

COVER TECHNOLOGIES INC.
(formerly Mag One Products Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of Cover Technologies Inc. (formerly Mag One Products Inc.) (“Cover” or the “Company”) and compares the Company’s 2020 financial results with those of the previous years. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and the related notes for the year ended September 30, 2020 which have been prepared under International Financial Reporting Standards (“IFRS”).

All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including January 28, 2021 (the “Report Date”).

FORWARD-LOOKING STATEMENT

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 consolidated financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, if any, 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

Cover was incorporated on June 18, 2007 in British Columbia, Canada and is currently active in BC and Québec. Activities in Québec are carried out through Cover's wholly-owned subsidiary, Mag One Operations Inc. ("MOOI"). During the year ended September 30, 2019, the Company ceased to carry on business through its Tennessee based 100% subsidiary NAMP LLC with effect from August 6, 2019. The Company's shares are currently traded on the Canadian Securities Exchange ("CSE") under the symbol "COVE" and are also listed on the Börse Frankfurt stock exchange ("Frankfurt") with the ticker symbol "304" and on the OTCBB symbol, "MGPRF". Cover has expanded its lines of business to include consumer and industrial disinfectant and cleaning solutions in addition to its magnesium technology. Using its game-changing technology, Cover aims to be the most environmentally friendly & sustainable producer of magnesium (Mg) metal, ultrapure Mg compounds, by-products and vertically integrated coproducts.

OVERALL PERFORMANCE

As at the Report Date, the Company changed its name from Mag One Products Inc. to Cover Technologies Inc. and underwent the following changes in officers and directors:

Name	Position	Appointment	Resignation
Dean Journeaux	Director		December 13, 2019
Tony Louie	Director	February 18, 2020	
Rod Burylo	Director		March 6, 2020
Drew Brass	Director	March 6, 2020	
Gillian Holcroft	Director		March 9, 2020
Arnab Kumar De	Chief Financial Officer		December 8, 2019
Gillian Holcroft	Interim Chief Financial Officer	December 8, 2019	March 9, 2020
Tony Louie	Interim Chief Financial Officer	March 9, 2020	
Gillian Holcroft	CEO & President		March 9, 2020
Tony Louie	CEO & President	March 9, 2020	

Mr. Tony Louie, Director, CEO, President and Interim CFO, 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. Mr. Louie has public company experience servicing as CFO and director on the board of a few publicly listed companies. Mr. Louie earned a Bachelor of Arts in Economics and a Master's degree in business administration from Simon Fraser University.

Mr. Drew Brass, Director, has been a self-employed business consultant specializing in corporate communications for junior publicly listed companies in industries as diverse as mineral 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 communication, fund raising and serving as VP of Communications for a number of publicly listed companies.

As of the Report Date, the Company completed the consolidation of its issued and outstanding common shares (each, a "Share") on the basis of one (1) post-consolidation Share for every twenty (20) pre-consolidation Shares (the "Consolidation"). Outstanding stock options were adjusted by the

Consolidation ratio. All common shares and per common share amounts in these md&a have been retroactively restated to reflect the share consolidation.

Magnesium Agreements

In 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 (the “Tailings”), Thetford Mines, Québec, Canada” prepared by Systèmes Geostat International (the “Technical Report”). The Company paid \$5,000 and issued 40,000 common shares with a value of \$9,000 pursuant to the SPA. The Company was to pay \$20,000 and issue common shares of the Company with a value of \$30,000 at the prevailing 20-day volume weighted average price upon the commencement of commercial production of product(s) by processing the Tailings on or before May 19, 2019. If the Company did not commence commercial production of product(s) by processing the Tailings on or before May 19, 2019, the Company was required to sell back the Technical Report for consideration of \$1.00 to DST.

During the year ended September 30, 2020, the Company and its subsidiary, MOOI, sold back the Technical Report for \$1.00 to DST and entered into a new agreement with DST to re-purchase the Technical Report. Pursuant to the new agreement, the Company must pay \$5,000 or enter into a contract with a minimum value of \$75,000 with DST for piloting the Company’s magnesium oxide production technology at DST’s facility on or before May 29, 2020. As at the Report Date, DST exercised its option to re-purchase the Technical Report.

In connection with the SPA, in 2017, the Company entered into an option agreement (“OA”) with Asbestos Corp. Ltd. (“ACL”). Under the OA, the Company had an option to purchase up to 60 million tonnes of the Tailings (the “Option”) on or before November 19, 2017. Pursuant to the OA, the Company paid \$5,000 and issued 50,000 common shares of the Company with a value of \$11,250. Upon exercise of the Option, the Company will be required to pay \$100,000 and \$1.00/tonne of Tailing used as a royalty and would have access to a minimum of five acres of land for the necessary plant and equipment. The OA was extended until June 30, 2019.

During the year ended year ended September 30, 2020, the Company and its subsidiary, MOOI, entered into a new agreement with ACL whereby, the Company would have access to recover and process up to 60 million tonnes of Tailings located in Québec up to March 1, 2020. The new agreement will automatically be extended until March 1, 2022 if, prior to March 1, 2020, the Company 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. Pursuant to the agreement, the Company will pay ACL \$1.00/tonne for the first 100,000 tonnes per year of Tailings taken by the Company, \$1.50/tonne of Tailings above 100,000 tonnes per year and below 200,000 tonnes per year of Tailings. Payments will be due on or before March 31st for Tailings taken and processed in the preceding calendar year. Upon commencement of production, the Company will pay ACL a non-refundable deposit of \$20,000. The Company provided ACL with the completed technical report of Normandie Tailings; therefore, the agreement has been extended to March 1, 2022.

During the year ended September 30, 2020, the Company terminated an agreement from 2018 between Mine Jeffrey Inc. (“Jeffrey”) and Beausite Metal Inc. (“BMI”) and entered into a processing agreement whereby Jeffrey and BMI have granted the Company and MOOI exclusive access to the Mine Jeffrey Serpentine Tailings project to recover up to 25 million tonnes of serpentine tailings and an option to acquire an additional 25 million tonnes for no additional consideration. The Company will have until November 30, 2024 to exercise the option to acquire the additional 25 million tonnes. The processing agreement acknowledged a \$100,000 prepayment made during the year ended September 30, 2015 for the first 100,000 tonnes of tailings. The Company will pay \$1.00/tonne of Tailings to be paid. Upon production being

achieved, the per tonne rate will be subject to an annual increase on January 1st of each subsequent calendar year in accordance with the Consumer Price Index published by Statistics Canada.

The Company, through its subsidiary, MOOI, entered into a technology IP acquisition agreement, as amended (the "IP Agreement") with 8200475 Canada Inc. ("Tech Magnesium"), granting the Company an exclusive license to use and an option to acquire a 100% ownership of the aluminothermic and silicothermic technology (the "Tech Mag Technology"), and agreeing to collaborate to finalize the development and commercialization of the Tech Mag Technology (the "Collaboration"). The option is exercisable on or before January 3, 2024. Specific acquisition payments could be triggered upon exercising of the option to acquire the Tech Mag Technology. Due to confidentiality concerns, these specific acquisition payments have been redacted. During the Collaboration, the President of Tech Magnesium will provide services to MOOI to further de-risk the Mg metal processing technology. The significant terms of the IP Agreement are as follows:

- The Company must finance phase 1 which includes a 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.
- The Company must finance phase 2 which includes design, construction and operation of a small-scale pilot test facility of the Tech Magnesium technology on or before January 29, 2023 in order to retain the exclusive license option for this technology.
- The Company must finance phase 3 which includes design, construction and operation of the first magnesium metal commercial module with a minimum of 5,000 tpa production capacity using Tech Mag Technology on or before January 3, 2024 in order to retain the exclusive license option for this technology.

During the year ended September 30, 2020, the Company provided confirmation that phase 1 has been completed and the intention to proceed with phase 2. 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 Company is yet to exercise the Option.

On January 6, 2020 the Company and its subsidiary, MOOI, entered into a definitive earn-in and operating agreement (the "BLR Agreement") with Blue Lagoon Resources Inc. ("BLR"). Pursuant to the BLR Agreement, BLR may acquire up to a 70% equity interest in the Company by purchasing up to \$5.25 million of shares of the Company.

BLR may acquire an additional 20% interest in the Company, subject to the Company obtaining shareholder approval, by making an additional payment of \$1.5 million within 24 months of the closing date. Closing of the transaction is subject to various conditions, including completion of due diligence investigations, receipt of all necessary corporate and regulatory approvals, and compliance with stock exchange requirements.

During the period ended March 31, 2020, the Company received a deposit of \$50,474 from BLR. On April 15, 2020, the Company and BLR signed a mutual termination and release agreement ("MTRA") to terminate the BLR Agreement between the parties. A term of the MTRA specifies that the Company has no obligations to BLR. The Company recognized a gain on contract cancellation of \$50,474

Disinfectant and Cleaning Solution Agreements

During the year ended September 30, 2020, the Company signed a license and commercialization Agreement (“License Agreement”) with Vera CLS Pty Ltd. (“Vera”) whereby the Company will receive an exclusive license for the manufacturing, commercialization and distribution of all products (“Vera Products”). The Vera Products are an all natural, plant-based disinfectant and cleaning solutions. The Company’s exclusivity encompasses the United States of America, including the District of Columbia and all territories and possessions of the United States of America, including Puerto Rico and the U.S. Virgin Islands, Canada and all of its provinces and territories, and the European Union (“the Territory”).

The Agreement provides the Company with exclusive licensing and commercialization rights in this Territory to August 18, 2025 with 2 subsequent 5-year exclusive renewal terms.

The Company’s obligations are a one-time payment of \$100,000 and an ongoing royalty of gross sales for the five-year period of the agreement. The one-time payment will be paid out on the following schedule:

- \$25,000 within 14 days from the signing of the agreement (paid);
- \$25,000 within 14 days after the initial payment;
- \$25,000 within 90 days of the last payment; and
- \$25,000 within 90 days of the last payment

There is no obligation to pay the total unpaid part of the one-time payment if the License Agreement is terminated prior to the due date for a particular unpaid payment related thereto. Year one of the agreement provides for a royalty of 8% of the gross sales. Year two of the agreement provides a guaranteed royalty to Vera of \$120,000 or 8% of gross sales – whichever is the greater of the two. Years three to five require a minimum growth of 10% year over year in royalty payments. The royalty payments will be paid within 30 days at the end of each quarter. As at September 30, 2020, the Company recognized an impairment of intangible asset of \$25,000.

In connection with the Licensing Agreement the Company 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 Products that the Company has secured for Canada, United States, Italy, Spain, Portugal and Austria. The term of the business development agreement is twenty-four months with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. The agreement specifies a monthly retainer of \$10,000 as well as Gross Over-Ride Royalty (GORR) / commission on the sales of the Company’s Vera 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 (a) the completion of the Company’s due diligence and signing of the Master Licensing / Distribution Agreement with Vera Products, and (b) the completion of regulatory approvals for the sale and distribution of Vera Products as an all natural, green product in its contracted territories. The VEMO agreement was terminated on October 1, 2020 with no amounts owing or accrued.

Investissement Québec (“IQ”)

The Company entered into an agreement with IQ on November 11, 2016, whereby IQ 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 to incur expenditures 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 two (2) years from the date of receipt of the last payment from IQ;
- 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;
- 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; and
 - Default in any other provision of the Agreement.

As at September 30, 2020 the Company has met all the requirements noted above except for Point (c). The Company was granted an extension to 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.

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. Due to the default in meeting the Agreement requirements, the grants have been reflected as a demand liability incurring interest at 4% per annum. During the year ended September 30, 2020, the Company accrued \$19,606 (2019 - \$19,258) in interest on the Grant from the date of notice of default.

National Research Council Canada (“NRC”)

On January 31, 2019, the Company entered into a contribution agreement with NRC whereby NRC will pay the Company 50% of the eligible expenditures incurred by the Company for its feasibility project related to magnesium production up to a maximum of \$98,400, with a maximum claim amount of \$30,000 for the period from April 1, 2018 to March 31, 2019 and \$68,400 for the period from April 1, 2019 – March 31, 2020. The funds received for this grant represent compensation for costs already incurred, and as such have been recognized in profit or loss on a systematic basis based on the related expenses. During the year ended September 30, 2020, the Company incurred a total of \$90,237 of eligible expenditures related to the project. A total of \$32,400 (2019 - \$65,999) has been recognized into profit and loss as an offset to research expense.

Government of Canada via Natural Resources Canada - Clean Growth Program (the "CGP")

On April 20, 2020, the Company entered into a contribution agreement whereby CGP will pay the Company 50% of eligible expenditures incurred by the Company for its front-end engineering design study for a high purity magnesium oxide demonstration plant using serpentinite tailings, up to a maximum claim amount of \$1,666,500. Pursuant to the agreement, the CGP will withhold 10% from each payment until the Company has completed the project to the satisfaction of the Minister and has submitted all reports. The funds received for this grant represent compensation for costs already incurred, and as such have been recognized in profit or loss on a systematic basis based on the related expenses. During the year ended September 30, 2020, the Company incurred a total of \$31,482 of eligible expenditures related to this project. A total of \$12,246 has been recognized into profit or loss as an offset to research expense, of which \$1,225 was recorded in other receivables.

Convertible Debentures

During the year ended September 30, 2018, the Company received proceeds from a non-brokered private placement offering of convertible debentures (each a "Convertible Debenture") of the Company totaling \$150,000. The term of each Convertible Debenture matures 3 years from the date of issuance, carries an interest rate of 6% per annum, (interest paid upfront in advance) and is convertible to common shares of the Company at a conversion price of \$10.00 per common share, (or at 10% below the market price, whichever is less, subject to exchange approval). The Convertible Debentures will be issued subject to regulatory approval. During the year ended September 30, 2020, the Company accrued \$11,030 (2019 – \$10,999) of interest related to the convertible debentures.

Notes Payable

During the year ended September 30, 2020, the Company received unsecured loan proceeds of \$215,000 from arms-length parties as follows:

Principal	Interest		Principal and
\$	Rate	Due Date	interest owing as at
	%		September 30, 2020
			\$
5,000	8	November 18, 2020	5,347
50,000	8	November 22, 2020	53,430
30,000	8	January 30, 2021	30,905
20,000	5	February 18, 2021	20,591
10,000	5	February 18, 2021	10,308
50,000	5	September 7, 2021	50,151
50,000	5	September 14, 2021	50,110
215,000			220,842

During the year ended September 30, 2020, a former director and former chairman, and a family member assigned amounts outstanding of \$293,294 to an arms-length party (Note 9). As at September 30, 2020, the Company had arms-length loans outstanding of \$296,014 (2019 - \$2,722). These loans are unsecured, non-interest bearing and due on demand.

Technology

Québec Pilot Plant Study

The Company, through its subsidiary, MOOI, is in the process of implementing two flagship projects which we believe will position the Company and the Danville Québec 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 Mg metal and a high value saleable by-product using 5,000 tpa aluminothermic reduction modules.

The Company'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 the Company is producing 1 million tpa of Mg metal.

To get to this stage the Company needs to complete the MgO/Silica pilot plant efforts to garner offtake agreements and begin engineering of this facility. As outlined above, Government support for this work was grant from the Canadian Government's Clean Growth Program. In parallel the Company will advance the Tech Magnesium metal production process.

The Company has already received significant support from both Provincial (Québec) and Federal governments due to its sustainable approach to Mg production, namely low CO₂ 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. The Company's modular expansion technology is expected to 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 Québec, there are significant amounts of tailings piles as a result of over one hundred years of asbestos mining operations. The Company has, however, secured access to 110 million tonnes of tailings (50M at Jeffrey Mines and 60M at the former Thetford Mines locations).

In 2017, the Company 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 the Company'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 Québec 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 the Company'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 the Company 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 Minérale (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 43-101 Technical Report prepared by Systèmes Geostat International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines,

Québec, 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, The Company cannot treat the historical estimate as current mineral resources or mineral reserves. For this reason, Blue Lagoon Resources (BLR) engaged 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. As of the Report Date, the Company and its subsidiary, MOOI, sold back the 2007 Technical Report to DST

JPL GeoServices issued an NI 43-101 Technical report issued on February 7, 2020 in the name of BLR and the Company 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.

RESEARCH AND DEVELOPMENT

The Company has 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 the Company is using, can be transformed into high-value amorphous silica (SiO₂), which has potential commercial applications in the construction industry as a replacement for silica fume in concrete and in the rubber tire industry as a replacement for carbon black. Not only does the high-purity MgO have a significant commercial market, it will also serve as a feedstock for the Company'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, the Company's chlorine-free approach to transform serpentinite tailings into high purity MgO and SiO₂ is targeted to be essentially a near 'zero discharge' operation.

In November 2018, the Company's subsidiary, MOOI, entered into a new contract with the University of Sherbrooke (UdS) for \$12,500 to continue to advance and optimize the Company'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, MOOI 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 Québec; and, (2) to generate MgO and amorphous silica for qualification purposes by third parties, including potential customers, for establishing offtake agreements.

In March 2019, the Company announced that the National Research Council of Canada (NRC), under its Industrial Research Assistance Program (IRAP) will support, on a cost-sharing basis MOOI 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 (received). The goal of the project is to demonstrate the feasibility of producing Mg metal via aluminothermic reduction (Tech Magnesium process). The project completed at the end of January 2020 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, the Company began work towards the pilot-scale demonstration phase in February 2020. The final phase of development will be the design, construction and start-up of the Company's first 5,000 tpa primary Mg metal module. Additional modules will then be brought online to coincide with market demand. As part of this effort, MOOI 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.

Disinfectant and Cleaning Solutions

During the year ended September 30, 2020, the Company partnered with Vera to distribute the Vera Products into Canadian, US and various European union markets. The Vera Products are safe, multi-purpose highly potent plant-based disinfectants, sanitizers, concentrates and other solution formulations with a unique paramagnetic efficacy that both cleans and starves bacteria from multiplying on surfaces. The Transformative Cleaning® power of Vera Products cleans soiled and dirty surfaces, including fabrics, through its deep penetrating cleansing action that dissolves and purges soiling and contaminants. Effective cleaning with Vera Products offers 99.9% of hygiene requirements and is most suited in quelling the transmutation of bacteria into superbugs that host viruses, including coronaviruses, that have been increasingly occurring in today's world and environment.

The Company has been working to establish a bottling and manufacturing facility. During the year ended September 30, 2020, the Company was negotiating the final terms of a lease agreement whereby they would pay \$5,000.00 per month in lease payments. The term of the lease is 36 months with an option to renew 30 days before the end of the lease or an option by either party to terminate with 60 days' written notice. The facility would consist of a 2.5-liter bottle line of concentrate which is shipped with empty spray bottles with a capacity to fill 20 x 2.5-liter bottles per minute. Running at full capacity, the Company could bottle up to 28,800 bottles per day. The Company would 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 would provide up to 1,000 sq/ft of storage for finished products. Subsequent to year end, the Company terminated the letter of intent to negotiate the lease agreement.

The Company has entered into an agreement with COVEX Solutions Inc. ("COVEX") whereby Cover and COVEX would negotiate a 50/50 joint venture agreement. Pursuant to the agreement, Cover will pay \$1,200,000 (\$50,000 paid) to earn 50% equity ownership of COVEX. The Company is currently in negotiations with COVEX on the terms of the definitive agreement.

COVEX has developed, and is continuing to develop, a number of science backed, trade-secret formulations that are ready for commercialization and in accordance with Health Canada's monograph for hard surface disinfectants. The Company believes these novel disinfectant formulations are effective against a broad spectrum of pathogenic organisms and viruses, and which may provide residual antibacterial and antiviral activity on surfaces to which it has been applied. COVEX formulations making disinfectant claims have been submitted to Health Canada and US EPA licensing bodies for approval. COVEX has secured manufacturing agreements with site licensed facilities in both Canada and the USA with capacity in excess of 2 million liters per month.

FUTURE PLANS

The Company will continue with the Collaboration and the Québec pilot plant study and research and development by proceeding with phase 2 of the Tech Mag Technology. We will continue to negotiate further support from the Federal and Provincial governments. The Company will continue to look for a manufacturing and bottling facility for the Vera Products and negotiating with the COVEX agreement.

PROPOSED TRANSACTIONS

In the normal course of business, management actively targets sources of additional financing through alliances with financial entities or other business and financial transactions which would assure continuation of the Company's operations and technology programs. As of the Report Date the Company has no proposed transactions other than what has been outlined in the md&a.

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

The following table sets out selected historical financial information of Cover. Such information is derived from the audited consolidated financial statements of the Company. The Company's annual consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

	September 30, 2020	September 30, 2019	September 30, 2018
	\$	\$	\$
Total revenue	-	-	-
Loss and comprehensive loss for the year	(473,346)	(1,284,015)	(2,068,016)
Net loss per share, basic and fully diluted	(0.17)	(0.55)	(0.94)
Total assets	73,781	137,763	258,499
Total liabilities	1,777,864	1,368,500	1,565,089
Shareholders' Deficiency	(1,704,083)	(1,230,737)	(1,306,590)

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS.

Period	Total revenue \$	Loss and comprehensive loss for the period \$	Net loss per share, basic and fully diluted \$
September 30, 2020	-	(162,491)	(0.05)
June 30, 2020	-	(101,834)	(0.04)
March ,31 2020	-	(132,019)	(0.05)
December 31, 2019	-	(77,002)	(0.03)
September 30, 2019	-	(613,278)	(0.24)
June 30, 2019	-	(142,891)	(0.06)
March ,31 2019	-	(217,104)	(0.10)
December 31, 2018	-	(310,742)	(0.14)

FOURTH QUARTER

The Company's performance for the three months ended September 30, 2020 and September 30, 2019 was as follows:

	Three months ended September 30, 2020 \$	Three months ended September 30, 2019 \$	Change \$
Cash used in operating activities	(330,125)	(317,853)	(23,991)
Cash used in investment activities	(25,000)	-	(25,000)
Cash provided by financing activities	350,164	309,625	64,287

Key changes in the primary components of the loss and comprehensive loss for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 were as follows:

1. General and Administration decreased by \$90,224 due to the hampering of business operations and consequent marketing efforts caused by the Covid-19 pandemic.
 - Management fees are related to the executive officers of Cover and MOOI. The increase of \$64,200 was due to the hiring of external consultants.
 - Professional and consulting fees increased by \$37,377 resulted from the hiring of external consultants for the oversight of regulatory compliance.
 - Investor communication decreased by \$59,750 due to the Company halting some promotional activities.
 - Office and administration, travel, and transfer agent and filing fees decreased by \$13,866, \$4,582, \$5,515 respectively due to decreased activities resulting from the Covid-19 pandemic.
 - Research and development activities in Québec that cannot be capitalized and expensed which decreased by \$99,548 due to the receipt of funds from CGP of \$11,022 and due to decreased activities resulting from the Covid-19 pandemic.
 - The Company recorded amortization of \$Nil (2019 - \$7,591) during the quarter ended September 30, 2020.
2. A non-cash stock-based compensation charge of \$Nil (2019 - \$320,064) was incurred to reflect the fair value of stock options during the period.
3. Interest expense decreased by \$17,113 due to the recording of the 2018 interest accrual on convertible debenture during the fourth quarter ending September 30, 2018.
4. During the fourth quarter ended September 30, 2020, the Company recognized an impairment of the intangible asset of \$25,000 pursuant to the Vera License Agreement.

Cash flows during the three months ended September 30, 2020 and September 30, 2019.

Cash used in operating activities were consistent between 2020 and 2019 periods as the composition of cash-based expenditures within loss and comprehensive loss and the net changes in working capital items were relatively consistent.

Cash used in investing activities was greater during the 2020 period driven by the payment for intangible assets (Vera licencing payment).

Cash providing by financing activities increased during the 2020 period due to the Company receiving loans from several lenders that exceeded the share purchases during the 2019 period.

DISCUSSION OF OPERATIONS

Year ended September 30, 2020, compared to the year ended September 30, 2019

The Company's performance for the year ended September 30, 2020 and September 30, 2019 was as follows:

	September 30, 2020 \$	September 30, 2019 \$	Change \$
Cash used in operating activities	(260,391)	(848,192)	564,098
Cash used in investment activities	(25,000)	-	(25,000)
Cash provided by financing activities	255,000	865,950	(587,202)

Key changes in the primary components of the loss and comprehensive loss for the year ended September 30, 2020 compared to the year ended September 30, 2019 were as follows:

1. General and Administration decreased by \$331,555 due to the hampering of business operations and consequent marketing efforts caused by the Covid-19 pandemic.
 - Management fees are related to the executive officers of Cover and MOOI. The increase of \$154,000 was due to the hiring of external consultants.
 - Professional and consulting fees decrease of \$29,308 was due to the decrease in operations resulting from the Covid-19 pandemic while also hiring external consultants for the oversight of regulatory compliance.
 - Investor communication decreased by \$82,047 due to the Company halting some promotional activities.
 - Office and administration, travel, and transfer agent and filing fees decreased by \$12,929, \$8,217 and \$16,656 respectively due to the decrease in operations resulting from the Covid-19 pandemic.
 - Research and development activities in Québec that cannot be capitalized and expensed which decreased by \$306,037 due to the receipt of funds from IRAP of \$32,400 and CGP of \$11,022 and decreased activities due to the Covid-19 pandemic.
 - The Company recorded amortization of \$Nil (2019 - \$30,362) during the quarter ended September 30, 2020.
2. A non-cash stock-based compensation charge of \$Nil (2019 - \$320,064) was incurred to reflect the fair value of stock options during the period.
3. During the year ended September 30, 2019, the Company, as part of the original contract signed with the Centre d'Innovation Minière de la MRC des Sources (CIMMS) agreed to sell the pilot plant equipment assets for up to \$75,000. Therefore, equipment was classified as assets held for sale and the carrying value was written down by \$56,526 to the selling price resulting in an impairment of \$56,526.
4. During the year ended September 30, 2020, the Company, as part of the original contract signed with CIMMS 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. The Company impaired the \$17,750 related to future work.

5. During the year ended September 30, 2020, the Company recognized an impairment of the intangible asset of \$25,000 pursuant to the Vera License Agreement.

Cash flows during the year ended September 30, 2020 and September 30, 2019.

Cash used in operating activities were lower during the 2020 year as the net change in working capital items drove a greater use in cash from operating activities despite cash-based items within loss and comprehensive loss being greater during 2019.

Cash used in investing activities was greater during 2020 driven by the payment for intangible assets (Vera licencing payment).

Cash providing by financing activities decrease during 2020 due to the company's receipt of financing from share purchased during 2019 exceed the loans from several lenders during 2020.

Research expenses:

	Three months ended		Year Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Technical retainership	3,600	81,300	101,602	345,200
Technical consulting	-	3,750	3,763	11,250
Pilot plant testing	-	-	-	105,538
Analytical services	-	3,849	63,738	38,100
Government assistance	(12,247)	(20,174)	(44,646)	(66,000)
Other	-	-	-	(3,594)
	(8,647)	68,725	124,457	430,494

The Company has been incurring research expense in relation to laboratory testing and thermodynamic modelling work with the goal of proving the economic viability of producing Mg 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 2019 engaged some engineering and environmental consultants to support its efforts. During the year ended September 30, 2020, the Company has cut back on the research expenses for 2020 due to lower availability of funds resulting from the Covid-19 pandemic. The Company, however, has been able to retain key technical personnel to provide continuity to the various activities.

LIQUIDITY

The Company started the 2020 fiscal year with a working deficiency of \$1,230,737, as at September 30, 2020, the Company had a working deficiency of \$1,754,083. The change in the working deficiency of \$523,346 was primarily due to:

- General and administrative costs of \$338,653;
- Receipt of loans of \$220,998;
- Proceeds from the sale of assets classified as held for sale of \$57,750; and
- Long term prepaid of \$50,000 pursuant to the Covex agreement

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising or debt.

	September 30, 2020	September 30, 2019
Working deficiency	\$ (1,754,083)	\$ (1,230,737)
Deficit	(13,686,270)	(18,789,676)

CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in granted and pending patents, and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

RELATED PARTY DISCLOSURES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

Compensation paid to key management and directors

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

	September 30, 2020	September 30, 2019
	\$	\$
Tony Louie, Executive Director and CEO	70,000	-
Drew Brass, non-executive Director for consulting fees	18,000	-
A company controlled by Gillian Holcroft, President of MOOI for consulting fees and research expenses	164,000	192,000
A company controlled by Rod Burylo, former non-executive Director for consulting fees	5,000	-
A company controlled by Arnab Kumar De, former CFO of the Company for professional fees	7,500	-
Share-based compensation	-	228,617
	264,500	420,617

Due to related parties

	September 30, 2020	September 30, 2019
	\$	\$
Tony Louie, Executive Director and CEO	70,000	-
Company related to Tony Louie, Executive Director and CEO	6,000	
Nelson Skalbania, former Director and former Chairman	-	131,599
Family member of a Nelson Skalbania, former Director and former Chairman	-	44,195
Drew Brass, non-executive Director	18,000	-
Frank Vlastelic, non-executive Director	18,840	
Company controlled by the Gillian Holcroft, President of MOOI	76,000	33,797
	<u>188,840</u>	<u>209,591</u>
Subscription received in advance from Nelson Skalbania, former Director and former Chairman	-	100,000

Included in accounts payable and accrued liabilities as at September 30, 2020 is \$4,725 (2019 - \$Nil) owing to a company controlled by Arnab Kumar De, the former CFO.

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

On May 23, 2019 the Company issued 54,000 units of the Company in settlement of amounts payable to the Gillian Holcroft, President of MOOI, in connection with technical and scientific services amounting to \$108,000. The fair value of the units issued was estimated at \$108,000.

During the year ended September 30, 2019, the Company received \$137,944 and repaid \$168,000 to the Nelson Skalbania, former Chairman and / or a company controlled by the former Chairman in the form of Units as follows:

- a) issued 64,000 units of the Company in settlement of notes payable to the former Director and former Chairman of the Company amounting to \$128,000. The fair value of the units issued was estimated at \$128,000.
- b) issued 20,000 units of the Company in settlement of notes payable to a company owned by the former Director and former Chairman of the Company amounting to \$40,000. The fair value of the units issued 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, 2020, a Nelson Skalbania, former director and former chairman, and a family member of Nelson Skalbania assigned the collective amounts outstanding of \$293,294 to an arms-length party. This included the \$100,000 subscriptions received in advance from the Nelson Skalbania, former director and former chairman in connection with the units at \$0.20 per unit that had not yet been issued. The balance was recorded as a current liability during the year ended September 30, 2019.

During the year ended September 30, 2020, the Company entered into a loan agreement with Frank Vlastelic, Director of the Company whereby the Director agreed to lend \$16,000. The loan is unsecured, due on January 29, 2021 and bears interest at 8% per annum. As of September 30, 2020, the Company had a balance payable including principal and interest of \$18,840.

OUTSTANDING SHARE DATA

(a) Authorized

Unlimited number of Class A shares without par value.
Unlimited number of non-voting Class B preferred without par value.

(b) Common Shares - issued and outstanding

As at the Report Date, there were 4,163,835 (September 30, 2020 – 2,752,145) common shares outstanding.

Transaction for the issue of share capital during the year ended September 30, 2019:

In November 2018, the Company cancelled a total of 35,619 common shares and 35,619 share purchase warrants that were issued in error.

On May 23, 2019, the Company completed the private placement of 277,500 units at a price of \$2.00 per unit for gross proceeds of \$555,000. Each unit consists of one common share of the Company and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$5.00 per share for a period of one year from the date of issuance. The Company incurred share issuance costs of \$13,378 in relation to this private placement. The warrants were assigned no value under the residual method.

On May 23, 2019, the Company also issued:

- c) 54,000 units of the Company in settlement of amounts payable to the President of MOOI in connection with technical and scientific services amounting to \$108,000. The units consist of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$5.00 per share for a period of one year from the date of issuance. The fair value of the units issued was estimated at \$108,000.
- d) 64,000 units of the Company in settlement notes payable to the former Director and former Chairman of the Company amounting to \$128,000. The units consist of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$5.00 per share for a period of one year from the date of issuance. The fair value of units issued was estimated at \$128,000.
- e) 20,000 units of the Company in settlement notes payable to the company of the former Director and former Chairman of the Company amounting to \$40,000. The units consist of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$5.00 per share for a period of one year from the date of issuance. The fair value of the units issued was estimated at \$40,000.

On August 7, 2019, the Company completed a private placement of 164,900 units at a price of \$2.00 per unit for gross proceeds of \$329,800. Each unit consists of one common share of the Company and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company at a price of \$5.00 per share for a period of one year from the date of issuance. The Company incurred share issuance costs \$7,618 in relation to this private placement. The warrants were assigned no value under the residual method.

No capital activity was initiated during the year ended September 30, 2020.

Events after September 30, 2020:

A total of 1,411,690 common shares were issued at \$0.42 to settle \$592,910 debt owing.

The Company announced a non-brokered private placement of up to 6,250,000 units at a price of \$0.32 per unit for gross proceeds of up to \$2,000,000. Each unit will consist of one common share (a "Share") in the capital of the Company and one-half of one transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional Share at a price of \$0.50 for a period of twelve months from the closing, subject to an acceleration provision whereby if the Shares trade at a price of \$0.80 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, and, in such case, the Warrants will expire on the 31st day after the date of such notice.

As at the Report Date there were no warrants outstanding. As at the Report Date, the following stock options were outstanding:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price
July 21, 2021	155,000	155,000	\$ 2.00

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its intangible assets and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company does not currently have adequate sources of capital to complete its current obligations and ultimately the development of its business, and will need to raise capital by obtaining equity financing, selling assets and/or incurring debt. The Company may raise additional debt or equity financing in the near term to meet its obligations. The Company is primarily dependent on the capital markets as its source of operating capital and the Company's capital resources are largely determined by the strength of the markets and by the status of the Company's intangible asset progress in relation to these markets, and its ability to compete for investor support of its technical capability.

FINANCIAL INSTRUMENTS

Fair values

The company's financial instruments consist of cash, accounts 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 September 30, 2020, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Currency 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.

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 the Company's financial liabilities have contractual maturities of less than a year or due on demand and are subject to normal trade terms. Working capital deficiency poses a liquidity risk unless the Company can monetize its intangible assets or acquire further equity or debt funding. The Company is exploring all opportunities for monetization of its assets and in acquiring further funding.

RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

Global Pandemic

In March 2020, the World Health Organization declared coronavirus Covid-19 a global pandemic. This contagious outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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 Québec. 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, the Company 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.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

New accounting policies adopted

IFRS 16 introduced new or amended requirements with respect to lease accounting. IFRS 16 specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. Adoption of IFRS 16 is required for annual periods beginning on or after January 1, 2019. There was no impact to the Company's financial statements as a result of adopting this new standard.

In June, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact to the Company's financial statements as a result of adopting this new standard.

Significant estimates, assumptions and judgements

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The information about significant areas of estimates considered by management in preparing the consolidated financial statements is as follows:

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in the consolidated statement of loss and comprehensive loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

- i) the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
- ii) assessing control and significant influence over an investee;
- iii) the determination of functional currency;
- iv) The assessment of the Company's ability to continue as a going concern, as discussed in Note 1 of the consolidated financial statements, involves judgement regarding future funding available for its operations and working capital requirements.
- v) The determination of whether expenditures on research and development activities meet the criteria for capitalization as internally generated assets is subject to estimation and uncertainty.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis. Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional personnel in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased personnel only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit

committee.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.