the Project, which consists of thermodynamic modelling, bench-scale and small scale pilot scale experiments was completed on February 18th, more work is needed to optimize the small scale pilot scale work and confirm the magnesium yields, along with by-product quality. With positive results stemming from the Project, Mag One expects to begin work towards a larger pilot-scale demonstration phase in Q3 2020. The final phase of development will be the design, construction and start-up of Mag One's first 5,000 tonne per annum (tpa) primary Mg metal module. Additional modules will then be brought online to coincide with market demand. 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 bench scale furnace was too small to adequately demonstrate the Mg metal production process.

<u>Clean Growth Program of the Natural Resources Canada:</u>

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; and
- 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. The Company announced on April 20, 2020 that it had secured $1.91M from the CGP program to cover up to 50% of the project cost estimate of $3.33 million. Disbursements from this grant require that the Company spends funds and is subsequently reimbursed for up to 50% of the eligible costs.

On May 27, 2020 the Company announced it has signed an LOI with VERA Clean (“Vera”). The scope of the LOI and pending definitive agreement provides Mag One or an affiliate an exclusive licensing, distribution, import/export, and manufacturing/repackaging of Vera Clean products for Canada, United States, Italy, Spain, Portugal, and Austria (collectively the “Territory”). The contemplated licensing agreement between Vera and the Company outlines the territories of which the Company has exclusive marketing and distribution rights.

Vera Clean represents a strong opportunity for the Company to secure an ongoing revenue stream while allowing the company to further develop its Magnesium projects. Developing the Vera Clean business in the territory will require minimal resources from the Company while providing strong cash flow from a much-needed solution. Sales, marketing, distribution and production of Vera Clean products for the contracted territory will be accomplished through partnerships the company has entered. All contracts are subject to the Company completing its due diligence and entering a master distribution / licensing agreement with Vera Clean. The partnerships the Company has organized include:

1. Business Development agreement with VEMO Biotech Limited.
2. Bottling / Manufacturing facility in Bridesville, BC with Naturo Group
3. Consulting agreement with MiAnna Consulting and Design.

<u>VEMO Biotech Limited</u>

VEMO will be leading the management, marketing, operations, staffing, sales and channel development for the Vera Clean line of products that the Issuer has secured for Canada, United States, Italy, Spain, Portugal and Austria.

<u>Bottling / Manufacturing Facility</u>

This facility has a capacity to fill 20 x 2.5-liter bottles per minute. Running at full capacity, Mag One can bottle up to 28,800 bottles per day or 10,512,000 bottles per year based on demand and purchase orders. Mag One will also be able to “blow” and label its own bottles at the facility, thereby allowing an all-in-one shop for manufacturing, bottling and ready-to-ship finished products. Additionally, the facility provides up to 1000 sq/ft of storage for finished products.

<u>MiAnna Consulting & Design</u>

MiAnna will be leading and responsible for the for the following deliverables:

- Rebrand Vera Clean products for the North American Market;
- Lead and manage all logistics for the delivery, production and sales of all Vera Clean products in North America;
- Lead and manage all regulatory requirements for the production, sale and distribution of Vera Clean products in North America;
- Additional services as may be mutually agreed by the Contractor and the Company in writing.

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 between August 2018 and October 2018 were as follows:

- In August 2018, the Board 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 were 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 assumed the role of Chairman and CEO. Nelson M. Skalbania, co-Founder and former Chairman & CEO of Mag One, resigned as Chairman and CEO.
- James G. Blencoe, Co-Founder, Chief Technology Officer and Director of Mag One 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 March 31, 2018. Both of these filings were 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. William Thomas. Mr. De was formerly the CFO for Tata Steel Minerals Canada (TSMC) Ltd.

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 Gillian Holcroft, the President and CEO of the Company 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.

On October 23, 2019, the Company was repaid $50,000 USD plus interest for a total of $71,100 USD pursuant to an agreement signed with Mag Board LLC in July 2016 whereby the Company entered into a Convertible Debenture (CD) and loaned Mag Board LLC $150,000 USD. The Company is considering converting the balance of the CD into shares of GDR Global, the firm who recently acquired controlling interest in MagBoard LLC. The paperwork for this transaction is currently under review by management.

On November 25, 2019, the Company signed a 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").

On March 4, 2019 the Company was placed on the issuers default list by the BC securities commission as a result of its failure to comply with continuous disclosure issues. These issues were resolved, and the Company was removed from the list on March 17, 2019. On March 4, 2019 the Company issued a clarification news release concerning the grant received from Investissement Quebec and also announced that it has amended and restated its Q3 2019 financial statements as a result.

On March 16, 2019 the Company further amended its Q3 2019 financial statements to correct information concerning the Tech Magnesium Agreement. On March 16, 2019 the Company accepted the resignations of Mr. Dean Journeaux as a Director and Mr. Arnab De as the Company's CFO.

On January 6, 2020 the Company and its wholly owned subsidiary, Mag One Operations Inc. signed a definitive earn-in and operating agreement with Blue Lagoon Resources (BLR) whereby BLR may acquire up to a 70% equity interest in Mag One Operations by purchasing up to $5.25 million of shares of Mag One's wholly owned subsidiary. Funds received from BLR will finance the development of the Company's projects.

On January 23, 2020 the announced that MOOI received an initial purchase order from India-based Tata Steel, one of the largest steel manufacturers in the world with a presence on 5 continents, to evaluate the feasibility of using the proprietary, game-changing Tech Mag Technology, from a non-serpentinite-based feed source to produce low cost, low carbon-footprint primary magnesium metal.

On February 19, 2020 the Company appoint Mr. Tony Louie to its board of directors. Mr. Louie has been a self-employed business consultant since 2009 providing guidance to startup companies on strategy, business vision and fund raising. He has over 25 years in the technology sector working in a variety of roles for companies such as AT&T, Telus and Cisco Systems where he was a consistent top performer.

On March 9, 2020, the Company announced the appointment of Mr. Drew Brass to its board of directors. Mr. Brass will replace Rodney Burylo who has resigned as a director of the Company. Mr. Drew Brass has been a self-employed business consultant specializing in corporate communications for junior publicly listed companies in industries as diverse as minerals exploration, software and oil and gas. He has been involved in the public market for over 30 years on both the equities and money market sides.Mr. Brass' public company experience includes shareholder communications, fund raising and serving as VP of Communications for a number of publicly listed companies.

On March 11, 2020, the Company announced the appointment of Mr. Tony Louie as President, Chief Executive Officer, Chairman and Interim Chief Financial Officer effective March 10, 2020. Mr. Louie will replace Gillian Holcroft who has resigned from the Company as Director, President, Chief Executive Officer, Chairman and Interim Chief Financial Officer. Ms. Holcroft will continue as President and Chief Executive Officer of the Company's subsidiary Mag One Operations Inc. Ms. Holcroft first joined Mag One in 2015 as the President of Mag One Operations. Gillian's role at that time was focused on leading the Company's efforts to develop its game-changing Magnesium metal and Magnesium products technologies. In 2018 Gillian became the Chairman, CEO and President of Mag One while continuing her role as President of its wholly owned subsidiary. With the recent Joint Venture between Mag One Operations and Blue Lagoon Resources, the Board of Directors acknowledged that the Company would be better served with Gillian focusing on advancing the Company's technologies.

The Company has reconstituted the Audit Committee as follows:

- Frank Vlastelic – (Chairman) – Independent
- Drew Brass – (Member) – Independent
- Tony Louie– (Member) – Executive

The Company will also seek 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.

FINANCIAL CONDITION

The following discussion of the Company's financial performance is based on the unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2020 ("financial statements") set forth herein. As discussed in Note 2 to the financial statements, they are prepared in accordance with International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements should be read in conjunction with the Company's September 30, 2019 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 March 31, 2020 indicates cash of $8,944, sales tax receivable of $13,099, and prepayments of $3,017, resulting in total current assets of $25,060, a decrease of $112,703 from September 30, 2019.

The Company's current liabilities at March 31, 2020 consist of accounts payable and accrued liabilities amounting to $340,014, a decrease of $46,389 from September 30, 2019; advances payable amounting to 50,474, an increase of $50,474 from September 30, 2019, due to related parties amounting to $291,794, an increase of $82,203 from September 30, 2019; notes payable amounted to $2,842, a increase of $120 from September 30, 2019; advance from Investissement Québec $524,163, an increase of $9,878 from September 30, 2019; proceeds from convertible debentures amounted to $160,999 an increase of $5,500 from September 30, 2019; and subscriptions received in advance of $100,000, no change from September 30, 2019.

The Total Current Liabilities as at March 31, 2020 stood at $1,470,286, an increase of $101,786 from September 30, 2019.

Equity deficiency attributable to shareholders of the Company at March 31, 2020 is $(1,445,225), an increase of $214,549 from September 30, 2019, and is comprised of share capital of $9,063,200 (2019 - $9,063,200), reserves of $8,473,595 (2019 - $8,495,739), less the deficit of $(19,002,021) (2019 - $(18,789,676)).

For the three months ended March 31, 2020, the Company realized a net loss of $132,019, or $0.002 per share, compared to a net loss of $217,740 or $0.005 per share for the three months ended March 31, 2018.

For the six months ended March 31, 2020, the Company realized a net loss of $214,489, or $0.004 per share, compared to a net loss of $527,846 or $0.012 per share for the six months ended March 31, 2018.

The loss for the three months ended March 31, 2020 represents operating expenses of $109,210 mainly consisting of Professional and Consultancy Fees $76,820 (2019 - $177,251); Research Expenses of $7,316 (2019 - $92,694) and an impaired amount receivable of $17,750.

The loss for the six months ended March 31, 2020 represents operating expenses of $212,345 mainly consisting of Professional and Consultancy Fees $143,660 (2019 - $85,620); Research Expenses of $118,703 (2019 - $287,794); a recovery of Investor Communication of $19, 252 (2019 –expense of $4,738) an impaired amount receivable of $17,750 and other income of $104,613 consisting of a recovery of an impaired loan receivable of $94,613 and consulting income of $10,000 (2019 -Nil).

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 the recent eight quarterly results of the Company. 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.

Quarter	31-Mar-20	30-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18
Net loss	(134,753)	(77,592)	(617,980)[1]	(143,547)	(217,740)	(308,821)	(270,140)	(498,186)
loss per share, basic & diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)

(1) Non-cash charge of $320,064 on account of share-based compensation.

Quarter Results

The operating results of the Corporation for the 3 months and six ended on March 31, 2020 is as below:

	For the three months ended March 31			For the six months ended March 31		
	2020	2019	Variance	2020	2019	Variance
Administrative Expenses						
Amortization (Notes 4 &5)	-	7,590	(7,590)	-	15,180	(15,180)
Office and administration	9,248	7,983	1,265	15,687	11,580	4,107
Professional and consulting fees (Note 9)	76,820	85,620	(8,800)	143,660	177,251	(33,591)
Investor communication	1,225	2,170	(945)	(19,252)	4,738	(23,990)
Research (Net) (note 9, 15)	7,316	92,694	(85,378)	118,703	287,794	(169,091)
Travel	1,528	4,105	(2,577)	7,937	5,076	2,861
Trust and filing fees	13,073	17,585	(4,512)	16,841	24,792	(7,951)
	(109,210)	(217,747)	(108,537)	(283,576)	(528,411)	(242,835)
Other Items						
Interest income (expense)	(7,793)	7	7,800	(15,632)	(150)	15,482
Impairment loss on receivable (Note)	(17,750)	-	17,750	(17,750)	-	17,750
Other income	-	-	-	104,613	-	(104,613)
Net loss for the period	(134,753)	(217,740)	(82,987)	(212,345)	(528,561)	(314,216)
Other Comprehensive Income (Loss)						
Foreign currency translation adjustment	2,734	636	2,098	(2,144)	(1,285)	(859)
Comprehensive loss for the period	(132,019)	(214,104)		(214,489)	(527,846)	
Basic and diluted loss per share	(0.002)	(0.005)		(0.004)	(0.012)	
Weighted average number of common shares outstanding	55,042,903	43,442,833		55,042,903	43,620,881	

During the three-month period ended March 31, 2020, the Company reported a net loss of $132,019 compared to a net loss of $217,489 during the same period in the prior year, representing a decrease in loss of $82,085. The decrease in loss in primarily attributed to the following:

- A decrease of $8,800 in professional and consulting fees. Professional and consulting fees were $76,820 in the quarter ended March 31, 2020, compared to $85,620 during the same quarter in the prior year.
- A decrease of $85,378 in research expenses. Research expenses were $7,316 in the quarter ended March 31, 2020, compared to $195,100 during the same quarter in the prior year.
- An increase of $17,750 in impairment loss on an amount receivable. There was no loss during the same quarter in the prior year.

During the six-month period ended March 31, 2020, the Company reported a net loss of $214,489 compared to a net loss of $527,846 during the same period in the prior year, representing a decrease in loss of $313,357. The decrease in loss in primarily attributed to the following:

- A decrease of $33,591 in professional and consulting fees. Professional and consulting fees were $143,660 in the six months ended March 31, 2020, compared to $177,251 during the same period in the prior year.

- A decrease of $169,091 in research expenses. Research expenses were $118,703 in the six months ended March 31, 2020, compared to $287,794 during the same period in the prior year.

- A decrease of $23,990 in investor communication fees. Investor communication fees were $(19,252) in the six months ended March 31, 2020, compared to $4,738 during the same period in the prior year.

- An increase in Other income of $104,613. Other income was $104,613 in the six months ended March 31, 2020, compared to $Nil during the same period in the prior year. Other income consists of a recovery of an impaired loan receivable of $94,613 and consulting income of $10,000 (2019 -Nil).

Professional and Consulting Fees include expenses towards Accounting and Audit Expenses, Legal Expenses and Other consultancy expenses with the details and comparison of the three-month periods ended March 31st for 2020 and 2018 as follows:

Professional and Consulting Fees	**3 month period ended March 31**		**6 month period ended March 31**	
	2020	**2019**	**2020**	**2019**
Accounting	5,543	44,980	17,632	74,300
Legal	25,277	40,639	58,513	102,950
Other consultants	46,000	-	67,515	-
Total	76,820	85,619	143,660	177,250

Legal expenses pertaining to matters concerning the cease trade order were booked during the six months ended March 31, 2018. The Company considered these expenses to be unreasonable and was able to reach a settlement in August 2019.

Accounting expenses for the six months ended March 31, 2020 were lower due to the timing of the recording of the annual audit fee. In addition the company chose not to engage a 3rd party accounting firm but instead relied on internal resources to produce the financial statements.

Other consultants' expenses during the quarter ended March 31, 2020 related to the Strategic Manager of Corporate finance, Sartano Services (Rod Burylo Director Fees) and Evans & Evans for 3rd party valuation of Mag One Operations.

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			6 months ended		
	31-Mar-20	**31-Dec-19**	**Variance**	**31-Mar-20**	**31-Mar-19**	**Variance**
Technical Retainership	5,700	80,050	74,350	85,750	174,006	88,256
Technical Consultancy	3,763	0	(3,763)	3,763	4,000	237
Pilot Plant Testing	0	63,737	63,737	63,738	127,288	63,551
Engineering Study	(2,148)	0	2,148	(2,148)	0	2,148
Environment Study	0	0	0	0	0	0
Laboratory Testing	0	0	0	0	12,500	12,500
NRC-IRAP	0	(32,401)	(32,401)	(32,400)	(30,000)	2,400
Other			0	0	0	0
	7,316	111,387	104,071	118,703	287,794	169,092

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 quarter ended March 31, 2020, the Company has cut back on Research expenses 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 recorded grants of $32,401 from IRAP which has been credited to the Research Costs.

Office Administration: The Company has made significant strides in cost reductions. With a view to reduce the exposure of administrative expenses, the Company’s subsidiary Mag One Operations continues to have its head office in Montreal at a low-cost location and has relocated its day to day operations from Vancouver to Montreal. This move has led to a significant reduction in rental expenses compared to prior years. The rent expense for the quarter ended March 31, 2020 increased slightly over the same quarter in the prior year due to the rental of a virtual office in Vancouver. The insurance cost for the Company has increased comparing the quarter ended March 31, 2020 to the same quarter last year on account of the increased tariffs for the Directors and Officers Liability insurance as a result of the cease trade order and challenges in the Quebec market in particular. Trust Filing Fees: The filing fees during the six months ended March 31, 2020 were lower than the same period in the prior year due to 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 Consolidated Financial Statements for the year ended September 30, 2019 and the 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

Fair values

The company's financial instruments consist of cash, accounts payable, advances payable, due to related parties, notes payable and proceeds from convertible debentures.

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 fair value of the Company's cash is classified as a Level 1 fair value measurement. The Company does not have any Level 2 or 3 fair value measurements.

As at March 31, 2020, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company's financial instruments risks (credit, interest rate, currency and liquidity) are considered to be minimal.

During the three months ended March 31, 2020, 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 year ending September 30, 2019. The Company is not subject to any externally imposed capital requirements.

Liquidity and Capital Resources

Working Capital

Working capital deficiency at March 31, 2020 of $(1,445,226) represents an increase of $(214,489) from the levels of September 30, 2019 total of $(1,230,737). This increase was caused by the utilization of cash to meet the operating expenses during the six-month period.

Capital Expenditures

There were no Capital Expenditures incurred by the Company during the quarter ended March 31, 2020.

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 issuance of Convertible Debentures will be subject to regulatory approval.

No new Debentures were issued or repaid during the quarter ended March 31, 2020.

The timelines for meeting the liabilities are as follows:

Liabilities	Amount ($)	Year of Payment	Mode of Payment
Accounts Payable	340,014	2020	Cash
Advances Payable	50,474	2020	Amount was foregiven on contract cancellation
Due to Related Parties	291,794	2020	Cash / Issuance of Shares
Notes Payable	2,842		Cash
Advance from Investissment Quebec	524,163	2020	Cash *However, the Company does not expect to refund the amount to he amount to Investissment Quebecas the Company is in the process of setting up at MRC des Sources, which is the only condition of the grant*
Convertible debentures	160,999	2021	Issuance of shares
Capital Commitments	Nil		
Subscription Received in Advance	100,000	2020	This amount might have to be refunded to the a Past Chariman and former Director as the shares are yet to issued. Negotiation is ingoing.

Capital Resources

Equity deficiency attributable to shareholders of the Company is $(1,445,226), an increase of $(214,489) from September 30, 2019, and is comprised of share capital of $9,063,200 (Sept 30 2019 - $9,063,200), reserves of $8,493,595 (Sept 30 2019 - $8,495,739), less the deficit of $(19,002,021) (Sept 30 2019 - $(18,789,676)).

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 March 31, 2020 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

<u>Compensation paid to key management and directors</u>

Related Party	Nature of Relationship	Nature of transaction
GLH Strategic Consulting Inc.	Controlled by Former: Chairperson, President, CEO and Director	Research
Sartano Services Corp.	Controlled by Rod Burylo, Director	Administration

Research costs include $46,000 paid to the company of the former Chairperson, President and Chief Executive Officer and Director of the Company (2019: $48,000). Professional and consulting fees include $34,00 paid to the company of the former Chairperson, President and Chief Executive Officer and Director of the Company as well as $5,000 paid for director compensation.

	March 31, 2020	March 31, 2019
Company of former: Chairperson, President, CEO and Director	80,000	96,000
Company of a Director	5,000	-
	85,000	96,000

Amounts due to related parties

	March 31, 2020	September 30, 2019
	$	$
Company of former: Chairperson, President, CEO & Director	-	33,797
Former Chairman and former director	131,599	131,599
Family member of a Director and former Chairman	44,195	44,195
Former Strategic Manager of Corporate Finance (SMCF)	16,000	-
Persons related to former SMCF	70,000	-
Certain shareholders of the Company	30,000	-
	291,794	209,591
Subscription received in advance from former Chairman and former Director	100,000	100,000

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.

Included in accounts payable is $10,500 owing to a Company controlled by the Former Chairperson and former Chief Executive Officer.

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.

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of dues payable to the company controlled by 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 year ended September 30, 2019, the Company received $137,944 from the former Chairman. During the same period, the Company has 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 13). The fair value of the units issued was estimated at $128,000.

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 13). The fair value of the units issued was estimated at $40,000.

During the year ended September 30, 2019, the Company received $Nil (2018: $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.

During the six-month period ended March 31, 2020, the Company received $16,000 (2019 – Nil) from the former Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. The advance bear 8% interest, is unsecured and payable within 12 months from the date of advance.

During the six-month period ended March 31, 2020, the Company received $70,000 (2019: Nil) from persons with a close family relationship with the former Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. The advance bears interest of 8%, is unsecured and is payable within 12 months.

During the six-month period ended March 31, 2020, the Company received $30,000 (2019 – Nil) from certain Company shareholders. These funds were advanced for short term working capital needs. The advances bear 5% interest, are unsecured and are payable within 12 months from the date of advance.

Commitments and Contingencies

a) 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;
    - Warrants issued on a pro rata 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 September 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.

b) On January 3, 2019,(amended on March 25, 2019) the Company entered into a Technology IP Acquisition Agreement (the “Agreement”) with 8200475 Canada Inc. (“Tech Magnesium”), granting the Company an exclusive license to use and option to acquire a 100% ownership of the aluminothermic and silicothermic technology (the “Tech Mag Technology”) owned by Tech Magnesium exercisable at any time within sixty months of the date of the Agreement (the “Term”), and agreeing to collaborate to finalize the development and commercialization of the Tech Mag Technology (the “Collaboration”).

    The significant terms of the agreement are as follows:

    - Mag One must finance Phase 1 (Lab-scale proof-of concept testing with thermodynamic modelling” of the Tech Magnesium technology) on or before February 3, 2020 in order to retain the exclusive license option for this technology. Mag One received confirmation from Tech Magnesium that the Phase 1 requirements have been met by the required date.

    - Mag One must finance Phase 2 (Design, construction and operation of a small-scale pilot test facility of the Tech Magnesium technology) on or before January 2022 in order to retain the exclusive license option for this technology.

    - Mag One must finance Phase 3 (Design, construction and operation of the first Mg metal commercial module (minimum of 5,000 tpa production capacity) using Tech Mag Technology) within 5 years of signature in order to retain the exclusive license option for this technology.

The Company has now completed Phase 1. On March 25, 2019 the Company amended the agreement to include specific payments for services in connection with the development of the Tech Mag Technology that would increase as the phases of the project evolved. The contract has been posted on SEDAR with the specific financial details redacted due to confidentiality concerns. In addition, the agreement includes specific acquisition payments that would be triggered upon exercise of the Option. The specific amounts have been redacted due to confidentiality concerns. (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 March 31, 2020: The Company has 55,042,903 common shares issued (September 30, 2019: 55,042,903).

As at March 31, 2020, the Company had 55,042,903 common shares issued and outstanding. As at the same date, there were 14,926,440 warrants outstanding, and 4,200,000 options were outstanding.

Number of Shares Issued and Outstanding

	No of Shares	Warrants	Options
Balance as at March 31, 2020	55,042,903	12,020,500	4,200,000
Balance as at date of the MD&A	55,042,903	12,020,500	4,200,000

Warrants Exercise Price and Expiry Date

Number	Exercise price	Expiry date
412,500	$1.00	August 26, 2020
8,310,000	$0.25	May 22, 2020
3,298,000	$0.25	August 8, 2020
12,020,500		

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.

During October 2019, 2,640,060 warrants expired.

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 favorable. 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 ensure 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

a) Company subsidiary Mag One Operations has concluded a Contribution Agreement (the "Agreement") with the Government of Canada via Natural Resources Canada under its Clean Growth Program (the "CGP"). The Agreement calls for Mag One Operations to receive from CGP up to $1,666,500 in non-repayable funding for its Front-End Engineering Design ("FEED") study for a high purity magnesium oxide ("HP MgO") demonstration plant using serpentinite tailings. The overall budget for the forthcoming work in this project, including in-kind contributions, is $3,600,000

b) Announcements regarding Vera Clean Products

(i) The Company announced that it has signed a Letter of Agreement ("LOI") with Vera Clean Products ("Vera"). The scope of the LOI and pending definitive agreement provides the Company or an affiliate an exclusive licensing, distribution, import/export, and manufacturing/repackaging of Vera Clean products for Canada, United States, Italy, Spain, Portugal, and Austria (collectively the "Territory"). The contemplated licensing agreement between Vera and the Company outlines the territories of which Mag One has exclusive marketing and distribution rights, it grants VERA a Gross Override Royalty (GORR) of 8% on all gross sales achieved by the Company as well as a licensing fee of $100,000.00 within 7-days of signing the agreement. The LOI stipulates a 45-day due diligence period (ending on July 13, 2020) before moving into a Licensing and distribution agreement. Mag One will be allowed to re-brand, sublicense or co-brand the products within their territories. The Company will undertake to pay for and have the Vera Clean products tested in Canada against the live COVID-19 virus at a secure Level 3 facility to test for the effectiveness against the virus.

ii) The Company announced that it has signed a Business Development agreement with VEMO Biotech Limited (the "VEMO"). VEMO will be leading the management, marketing, operations, staffing, sales and channel development for the Vera Clean line of products that the Company has secured for Canada, United States, Italy, Spain, Portugal and Austria. The term of this Agreement shall be twenty-four months from the effective date (June 8th, 2020) hereof with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. Unless the contracted tasks are completed and a mutually agreed upon termination is executed. (the "Consulting Period"). The terms of the agreement will be a monthly retainer of $10,000.00 as well as Gross Over-Ride Royalty (GORR) / commission on the sales of Mag One's "Vera Clean Products" to be determined shortly. The GORR / commission will be in line with industry standards. The execution of the contract and engagement is subject to the completion of the Company's due diligence and signing of the Master Licensing / Distribution Agreement with Vera Clean Products.

iii) The Company announced that it has signed a non-binding Letter of Intent ("LOI") to lease a bottling / manufacturing facility from Naturo Group Investments (the "Lessor"). The Company through its partnership with VEMO, was able to secure the Naturo facility located in Bridesville, British Columbia. The terms of the non-binding LOI will pay to the Lessor the amount of $5,000.00 on the first day of each month starting on the 1st day of July 2020. The term of the lease is 36 months and can be terminated if both parties mutually agree in writing with 60 days' notice. The lease can be renewed 30 days before the end of the lease.

iv) The Company announced that it has signed a Consulting Agreement with MiAnna Consulting & Design Inc (the "MiAnna"). MiAnna will be leading and responsible for the for the following deliverables:

- Rebrand Vera Clean products for the North American Market;
- Lead and manage all logistics for the delivery, production and sales of all Vera Clean products in North America;
- Lead and manage all regulatory requirements for the production, sale and distribution of Vera Clean products in North America;
- additional services as may be mutually agreed by the Contractor and the Company in writing.

The term of this Agreement shall be thirty-six months from the effective date (July 1, 2020) with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. MiAnna would receive three million common shares of the Company for their services. The execution of the contract and engagement is subject to the completion of the Company's due diligence and signing of the Master Licensing / Distribution Agreement with Vera Clean Products.

All of the foregoing relating to Vera Clean Products will not be effective until/if the Company completes its due diligence and moves ahead with its master licensing / distribution agreement with Vera Clean.

c) The Company announced a nonbrokered private placement financing of up to CDN $500,000 in units (each, a "Unit") at a price of CDN $0.08 per Unit (the "Financing"). Each Unit consists of one (1) common share (a "Share") in the capital of the Company and one (1) transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one (1) additional Share at a price of CDN$0.20 for a period of eighteen (18) months from the closing date of the Financing, subject to an acceleration provision whereby if the Shares trade at a price on the CSE (or such other exchange on which the Shares may be traded at such time) (the "Exchange") of CDN$0.50 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the Financing, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of Warrants) and, in such case, the Warrants will expire on the 31st day after the date of such notice. The Company may elect to close the Financing in one of more tranches.

Approved on behalf of the Board

"Frank Vlastelic"	*"Tony Louie"*
Director **Frank Vlastelic**	**Director** **Tony Louie**