FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **MAG ONEPRODUCTS INC.** (the "**Issuer**").

Trading Symbol: **MDD**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed interim consolidated financial statements for the three months period ended December 31, 2019, as filed with the securities regulatory authorities are attached to this Form 5 as Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in Note 9 in the Issuer's unaudited condensed interim consolidated financial statements for the three months ended December 31, 2019, attached hereto as Schedule A. For information supplementary to that contained in the notes to the unaudited condensed interim consolidated financial statements with respect to related party transactions, please refer to the Management's Discussion and Analysis for the three months ended December 31, 2019, as filed with the securities regulatory authorities and attached to this Form 5 as Schedule B.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, have been disclosed in the Issuer's unaudited condensed interim consolidated financial statements for the three months ended December 31, 2019, attached hereto as Schedule A.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
No Securities Were Granted During The Three Month Period Of October 1, 2019 to December 31, 2019.								

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
No Stock Options Were Granted During The Three Month Period Of October 1, 2019 to December 31, 2019.						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common Shares	Unlimited	No Par Value
Class B Preferred	Unlimited	No Par Value

(b) number and recorded value for shares issued and outstanding,

Description	Number Issued and Outstanding	Value
Common Shares	55,042,903	$9,063,200
Class B Preferred	Nil	Nil

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	4,200,000	$0.10	Jul 21, 2021
Total:	**4,200,000**		

Warrants	412,500	$1.00	Aug 26, 2020
Warrants	8,310,000	$0.25	May 22, 2020
Warrants	3,298,000	$0.25	Aug 8, 2020
Total:	**12,020,500**		

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number	Number Released During the Period
Not applicable		

4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Name	Position
Gillian Holcroft	Director, President, CEO and Interim CFO
Frank Vlastelic	Director
Tony Louie	Director
Rodney Burylo	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion and Analysis for the three months ended December 31, 2019, is attached to this Form 5 as Schedule B.

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Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: February 28, 2020.

Gillian Holcroft
Name of Director or Senior Officer

Signed: "*Gillian Holcroft*"
Signature

Director
Official Capacity

Issuer Details Name of Issuer Mag One Products Inc.	For Quarter Ended December 31, 2019	Date of Report YYYY/MM/DD 2020/02/28
Issuer Address Suite 600 - 777 Hornby Street		
City/Province/Postal Code Vancouver, BC, V6Z 1S4	Issuer Fax No. N/A	Issuer Telephone No. (514) 928-6512
Contact Name Gillian Holcroft	Contact Position CEO	Contact Telephone No. (514) 928-6512
Contact Email Address gillian@magoneproducts.com	Web Site Address www.magoneproducts.com	

SCHEDULE "A"

MAG ONE PRODUCTS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

(Expressed in Canadian Dollars)

Mag One Products Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31 2019	As at September 30 2019
ASSETS		
Current Assets		
Cash	51,305	42,747
Other receivable	28,944	20,925
Sales tax receivable	13,382	10,261
Prepayments	80	6,080
Assets classified as held for sale (Note 5)	-	57,750
	93,711	137,763
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	358,506	386,403
Due to related parties (Note 9)	262,794	209,591
Notes payable (Note 8)	2,688	2,722
Advance from Investissement Québec (Note 7)	519,213	514,285
Proceeds from convertible debentures (Note 16)	158,249	155,499
Subscriptions received in advance (Note10)	100,000	100,000
	1,401,450	1,368,500
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	9,063,200	9,063,200
Reserves (Note 10)	8,496,329	8,495,739
Deficit	(18,867,268)	(18,789,676)
	(1,307,739)	(1,230,737)
	93,711	137,763

Nature of operations and going concern (Note 1)
Commitments (Note 13)
Subsequent events (Note 17)

Approved on behalf of the Board:

"Frank Vlastelic"

Frank Vlastelic
Director

“Gillian Holcroft”

Gillian Holcroft
Director

(The accompanying notes are an integral part of these consolidated financial statements)

Mag One Products Inc.
Condensed Interim Consolidated Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the three months ended December 31	
	2019	**2018**
Administrative Expenses		
Amortization (Notes 4 and 5)	-	7,590
Office and administration	6,439	3,597
Professional and consulting fees	66,840	91,631
Investor communication	(20,477)	2,568
Research (Notes 9 and 15)	111,387	195,100
Travel	6,409	971
Trust and filing fees	3,768	7,207
	(174,366)	(308,664)
Other Items		
Interest expense	(7,839)	(157)
Other income	104,613	-
Net loss for the Period	(77,592)	(308,821)
Other Comprehensive Income (Loss)		
Foreign currency translation adjustment	590	(1,921)
Comprehensive loss for the period	(77,002)	(310,742)
Basic and diluted loss per share	(0.00)	(0.01)
Weighted average number of common shares outstanding	47,006,809	43,833,343

(The accompanying notes are an integral part of these consolidated financial statements)

Mag One Products Inc.
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Three months ended December 31 2019	December 31 2018
Cash provided by (used in):		
Operating activities		
Net loss for the period	(77,592)	(308,821)
Add items not involving cash:		
Accrued interest on convertible debentures	2,750	-
Accrued interest on government grants	4,928	-
Amortization	-	7,590
Non-cash working capital items		
Accounts receivable	(11,140)	(30,771)
Prepayments	6,000	6,323
Accounts payable and accrued liabilities	(27,897)	178,694
Due to related parties	53,203	79,755
Net cash (used in) operating activities	(49,748)	(67,230)
Financing activities		
Proceeds from issuance of promissory notes	(34)	1,197
Share subscriptions received in advance	-	60,000
Proceeds from sale of Assets classified as held for sale	57,750	-
Net cash provided by (used in) financing activities	57,716	61,197
Effect of foreign currency on cash	590	(1,921)
Change in cash during the period	7,968	(7,954)
Cash, beginning of the period	42,747	30,916
Cash, end of the period	51,305	22,962

Supplemental disclosure with respect to cash flows (Note 14)

(The accompanying notes are an integral part of these consolidated financial statements)

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Mag One Products Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Share Capital		Reserve						
	Number of Shares	Amount $	Warrant $	Loan $	Option $	Translation gain (loss) $	Subscriptions received in advance $	Deficit $	Total $
Balance at September 30, 2018	44,147,283	7,923,396	1,181,804	2,664,963	4,311,156	23,679	100,000	(17,511,588)	(1,306,590)
Foreign exchange adjustment	-	-	-	-	-	(1,921)		-	(1,921)
Subscriptions received (Note 10)	-	-	-	-	-	-	60,000	-	60,000
Cancellation of units (Note 10)	(704,450)	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(308,821)	(308,821)
Balance at December 31, 2018	43,442,833	7,923,396	1,181,804	2,664,963	4,311,156	21,758	160,000	(17,820,409)	(1,557,332)
Balance at September 30, 2019	55,042,903	9,063,200	1,181,804	2,664,963	4,631,220	17,752	-	(18,789,676)	(1,230,737)
Foreign exchange adjustment	-	-	-	-	-	590	-	-	590
Net and comprehensive loss	-	-	-	-	-	-	-	(77,592)	(77,592)
Balance at December 31, 2019	55,042,903	9,063,200	1,181,804	2,664,963	4,631,220	18,342	-	(18,867,268)	(1,307,739)

(The accompanying notes are an integral part of these consolidated financial statements)

1. Nature of Operations and Going Concern

Mag One Products Inc., ("Mag One" or the "Company") was incorporated on June 18, 2007 in British Columbia, Canada. The Company's head office is located at Suite 600 – 777 Hornby Street, Vancouver, V6Z 1S4. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "MDD" and are also listed on the Börse Frankfurt stock exchange ("Frankfurt") with the ticker symbol "304" and on the OTCBB symbol, "MGPRF".

The Company's principal business is the development and commercialization of technologies for the processing and production of magnesium metal, magnesium compounds, by-products and vertically integrated co-products from serpentinite tailings.

Going Concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at December 31, 2019, the Company is not able to finance its day to day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months through the issuance of its common and preferred shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. Basis of Presentation

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized by the Board of Directors on February 24, 2020.

b. Basis of Consolidation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at their fair value, and are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements incorporate the accounts of the Company and the following controlled subsidiaries:

(Expressed in Canadian Dollars)

2. Basis of Presentation (Continued)

b. Basis of Consolidation (continued)

	Ownership Percentage		
Name	**Country of incorporation/ formation**	**December 31, 2019**	**December 31, 2018**
Mag One Operations Inc.	Canada	100%	100%
Mag One Operations Inc. ("Mag One USA")	USA	100%	100%
North American Magnesium Company LLC ("NAMP LLC")	USA	100%	100%

3. Significant Accounting Policies

a. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions are reviewed on an ongoing basis.

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include expected life of plant and equipment, capitalization criteria and valuation of intangible assets, and the recoverability and measurement of deferred tax assets.

The most significant judgements in applying the Company's financial statements are the determination of the functional currency of the parent and its subsidiaries, and the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

b. Recent accounting pronouncements

Adoption of IFRS 9
The Company adopted all of the requirements of IFRS 9 as of October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model.

3. Significant Accounting Policies (Continued)

b. Recent accounting pronouncements (continued)

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by- instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial Assets/Liabilities	IAS 39	IFRS 9
Cash	Loans and receivables (amortized cost)	Amortized cost
Other receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable	Other financial liabilities (amortized cost)	Amortized cost
Dues to related parties	Other financial liabilities (amortized cost)	Amortized cost
Notes payable	Other financial liabilities (amortized cost)	Amortized cost
Advance from Investissement Quebec	Other financial liabilities (amortized cost)	Amortized cost
Proceeds from convertible debentures	Other financial liabilities (amortized cost)	Amortized cost
Subscriptions received in advance	Other financial liabilities (amortized cost)	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on October 1, 2018.

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(ii) Measurement

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

3. Significant Accounting Policies (Continued)

b. Recent accounting pronouncements (continued)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

Financial liabilities
A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company did not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities.

3. Significant Accounting Policies (Continued)

b. Recent accounting pronouncements (continued)

New accounting standards issued but not yet effective

In January 2016, the IASB published IFRS 16 – Leases, which will replace IAS 17 – Leases. This IFRS eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has determined that the adoption of this standard will not have a material impact on its financial statements as it does not have any leases.

c. Research and development

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 spending towards research as an expense when it is incurred.

d. Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the costs incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive loss.

e. Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

f. Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of all the Company's US subsidiaries, MagOne USA and NAMP LLC, is the US dollar. The functional currency of Mag One Operations Inc. is the Canadian dollar.

3. Significant Accounting Policies (Continued)

f. Functional currency and foreign currency translation (continued)

Transactions and balances:

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income (loss). These differences are recognized in profit and loss in the period which the operation is disposed of.

h. Impairment of assets

The carrying amount of the Company's assets (which include plant and equipment and intangible assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of assets is greater than an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant Accounting Policies (Continued)

i. Plant and equipment

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Items of plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Amortization on assets under construction does not commence until they are complete and available for use. Amortization is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Plant - straight-line basis over the estimated useful life of 5 years.
Equipment - straight-line basis over the estimated useful life of 10 years.

j. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Proceeds from issuances of units of the Company that are comprised of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares.

k. Share-based payments

Where stock options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market conditions are taken into account by adjusting the number of stock options expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of stock options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the stock options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of stock options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

l. Income taxes

<u>Current income tax:</u>
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

3. Significant Accounting Policies (Continued)

l. Income taxes (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

m. Externally acquired intangible assets

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives. The intangible recognized by the Company is amortized on a straight-line basis over the useful economic life (24 months).

4. Intangible Asset

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 were:

- 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.
- The Company renegotiated the SPA subsequent to year end (Note 18).

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.

4. Intangible Asset (Continued)

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

a. 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 cash and 50,000 shares of the Company as a non-refundable deposit; and
b. 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.

The OA was extended until June 30, 2019.

On November 29, 2019, the Mag One Operations Inc. entered into a new agreement with DST, whereby, Mag One Operations Inc. 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 an 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.

On November 29, 2019, the Company 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 January 1st of each calendar year subsequent to 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.

On December 17, 2019, the Company entered into a new agreement with Asbestos Corp Limited ("ACL") whereby Mag One Operations Inc. 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 tonne 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 Inc. 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.

(Expressed in Canadian Dollars)

5. Equipment

	Laboratory	Equipment	Total
Cost:	**$**	**$**	**$**
September 30, 2017	173,547	220,980	394,527
Foreign Currency Translation	(1,998)	886	(1,112)
Impairment	(171,549)	(69,498)	(241,047)
September 30, 2018	-	152,368	152,368
Impairment	-	(75,368)	(75,368)
September 30, 2019	-	77,000	77,000
Disposal	-	(77,000)	(77,000)
December 31, 2019	-	-	-
Accumulated Amortization:			
September 30, 2017	70,113	22,551	92,664
Amortisation	35,910	22,187	58,097
Foreign Currency Translation	1,994	424	2,418
Impairment	(108,017)	(22,307)	(130,324)
September 30, 2018	-	22,855	153,179
Amortization	-	15,237	15,237
Impairment	-	(18,842)	(18,842)
September 30, 2019	-	19,250	19,250
Disposal	-	(19,250)	(19,250)
December 31, 2019	-	-	-
Net Book Value:			
September 30, 2019	-	57,750	57,750
December 31, 2019	**-**	**-**	**-**

As at 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. The sale was completed in October 30, 2019 and 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.

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

	December 31, 2019	September 30, 2019
	$	$
Trade payables (Net)	330,607	358,486
Accrued liabilities	27,900	27,917
	358,506	386,403

7. Government Grants

The Company 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 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 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 December 31, 2019, 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. The date of payments from IQ were as follows:

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

7. Government Grants (Continued)

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 February 28, 2020. During the quarter ending December 31, 2019, the Company accrued $4,928 in interest on the Grant. Total interest accrued from the date of notice of default is $24,213.

On January 31, 2019, the Company entered into a contribution agreement with the National Research Council Canada (the "NRC") whereby the 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. For the quarter ending December 31, 2019 the Company incurred a total of $90,237 of eligible expenditures related to the project. A total of $31,207 of a government grant was received or accrued during the same period. As of December 31, 2019, the Company incurred a total of $239,037of eligible expenditures related to the project. A total of $98,400 of IRAP grant has been recognized into profit or loss.

8. Notes Payable

During the year ended September 30, 2016, the Company entered into a promissory note with an arms-length party whereby the Company can borrow up to $100,000. The note was unsecured, due on demand, and bears interest at 10% per annum. As of September 30, 2017, the Company had a balance payable including principal and accrued interest of $120,000. $7,150 in finder's fees were charged on the note. During the year ended September 30, 2018, the balance payable including principal and accrued interest of $120,329 was repaid in full with the issuance of 600,000 units of the Company (Note 10). Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date. The fair value of the consideration was estimated at $392,231 and the Company recorded a loss on settlement of the debt of $271,902.

During the year ended September 30, 2018, the Company received loan proceeds of $576 from an arms-length party.

During the year ended September 30, 2019 the Company repaid $6,000.

These loans are unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

9. Related Party Transactions and Balances

Compensation paid to key management and directors

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

	December 31, 2019	December 31, 2018
Company of Chairperson, President, Chief Executive Officer ("CEO") and a Director	48,000	48,000
Company of a Director	5,000	-
	53,000	48,000

Amounts due to related parties

	December 31, 2019	September 30, 2019
Company of Chairperson, President, CEO and a Director	32,000	33,797
Director and former Chairman	131,599	131,599
Family member of a Director and the former Chairman	44,195	44,195
A person related to the Strategic Manager of Corporate Finance	55,000	-
	262,794	209,591
Subscription received in advance from a Director and former Chairman	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.

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 and are recorded as a current liability (Note 10).

On May 23, 2019 the Company issued 1,080,000 units of the Company in settlement of amounts payable to the Chairman and CEO of the Company in connection with technical and scientific services amounting to $108,000 (Notes 10 and 14). The fair value of the units issued was estimated at $108,000.

During the year ended September 30, 2019, the Company received $137,944 (2018: $88,286) and 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 of 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 estimated at $128,000.

b) On May 23, 2019 the Company issued 400,000 units of the Company in settlement of 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, including the shares valued at $40,000. The warrants were assigned no value under the residual method.

9. Related Party Transactions and Balances (continued)

Amounts due to related parties (continued)

During the year ended September 30, 2019, the Company received $Nil (2018: $44,195) from a family member related to the former Chairman. These funds were advanced for short term working capital needs. The advances bear no interest, are unsecured and are payable on demand.

During the quarter ended December 31, 2019, the Company received $55,000 (2019: $Nil) from a person related to the Strategic Manager of Corporate Finance. These funds were advanced for short term working capital needs. The advance bears 8% interest is unsecured and is payable within 12 months.

Other transactions

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

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

During the year ended September 30, 2017, the Company issued 454,430 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November 2018, these units were returned to treasury of the Company for cancellation (Note 10).

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

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

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

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

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

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

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

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

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

10. Share Capital

(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

2018

On October 5, 2017, the Company issued 600,000 units of the Company in full settlement of a note payable of $120,000 (Notes 8 and 14). Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date. The fair value of the debt settlement was estimated at $392,231, including the shares valued at $246,000 and the warrants estimated at $146,231. The warrants were measured using the Black Scholes option pricing model with the following assumptions and inputs: expected life 2 years; volatility 131%; dividend yield 0%; and risk-free rate 1.55%.

On October 5, 2017 the Company issued 125,000 units of the Company to a family member of a director in relation to the subscriptions received in advance (Note 9). Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017 the Company issued 1,002,930 units to the former Chairman in relation to subscriptions received in advance (Note 9). Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 5, 2017 the Company issued 20,060 units of the Company to a family member of the former Chairman in relation to the subscriptions received in advance (Note 9). Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

During the year ended September 30, 2017, the Company issued 454,430 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November 2018, these units were returned to treasury of the Company for cancellation (Note 9).

On October 5, 2017 an additional 900,000 units were issued to non-related parties in relation to the subscriptions received in advance. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at $0.50 per share for two years following the issuance date.

On October 27, 2017, a company controlled by the former CEO exercised 400,000 options with an exercise price of $0.30 for total proceeds of $120,000 (Note 9).

On October 27, 2017, the former CEO of the Company exercised 100,000 warrants with an exercise price of $0.50 for total proceeds of $50,000 (Note 9).

On November 23, 2017, a company controlled by the former CEO exercised 200,000 options with an exercise price of $0.30 for total proceeds of $60,000 (Note 9).

10. Share Capital (continued)

(b) Common Shares – issued and outstanding (continued)

On November 23, 2017, a director of the Company exercised 80,000 options with an exercise price of $0.30 for total proceeds of $24,000 (Note 9).

On November 30, 2017, a company controlled by the former CEO exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 9).

On November 30, 2017, the former CEO of the Company exercised 40,000 options with an exercise price of $0.30 for total proceeds of $12,000 (Note 9).

On December 6, 2017, the former CEO of the Company exercised 100,000 options with an exercise price of $0.30 for total proceeds of $30,000 (Note 9).

On December 21, 2017, the former CEO of the Company exercised 70,000 options with an exercise price of $0.30 for total proceeds of $21,000 (Note 9).

2019

In November 2018, the Company cancelled a total of 712,380 common shares and 712,380 share purchase warrants that were issued in error (Note 9).

On May 23, 2019, the Company completed the private placement of 5,550,000 units at a price of $0.10 per unit for net proceeds of $554,200. 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 $0.25 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:

a) 1,080,000 units of the Company in settlement of amounts payable to the Chairman and CEO of the Company in connection with technical and scientific services amounting to $108,000 (Notes 9 and 14). 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 $0.25 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.

b) 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 9 and 14). 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 $0.25 per share for a period of one year from the date of issuance. The fair value of units issued was estimated at $128,000.

c) 400,000 units of the Company in settlement notes payable to the company of the Director and former Chairman of the Company amounting to $40,000 (Notes 9 and 14). 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 $0.25 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.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(b) Common Shares – issued and outstanding (continued)

On August 7, 2019, the Company completed a private placement of 3,298,000 units at a price of $0.10 per unit for net 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 $0.25 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.

(c) Warrants

Details of common share purchase warrants outstanding at December 31, 2019 are as follows:

	Three months ended December 31, 2019			**Year ended September 30, 2019**		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Opening	**14,660,560**	**$**	**0.32**	8,087,500	$	0.53
Granted	**-**		**-**	11,608,000	$	0.25
Expired	**(2,640,060)**	**$**	**0.50**	(4,322,560)	$	0.50
Cancelled				(712,380)		0.50
Ending	**12,020,500**	**$**	**0.28**	14,660,560	$	0.32

As at December 31, 2019, the following share purchase warrants were outstanding:

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		

As at December 31, 2019, warrants outstanding have an average life of 0.48 years and average exercise price of $0.28

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(d) Stock Options

Stock options issued and outstanding at December 31, 2019 are as follows:

	Three months ended December 31, 2019			**Year ended September 30, 2019**		
	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Opening	**4,200,000**	**$**	**0.10**	3,010,000	$	0.30
Granted	**-**		**-**	4,200,000	$	0.10
Exercised				-		-
Expired	**-**		**-**	(3,010,000)	$	0.30
Cancelled				-		-
Ending	**4,200,000**	**$**	**0.10**	4,200,000	$	0.10

Details of the share options outstanding and exercisable as at December 31, 2019 are as follows:

Expiry Date	**Number of Options Outstanding**	**Number of Options Vested**	**Number of Options Unvested**	**Exercise Price**	**Weighted Average Remaining Life**
July 21, 2021	4,200,000	4,200,000	-	$ 0.10	1.58

On July 21, 2019, the Company granted a total of 4,200,000 stock options to certain officers, directors and/or consultants of the Company exercisable at $0.10 for a period of 2 years. The fair value of the stock options was determined to be $320,064 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 2 years; expected volatility – 166%; expected dividend yield – 0%; and risk-free rate – 1.43%.

As at December 31, 2019, 4,200,000 stock options remain outstanding and exercisable. The weighted average life was 1.58 years.

(e) Subscriptions Received in Advance

On April 4, 2018, the former Chairman and Director of the Company subscribed to 500,000 units at $0.20 per unit for total proceeds of $100,000. At September 30, 2018, the balance was recorded in equity as the former CEO was expected to use the funds for future subscriptions. As of the date of these financial statements, these units have not been issued. Since substantial time has lapsed between the time of receiving the share subscription in advance, the Company has engaged in a negotiating with the former Chairman and Director on the price of issuance. Should the negotiation not be successful the Company may need to refund the amount to the former Chairman and Director, therefore the balance was recorded in current liabilities.

11. 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 December 31, 2019, 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 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset-backed commercial papers.

12. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its projects and to sustain future development of the business. The capital structure of the Company consists of working and share capital. There are no restrictions on the Company's capital.

There were no changes in the Company's approach to capital management during the period.

13. Commitments

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; 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 December 31, 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, 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:

   - The Company is required to pay, Dr. Doug Zuliani, President of Tech Magnesium a daily rate of $1,000. In return Dr. Zuliani will work with Mag One to further de-risk his Mg metal processing technology.

   - 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 expects to receive confirmation from Tech Magnesium before the deadline that the Phase 1 requirements have been met.

   - 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.

13. Commitments (Continued)

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 Company has been working with Dr. Zuliani and Glencore XPS as part of an NRC IRAP grant to complete Phase 1. The Company and Tech Magnesium signed a letter on January 29, 2020 to confirm that the Company's obligations under the agreement have been met for Phase 1 prior to the February 3, 2020 deadline. 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 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 has signed a non-binding letter of intent with Blue Lagoon Resources Inc. ("BLR") pursuant to which BLR may acquire up to 70% equity joint venture ownership interest in Mag One's wholly owned Canadian subsidiary, Mag One Operations Inc. ("Mag One Ops") by purchasing up to $5.25 million of shares of Mag One Ops (the "Transaction"). The proceeds would also be used to upgrade the historical resource to a current NI 43-101 compliant resource. BLR have engaged MRB & Associés of Val d'Or Quebec to conduct the technical work and to prepare an NI 43-101 technical report for a portion of the Thetford Mines tailings piles. On January 6, 2020 the Company signed a definitive earn-in and operating agreement (the "Agreement") with BLR. Pursuant to the Agreement, BLR may acquire up to a 70% equity interest in Mag One Ops by purchasing up to $5.25 million of shares of Mag One Ops. Pursuant to the Agreement, BLR may purchase a 50% interest in Mag One Ops by making cash investments as follows:

- $100,000 upon the initial closing (the "Closing Date");
- $300,000 within 3 months of the Closing Date;
- $750,000 within 8 months of the Closing Date;
- $1.1 million within 12 months of the Closing Date; and
- $1.5 million within 18 months of the Closing Date.

BLR may acquire an additional 20% interest in Mag One Ops, 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.

14. Supplemental Disclosure with Respect to Cash Flows

The Company did not have any significant non-cash transactions for the three months ended December 31, 2019.

15. Research Expenses

During the quarter December 31, 2019, the Company incurred $111,387 (2018: $195,100) towards various research activities. During the same period, the Company recognized grant income from the NRC's Industrial Research Assistance Program amounting to $32,401 (2018: $ Nil), which has been credited to the account (Note 7).

16. 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.

During the three months ended December 31, 2019, the Company accrued $2,750 of interest related to the convertible debentures. No new Debentures were issued or repaid during the three months ended December 31, 2019.

17. Subsequent Events

a. 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 Inc. by purchasing up to $5.25 million of shares of Mag One Operations Inc. Funds received from BLR will finance the development of the Company’s projects.

b. On January 23, 2020, the Company announced that its subsidiary, Mag One Operations Inc., 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 Tech Mag Technology, from a non-serpentinite-based feed source to produce low cost, low carbon-footprint primary magnesium metal.

c. On January 29, 2020 the Company and Tech Magnesium signed a letter to confirm that the Company’s obligations under the agreement have been met for Phase 1 prior to the February 3, 2020 deadline.

d. On February 6, 2020, the Company announced that Blue Lagoon Resources Inc. commissioned and is funding a National Instrument 43-101 Technical Report on behalf of Mag One’s subsidiary, Mag One Operations.

e. On February 19, 2020 the Company announced that Tony Louie joined its Board of Directors. Mr. Louie will replace Gillian Holcroft on the Audit Committee such that the Company has reconstituted the Audit Committee as follows:

   - Frank Vlastelic – (Chairman) – Independent
   - Rod Burylo – (Member) – Independent
   - Tony Louie– (Member) – Independent

SCHEDULE "B"

MAG ONE PRODUCTS INC.

Management's Discussion & Analysis

Three Month Period Ended December 31, 2019

Date of Issue: 24 February 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 DECEMBER 2019
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 December 30, 2019.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the three-month period ended December 31, 2019. The Company's financial statements and other important information of the Company such as press releases and informational circular are available at www.sedar.com. This MD&A has been prepared effective as of February 24, 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 has been requested. 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.

In Southern Quebec, there are significant amounts of tailings piles as a result of over one hundred years of Asbestos mining operations. The historical NI 43101 Technical Report prepared by Systémes Geostat International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos

Mines Tailings, Thetford Mines, Quebec, Canada estimated 162.7M of Measured and Inferred tailings containing 37% MgO and 246.3M tonnes of inferred resources containing 38.6% MgO. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves; and Mag One is not treating the historical estimate as current mineral resources or mineral reserves.

On November 26, 2019 Blue Lagoon Resources Inc (BLR) announced that it had signed a letter of intent, 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"). 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. A draft report was received in January 2020 and is under review.

The intended plant site is ideally located in a mining friendly jurisdiction that is close to road, rails, skilled labour and markets and boasts one of the lowest electricity costs in North America. In 2017, Mag One commissioned an NI 43-101 "Summary of Current and Scientific Technical information" report entitled "Magnesium Bearing Waste Dumps Recycling Project". The Jeffrey Mine extracted more than 100M tonnes of chrysotile fibre from 1886 to 2012. Historical data further indicate that 188M tonnes of tailings were produced from the Jeffrey Mine and about 25% of that quantity has been made available under contract for Mag One's project. The available tailings, as a result of this historical production, are 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.

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. Mag One, however cannot confirm that these tonnes of tailings will contain the expected MgO composition given that an NI 43-101 resource estimate has not been completed.

KEY AGREEMENTS

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 December 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.

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").

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

a) Remuneration @ $1,000 per day; or

b) A monthly fixed remuneration as appropriate mutually decided by the parties; and

c) Reimbursement of expenses

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

- Phase 1 is well underway, and the Company expects to complete this effort before the February 2020 deadline.

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 December 2018, the Company negotiated no cost extensions to the Jeffrey Mines (50M tonnes Serpentinite) and the Thetford Mines (60M tonnes Serpentinite tailings) option agreements. The Company 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). The project is actively underway with the effort scheduled to conclude on or before February 28, 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, Mag One expects to begin work towards the 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 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. Upon final selection, the Company could receive a grant of approximately $1.67 million or 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.

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 December 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 December 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 December 17, 2019. On December 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 December 16, 2019 the Company further amended its Q3 2019 financial statements to correct information concerning the Tech Magnesium Agreement. On December 16, 2019 the Company accepted the resignations of Mr. Dean Journeaux as a Director and Mr. Arnab De as the Company's CFO. The Company's CEO, Gillian Holcroft agreed to be the acting CFO until a new CFO is appointed.

The Company has reconstituted the Audit Committee as follows:

- Frank Vlastelic – (Chairman) – Independent
- Rod Burylo – (Member) – Independent
- Gillian Holcroft– (Member) – Executive

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.

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 December 31, 2019 ("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 December 31, 2019 indicates cash of $51,305, other receivables of $28,944, sales tax receivable of $13,382, and prepayments of $80, resulting in total current assets of $93,711, a decrease of $44,052 from September 30, 2019.

The Company's current liabilities at December 31, 2019 consist of accounts payable and accrued liabilities amounting to $358,506, a decrease of $27,897 from September 30, 2019; due to related parties amounting to $262,794, an increase of $53,203 from September 30, 2019; notes payable amounted to $2,688 a decrease of $34 from September 30, 2019; advance from Investissement Québec $519,213, an increase of $4,928 from September 30, 2019; proceeds from convertible debentures amounted to $158,249 an increase of $2,750 from September 30, 2019; and subscriptions received in advance of $100,000, no change from September 30, 2019.

The Total Current Liabilities as at December 31, 2019 stood at $1,401,450, an increase of $32,950 from September 30, 2019.

Equity attributable to shareholders of the Company at December 31, 2019 is $(1,307,739), an increase of $77,002 from September 30, 2019, and is comprised of share capital of $9,063,200 (2019 - $9,063,200), reserves of $8,496,329 (2019 - $8,495,739), less the deficit of $(18,867,268) (2019 - $(18,789,676)).

For the three months ended December 31, 2019, the Company realized a net loss of $77,592, or $0.00 per share, compared to a net loss of $308,821 or $0.01 per share for the three months ended December 31, 2018.

The loss for the three months ended December 31, 2019 represents operating expenses of $174,366 mainly consisting of Professional and Consultancy Fees $66,840 (2018 - $91,631) and Research Expenses of $111,387 (2018 - $195,100).

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	30-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Net Loss	$ (77,592)	$ (617,980)[1]	$ (143,547)	$ (217,740)	$ (308,821)	$ (270,140)	$ (498,186)	$ (342,657)
Loss per Share, basic & diluted	(0.00)	(0.01)	(0.00)	$ (0.00)	$ (0.01)	$ (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 ended on December 31, 2019 is as below:

	For the three months ended December 31		Variance
	2019	**2018**	
Administrative Expenses			
Amortization (Notes 4 and 5)	-	7,590	7,590
Office and administration	6,439	3,597	(2,842)
Professional and consulting fees	66,840	91,631	24,791
Investor communication	(20,477)	2,568	23,045
Research (Notes 9 and 14)	111,387	195,100	83,713
Travel	6,409	971	(5,438)
Trust and filing fees	3,768	7,207	3,439
	(174,366)	(308,664)	(134,298)
Other Items			
Interest expense	(7,839)	(157)	7,682
Other income	104,613	-	(104,613)
Net loss for the Period	(77,592)	(308,821)	(231,229)
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment	590	(1,921)	(2,511)
Comprehensive loss for the period	(77,002)	(310,742)	(233,740)
Basic and diluted loss per share	(0.00)	(0.01)	0.07
Weighted average number of common shares outstanding	47,006,809	43,833,343	(3,173,466)

During the three-month period ended December 31, 2019, the Company reported a net loss of $77,592 compared to a net loss of $308,821 during the same period in the prior year, representing a decrease in loss of $231,229. The decrease in loss in primarily attributed to the following:

- A decrease of $24,791 in professional and consulting fees. Professional and consulting fees were $66,840 in the quarter ended December 31, 2019, compared to $91,631 during the same quarter in the prior year.
- A decrease of $83,713 in research expenses. Research expenses were $111,387 in the quarter ended December 31, 2019, compared to $195,100 during the same quarter in the prior year.
- A decrease of $23,045 in investor communication fees. Investor communication fees were $(20,477) in the quarter ended December 31, 2019, compared to $2,568 during the same quarter in the prior year.
- An increase in Other income of $104,613. Other income was $104,613 in the quarter ended December 31, 2019, compared to $Nil during the same quarter in the prior year.

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 December 31st for 2019 and 2018 as follows:

Professional and Consulting Fees	3 month period ended December 31 2019	 December 31 2018	Variance
Accounting	12,089	29,320	17,231
Legal	33,236	62,311	29,075
Other consultants	21,515	-	(21,515)
Total	66,840	91,631	24,791

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

Accounting expenses for the quarter ended December 31, 2018 were higher due to the timing of the recording of the annual audit fee.

Other consultants' expenses during the quarter ended December 31, 2019 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 month period ended		
	December 31 2019	December 31 2018	Variance
Technical Retainership	80,050	88,800	8,750
Technical Consultancy	-	4,000	4,000
Pilot Plant Testing	63,737	102,300	38,563
Engineering Study	-	-	-
Environment Study	-	-	-
Laboratory Testing	-	-	-
NRC-IRAP	(32,401)	-	32,401
Other	-	-	-
	111,387	195,100	83,713

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 December 31, 2019, 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 $31,207 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 December 31, 2019 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 December 31, 2019 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. Details of the Office Administration Expenses are as follows:

	3 month period ended		
	December 31 2019	December 31 2018	Variance
Bank Charges	866	1,096	230
Insurance	3,450	1,813	(1,637)
Computer Related Expenses	-	250	250
Office Expenses	845	324	(521)
Rent	473	130	(343)
Telephone	-	-	-
Foreign Exchange	804	(16)	(820)
	6,439	3,597	(2,842)

Trust Filing Fees: The filing fees during the quarter ended December 31, 2018 were higher than the current quarter ended December 31, 2019 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

1. Fair Value of Financial Instruments

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

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

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either

directly or indirectly; and

- Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

	Dec 31 2019		Sept 30 2019		Sept 30 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash and cash equivalents	**51,305**	51,305	42,747	42,747	30,916	30,916
Financial liabilities						
Accounts payable and accrued liabilities (Note 6)	**358,506**	**358,506**	386,403	386,403	619,599	619,599
Due to related parties (Note 9)	**262,794**	**262,794**	209,591	209,591	299,914	299,914
Notes payable (Note 8)	**2,688**	**2,688**	2,722	2,722	576	576
Proceeds from convertible debentures (Note 16)	**158,249**	**158,249**	155,499	155,499	150,000	150,000

2. Financial Instrument Risk

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

(i) Credit risk

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

(ii) Liquidity Risk

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

(iii) Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company is not exposed to foreign exchange risk.

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

(iv) Interest Rate Risk

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

(v) Commodity Price Risk

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

During the three months ended December 31, 2019, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

Capital Management Policies and Procedures

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

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

In order to maintain or adjust the capital structure, the Company may issue common shares or securities convertible or exercisable into common shares. No changes were made in the objectives, policies and

processes for managing capital during the year ending September 30, 2019. The Company is not subject to any externally imposed capital requirements.

Liquidity and Capital Resources

Working Capital

Working capital at December 31, 2019 of $(1,307,739) represents an increase of $(77,002) 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 quarter.

Capital Expenditures

There were no Capital Expenditures incurred by the Company during the quarter ended December 31, 2019.

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 December 31, 2019.

The timelines for meeting the liabilities are as follows:

Liabilities	Amount ($)	Year of Payment	Mode of Payment
Current Liabilities	358,506	2020	Cash
Due to Related Parties	262,794	2020	Cash / Issuance of Shares
Notes Payable	2,688	2020	Cash
Advance from Investissment Quebec	519,213	2020	Cash. *However, the Company does not expect to refund the amount to Investissment Quebec as the Company is in the process of setting up an establishment at MRC des Sources, which is the only pending condition of the grant.*
Convertible Debentures	158,249	2021	Issuance of shares
Capital Commitments	Nil		
Subscription received in Advance	100,000	2020	This amount might have to be refunded to the past Chairman and Director as the shares are yet to be issued. Negotiation is ongoing.

Capital Resources

Equity attributable to shareholders of the Company is $(1,307,739), an increase of $(77,002) from September 30, 2019, and is comprised of share capital of $9,063,200 (Sept 30 2019 - $9,063,200), reserves of $8,496,329 (Sept 30 2019 - $8,495,739), less the deficit of $(18,867,268) (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 December 31, 2019 and fund its research and development expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required.

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

Transactions with Related Parties

Compensation paid to key management and directors

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

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

Research costs include $48,000 paid to the company of the Chairperson, President and Chief Executive Officer and Director of the Company (2018: $48,000) and $5,000 paid to Sartano Services for board of director compensation.

	December 31, 2019	December 31, 2018
Company of Chairperson, President, Chief Executive Officer ("CEO") and a Director	48,000	48,000
Company of a Director	5,000	-
	53,000	48,000

Amounts due to related parties

	December 31, 2019	September 30, 2019
Company of Chairperson, President, CEO and a Director	32,000	33,797
Director and former Chairman	131,599	131,599
Family member of a Director and the former Chairman	44,195	44,195
A person related to the Strategic Manager of Corporate Finance	55,000	-
	262,794	209,591
Subscription received in advance from a Director and former Chairman	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.

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 quarter ended December 31, 2019, the Company received $55,000 (2018: Nil) from a person related to the 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.

Other transactions

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

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

During the year ended September 30, 2017, the Company issued 454,430 units to the former Chairman in error. On October 5, 2017 an additional 257,950 units of the Company were issued in error. Each unit consists of one common share and one share purchase warrant. In November 2018, these units were returned to treasury of the Company for cancellation (Note 10).

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

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

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

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

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

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

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

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

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

Commitments and Contingencies

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

- $100 for all of the issued and outstanding shares;
- 2% royalty (“royalty obligation”) based on gross cash flow generated by MagPower up to $2 million;
- An option for the Company to buy the royalty obligation for $1 million for a period of 24 months;

- 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.

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

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

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

a) Remuneration @ $1,000 per day; or

b) A monthly fixed remuneration as appropriate mutually decided by the parties; and

c) Reimbursement of expenses

On March 25, 2019 the Company, in recognition of the substantial engagement required by Tech Magnesium in the development of the Tech Mag Technology, amended the agreement to include 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 Company is working with Dr. Zuliani and Glencore XPS as part of an NRC IRAP grant to complete Phase 1. As of the date of this report, the work is almost complete, and the Company expects to meet the deadline of February 3, 2020. The Company is presently pursuing the development of a technology through

Tech Magnesium which constitutes expenses towards Research and Development. (Also see "**Key Contracts – Part 5"** above)

Controls and Procedures Over Financial Reporting

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following information relates to share data of the Company.

Share capital

(a) Authorized:

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

(b) Issued as of December 31, 2019: The Company has 55,042,903 common shares issued (September 30, 2019: 55,042,903).

As at December 31, 2019, 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 on December 31 2019	55,042,903	12,020,500	4,200,000
Balance as on the 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

- 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 Company announced that its subsidiary, Mag One Operations Inc., 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 Tech Mag Technology, from a non-serpentinite-based feed source to produce low cost, low carbon-footprint primary magnesium metal.
- On January 29, 2020 the Company and Tech Magnesium signed a letter to confirm that the Company's obligations under the agreement have been met for Phase 1 prior to the February 3, 2020 deadline.
- On February 6, 2020, the Company announced that Blue Lagoon Resources Inc. commissioned and is funding a National Instrument 43-101 Technical Report on behalf of Mag One's subsidiary, Mag One Operations.
- On February 19, 2020 the Company announced that Tony Louie joined its Board of Directors. Mr. Louie will replace Gillian Holcroft on the Audit Committee such that the Company has reconstituted the Audit Committee as follows:
  - Frank Vlastelic – (Chairman) – Independent
  - Rod Burylo – (Member) – Independent
  - Tony Louie– (Member) – Independent

Approved on behalf of the Board

"Frank Vlastelic"	*"Gillian Holcroft"*
Director **Frank Vlastelic**	**Director** **Gillian Holcroft**