COTEC HOLDINGS CORP.

(Formerly EastCoal Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED – SEPTEMBER 30, 2022

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of CoTec Holdings Corp (the "Company" or "CoTec") has been prepared by management as of November 4, 2022. Information herein is provided as of November 4, 2022, unless otherwise noted. The following discussion of performance, financial condition and outlook should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 ("Financial Statements") and the notes thereto, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 and 2021 ("Interim Financial Statements") and notes thereto prepared in accordance with IFRS applicable to interim financial reporting. These statements are filed with the relevant regulatory authorities in Canada. All amounts herein are expressed in Canadian dollars, unless otherwise indicated.

Additional information relevant to the Company's activities, including the Company's Annual Information Form dated July 20, 2022 ("Annual Information Form") can be found on SEDAR at www.sedar.com.

The information contained herein is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is a "Venture Issuer" as defined in NI 51-102. For more information on the Company, investors should review the Company's continuous disclosure filings that are available under the Company's profile at www.sedar.com.

Readers are cautioned that this MD&A contains forward-looking statements. All information, other than historical facts included herein, including, without limitation potential value of investments, availability of funding, results and future plans and objectives of CoTec is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information. Please refer to the Annual Information Form for further details regarding various risks and uncertainties facing the Company.

BUSINESS OVERVIEW

CoTec is a publicly traded investment issuer listed on the Toronto Venture Stock Exchange ("TSX-V") and trades under the symbol CTH.V. The Company is an ESG-focused company investing in innovative technologies that have the potential to fundamentally change the way metals and minerals can be extracted and processed for the purpose of applying those technologies to undervalued operating assets and recycling opportunities, as the Company seeks to transition into a mid-tier mineral resource producer.

CoTec is committed to supporting the transition to a lower carbon future for the extraction industry, a sector on the cusp of a green revolution as it embraces technology and innovation. The Company has made three investments to date and is focused on expanding its technology footprint whilst actively pursuing operating opportunities where current technology investments could be deployed.

HIGHLIGHTS, RECENT DEVELOPMENTS AND OUTLOOK

Highlights for the Quarter

Operational

- Year-to-date income of $1.8 million;
- Invested an additional £500,000 through a second unsecured convertible note in Mkango Resources Ltd. ("Mkango"), and Mkango has agreed to extend CoTec's exclusivity period with respect to the proposed transaction until November 30, 2022; and
- Identified an additional investment opportunity of which is in the final due diligence stage with indicative terms agreed.

Corporate

- 4,040,404 Warrants exercised and $667 received by the Company.

Recent Developments and Outlook

The Company completed its Change of Business ("COB") on April 14, 2022 and resumed trading on April 19, 2022. This was followed by two highly successful quarters of operation. During this six-month period the Company made three investments and made significant progress with the Mkango transaction. The Company has also continued its drive to identify additional opportunities for the Company, culminating in one transaction in the final due diligence stage with indicative terms now agreed.

On the corporate font, the Company also strengthened both its Board of Directors and its technical ability.

BSL

The Company completed a US$2 million equity investment ("Initial BSL Investment") in Binding Solutions Limited ("BSL") at an implied BSL equity value of US$70 million. The Company has the right to invest a further US$2m prior to December 31, 2022, at a valuation equal to an amount that is 20% less than any follow-on BSL investment, capped at a US$130 million valuation.

BSL is a UK based private company governed by the laws of England and Wales that has developed a proprietary cold agglomeration technology for the production of high-quality clean pellets from primary materials, waste dumps, and stockpiles.

Subsequent to the Initial BSL Investment, BSL received another equity investment of US$2 million at a pre-money valuation of US$130 million on a fully diluted basis from a large Japanese steel company. This subsequent equity raise, combined with a significant uplift in BSL's year to date revenue, supports the uplift in the value of the Initial BSL Investment as reflected in the Interim Financial Statements.

As part of its Initial BSL Investment, the Company also obtained the right to exclusively apply the BSL technology in Canada, Austria, Netherlands and Germany to reclamation assets via one or more joint venture entities to be initially owned 50/50 by CoTec and BSL. The Company is actively pursuing application opportunities for the BSL technology in these jurisdictions.

BSL is now testing its product with many of the world's leading steel and iron ore manufacturers and it is particularly excited about the technology's ability to produce green steel from electric arc furnaces and its applicability to waste dumps where it can extract metals and reduce environmental liabilities.

MagIron LLC ("MagIron")

On May 15, 2022 the Company entered into an agreement to acquire a 15.8% equity interest in MagIron for US$2.12 million. MagIron is a U.S. based private company that acquired an iron ore project that it intends to refurbish and bring back into production. The investment includes terms customary for an investment of this nature, including Board representation subject to CoTec maintaining a 10% equity interest.

Since completing its investment, MagIron completed the purchase of a dormant iron ore concentrator known as Plant 4 based in Grand Rapids, Minnesota ("Plant 4") and 2,483 acres of land in the Itasca and St. Louis Counties, Minnesota that contains fine and coarse iron ore tailings. MagIron also entered into a lease of a further 1,700 acres of land which houses Plant 4 and facilitates access to additional iron ore fines and tailings. Furthermore, MagIron also acquired selected assets from the receivership estate of Prairie River Materials LLC ("PRM"). The assets are of strategic interest to the Plant 4 complex.

This acquisition allowed MagIron to consolidate the land package surrounding Plant 4, together with in-ground mineral rights, additional stockpiles of residual iron units and inventory of lump ore finished product. It also provides MagIron with exclusive control of the Jessie Load Out rail facility and surrounding infrastructure and various plant and equipment fixtures at PRM's two processing facilities. MagIron's strategy is to produce DR grade pellets and benefit from favorable fundamentals for high grade feedstock for the steel industry.

The purchase consideration by MagIron for this acquisition comprised cash payments of US$2.6 million and the assumption of debt of US$6.05 million. In order to fund the acquisition, MagIron issued a US$5 million secured convertible note. The note was issued at a pre-money valuation of US$30 million, representing an increase of approximately 130% from the CoTec investment, supporting the uplift in valuation of this investment in the Interim Financial Statements.

MagIron is currently exploring implementing the BSL pelletizing technology to produce green pellets an example of the way CoTec's technologies can combine with assets to create additional value. MagIron continues to progress in the execution of its strategy, though the ultimate re-start of the operations is likely to take place during the second half of 2024.

Mkango

Mkango is a public company that trades on the TSX-V under MKA, and also trades on the LSE under MKA.L. Mkango's principal business is rare earth element and associated minerals exploration and development.

On May 29, 2022, the Company signed a non-binding term-sheet with Mkango for a four-month option to invest £2 million ($3.2 million) into Mkango by way of a two-year, unsecured convertible note ("Mkango Note") with 5% interest, convertible into Mkango shares at 27p each. This option has since been extended to November 30, 2022. Concurrent with the Mkango Note, CoTec will also have the option to invest £1.5 million ($2.4 million) into Maginito ("Maginito Investment"), equating to a 10% equity stake in Maginito for the purposes of strategic investments in downstream rare earth technologies and working capital.
In order to accelerate Mkango's activities ahead of the completion of the Mkango Note, CoTec acquired a £500,000 ($781) note during June 2022 (the "Mkango Loan 1"), carrying largely the same terms as the Mkango Note discussed above. CoTec acquired a second £500,000 ($766) on September 6, 2022 ("Mkango Loan 2"), which carries the same terms and conditions as Mkango Loan 1 (together the "Mkango Loans"). Once the Mkango Note transaction for £2 million ($3.2 million) is completed, the Mkango Loans' principal and accrued interest will credit and convert towards the investment made in the Mkango Note.

As part of the Mkango Note and Maginito Investment, Mkango and CoTec intend to enter into a co-operation agreement regarding future investments in rare earth processing technology opportunities in the United States. This will provide CoTec with another opportunity to apply technology downstream in the production of resources.

The Mkango Loan 1 and Mkango Loan 2 was partially funded by two advances in aggregate of GBP750,000 from Kings Chapel International ("Kings Chapel Loan"), a company related to the Company's Chief Executive Officer. The Kings Chapel Loan has repayment terms similar to the Mkango Loan Notes (see *Other Related Party Transactions* below). Subsequent to quarter-end, the Company extended a third loan note to Mkango in the amount of GBP$222,500 on the same terms as the Mkango Loans and extend the exclusivity period to December 23, 2022. The loan note was funded from the Company's own cash resources.

Warrant Exercise

On September 7, 2021, the Company issued 4,404,404 subscription receipts ("Subscription Receipts") pursuant to a private placement at a price of $0.12375 per Subscription Receipt. Each Subscription Receipt entitled the holder to receive one Common Share in the equity of the Company and one warrant. Each warrant allowed the holder to purchase one Common Share in the Company at a price of $0.165 per share until September 6, 2022.

All warrants were exercised during the quarter and the Company received $667 pursuant to the exercise.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

Board and Management Changes

On June 20, 2022, Braam Jonker vacated his Board position and Sharon Fay joined the Board as an independent director.

During September 2022, the Company also engaged John McGagh, prior Head of Innovation for Rio Tinto Plc, as a member of its Technical Committee.

Looking forward, the Company expects to complete, subject to the availability of funding, the second tranche of the BSL investment as well as the Mkango and Maginito investments. The Company is also actively pursuing BSL application opportunities in the jurisdictions where it has exclusive application rights. The Company will also pursue the completion of the additional transaction identified, subject to funding and satisfactory outcome of its due diligence.

RESULTS OF OPERATIONS

For the nine months ended *($'000 unless otherwise stated)*	**Sept. 30, 2022**	**Sept. 30, 2021**
Income		
FV gain on equity securities	4,041	-
FV loss on convertible notes	(214)	-
Expenses		
Professional consulting fees	(374)	(144)
General and administrative expenses	(919)	(203)
Stock-based compensation	(219)	(20)
Operating income for the period	**$ 2,315**	**$ (367)**

Revaluation of both BSL and MagIron equity investments resulted in a gain, together with the related changes in foreign exchange, of $4.0 million which has been recorded in the statement of income as fair value through profit and loss ("FVTPL"). The Company invested US$2.12 million in MagIron which was revalued due to MagIron subsequently issuing a secured convertible note to an unrelated third party. The Company invested US$2 million in BSL at an implied BSL US$70 million valuation, which was subsequently revalued to US$130 million on a fully diluted basis due to a subsequent fundraise completed by BSL. The FV loss on convertible notes relate to the quarterly re-valuation of the conversion rights embedded in the Mkango Loan 1 and Mkango Loan 2 as required by IFRS and does not impact the actual GBP1 million receivable underpinning these loan notes.

Professional consulting fees were significantly higher during the period due to legal fees related to the COB, legal fees incurred pursuant to the various transactions entered during the period, as well as fees related to interim reviews by the Company's auditors.

General and administrative expenses include salary costs for four employees of the Company, website and marketing development fees. The Company had no paid employees during the comparative period.

Stock-based compensation expense also increased year-over-year due to the stock options and equity incentive units ("EIU") granted to the CEO and Board Chairman, as well as the former CEO and CFO. For further details, see *Transactions with Related Parties* below.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the eight most recently completed quarters are as follows:

$000's except per share	2022			2021				2020
Amounts	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Income (loss) and comprehensive loss for the period	(113)	2,262	(350)	(240)	(348)	(16)	(4)	(0)
Net income (loss) per common share								
Basic	($0.00)	$0.07	($0.02)	($0.01)	($0.02)	($0.00)	($0.00)	($0.00)
Diluted	($0.00)	$0.06	($0.02)	($0.01)	($0.02)	($0.00)	($0.00)	($0.00)

During the quarter, the Company incurred a gain on its investments of $573 which was primarily due to gains in FX against the USD. The loss on convertible notes receivable of $217 was primarily due to the valuation of the conversion option of the Mkango Loans using the Black-Scholes calculation which was driven by the decrease in the underlying share price in Mkango. Costs during the period were primarily driven by salaries accrued of $300, accounting review fees of $20, interest expense for loans outstanding of $11, legal fees of $40, and stock-based compensation of $105. Costs were offset by $12 in interest earned on the convertible notes.

At September 30, 2022 the Company had investments with a total book value of $10,651, current assets of $674, offset by current liabilities of $940 and non-current liabilities of $1,728. However, current liabilities and non-current liabilities include obligations to related parties totalling $1,850, which will only anticipated be paid following the Company's next fundraise. Also included in non-current liabilities is deferred tax liabilities of $571 which will only be payable on the realization of the investments. However, the Company has not reflected the value of its capital losses on the balance sheet that may be available to shelter some future capital gains.

LIQUIDITY AND CAPITAL RESOURCES

The Company has experienced recurring losses and has accumulated a deficit of $99,511 as at September 30, 2022. For the nine months ended September 30, 2022, the Company used cash in operating activities totalling $921. The Company had cash and cash equivalents of $586 and a working capital deficit of $266 as at September 30, 2022. However, included in trade and other payables is $22 owed to an Officer as a result of expenses paid on behalf of the Company, whilst accrued liabilities include $250 owed to the CEO and the Chairman of the Board in relation to the Company's successfully transitioning to the TSX-V, and

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

$470 relate to accrued salaries for the CEO and CFO. It is anticipated that all these amounts will only be repaid subsequent to the Company's next fundraising.

The Company's continued operation is dependent upon its ability to raise additional funding. Although the directors believe that the Company should be able to secure future fundraising as required, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities in the normal course of operations, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Once the COB was approved by the TSX-V on April 14, 2022, the Company issued an aggregate of 11,390,593 subscription receipts pursuant to the Private Placement for gross proceeds of $6,266.

Pursuant to the private placement completed on September 7, 2021, the Company had 4,040,404 warrants outstanding which were exercised in full during the quarter. 4,040,404 shares were issued in respect of the warrants at an exercise price of $0.165 for gross proceeds of $667.

TRANSACTION WITH RELATED PARTIES

All related party transactions were incurred in the normal course of operations and are recorded at the amount agreed upon by the related parties.

Compensation of Key Management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has identified the Chief Executive Officer and Chief Financial Officer as its key management personnel. The remuneration of key management is determined by the compensation committee of the Board of Directors. The salary, consulting fees and other compensation of key management personnel were as follows for the nine months ended September 30, 2022, and 2021:

($'000 unless otherwise stated)	**Sept. 30, 2022** **$**	**Sept. 30, 2021** **$**
Short-term salaries, fees and benefits	(670)	-
Share-based compensation	(155)	(20)
Total	**(824)**	**(20)**

Short-term salaries, fees and benefits comprise $470 accrued salaries for the CEO and CFO. A further $200 success-based fee to the CEO became payable on completion of the Company's COB.

Other Related Party Transactions

As at September 30, 2022, a total of $22 was payable to a Director and an Officer for expenses paid on behalf of the Company which is included in trade and other payables. No agreed terms were stipulated for the $22 payable. $470 was accrued for salaries for both the CEO and CFO which is included in accrued liabilities.

On June 29, 2022, the Company entered into an unsecured loan agreement with Kings Chapel International Ltd. ("Kings Chapel") for an amount of GBP$500,000 or $781 ("Kings Chapel Loan 1"). The purpose of the Kings Chapel Loan 1 was to fund the Mkango Loans. Kings Chapel is associated with the Company's CEO, Julian Treger. The Kings Chapel Loan bears interest of 5% per year compounded annually and shall be due and payable on the maturity date, June 29, 2024. This financial liability has been classified and measured at amortized cost. As at September 30, 2022, the loan had an unrealized $26 gain due to foreign exchange movements, and $10 in accrued interest payable.

On September 6, 2022, the Company entered into a second unsecured loan agreement with Kings Chapel for an amount of GBP$250,000 or $378 ("Kings Chapel Loan 2"). The purpose of the Kings Chapel Loan 2 was to partly fund Mkango Loan 2. The Kings Chapel Loan 2 carries the same terms as the Kings Chapel Loan 1 ("Kings Chapel Loans"). As at September 30, 2022, the loan had nil gain or loss due to foreign exchange movements, and $1 in accrued interest payable.

On August 11, 2021, 2,305,831 EIUs were granted to the CEO of the Company. Each EIU is equivalent in value to one common share of the Company, and will vest on the earlier of i) August 30, 2024, provided that the 30-day volume weighted average trading price ("VWAP") of the common shares as of that date on the principal stock exchange on which they are then traded is at least $0.50 per share (adjusted as required to give effect to any stock splits, consolidations or other reorganizations of the common shares after the date hereof), and ii) the date on which the Company completes a change of control (the "Vesting Date"), provided in either case that the Director becomes engaged with the Company as Executive Chair or CEO and remain so engaged as of the Vesting Date. If the EIUs vest in accordance with the aforementioned conditions, then no later than 10 days after the Vesting Date, the Company will deliver in respect of every Unit, at its discretion, either i) one common share or ii) a cash payment equal to the VWAP of the common shares on the primary stock exchange for the five trading days immediately preceding the Vesting Date. Given the current cash position of the Company, it is more likely at this stage that these EIUs will be settled with common shares and as such have been recorded as Equity-settled Share-Based Compensation. In order to measure the fair value of the EIUs awarded on August 11, 2021, management used Monte Carlo simulation to determine the expected range of ending share prices as at the Vesting Date. The proportion of prices which were above $0.50 were used as a probability factor which was applied to the Black Scholes model which was used to determine the fair value of the EIU as at the grant date of $76. The expense will be recognized during the vesting period. For the nine months ended September 30, 2022, an expense in the amount of $19 has been recognized.

During April 2022, EIUs in the amount of 7% of the new common shares issued, or 797,342 EIUs, for the private placement in connection with the transition to the TSX-V, have been awarded to the CEO on the date the Company listed on the TSX-V. The agreement for the EIUs in the amount of 7% of the new common shares issued stipulate the same vesting conditions and settlement via cash payment as the EIUs awarded on August 11, 2021, however settlement via Common Shares will not be issued from Treasury but rather would be purchased by or on behalf of the Company over the facilities of the primary stock exchange on which the Common Shares are listed. Thus, these EIUs will be treated as a liability-classified award, with any changes in fair value to be reflected as share-based compensation expense. Furthermore, if at any time during the period from the day the Company is listed on the TSX-V until March 31, 2023, the Company issues additional common shares (or securities convertible into, or exchangeable for, common shares) pursuant to any financing transactions or as consideration for the acquisition of any assets or businesses, the Company will further award to the CEO on each closing date of such transactions, additional EIUs equal to 7% of common shares issued or issuable pursuant to such financing transaction or acquisition.

Following the listing of the Company on the TSX-V, the Company issued the Chairman EIUs equal to 1.75% of the number of Common Shares issued, or 199,335 EIUs, pursuant to the Financing. The EIUs will vest and be settled on the earlier of (i) September 30, 2024, provided that the 30-day volume weighted average trading price of the Common Shares as of that date on the principal stock exchange on which they are then traded is at least $0.50 and (ii) the date on which the Company completes a change of control transaction, provided in either case that the Chairman continues to be a member of the Board as of the vesting date. Subject to vesting, the Company will, no later than 10 days after the vesting date in respect of every Unit, deliver to the Chairman, in its discretion, either (i) one Common Share (which will not be issued from treasury but rather would be purchased by or on behalf of the Company over the facilities of the primary stock exchange on which the Common Shares are listed) or (ii) a cash payment equal to the volume weighted average closing price of the Common Shares on the primary stock exchange on which the Common Shares are then listed for the five trading days immediately preceding the vesting date or, if the Common Shares are not listed and posted for trading on any stock exchange, the fair market value of the Common Shares as determined by the board of directors of the Company in its sole discretion. These EIUs will be treated as a liability-classified award, with any changes in fair value to be reflected as share-based compensation expense.

The fair value of the 996,677 EIUs awarded to the CEO and Chairman was determined as $67 as at September 30, 2022. The fair value of the EIUs was calculated using Monte Carlo simulation and the Black-Scholes option pricing model. As at September 30, 2022, the fair value of the EIUs were calculated using the Black-Scholes option pricing model based on a risk-free annual interest rate of 3.76%, an expected life of 1.98 years, and expected volatility of approximately 113% based on historical volatility, and a dividend yield of nil. A probability factor of 17.9% was applied to the Black-Scholes calculation which was determined by using Monte Carlo simulation to estimate the proportion of stock prices as at the Vesting Date which were above the $0.50 threshold over 10,000 simulations as at September 30, 2022. For the nine months ended September 30, 2022, $6 was recorded as a non-current liability and as share-based compensation expense for the vesting of these EIUs and any changes in fair value.

The Company granted the CEO options in the amount of 569,530 on the date on which the Company listed on the TSX-V so that, as of that date, he held options to purchase a total number of Common Shares equal to 5% of the Company’s issued and outstanding Common Shares. The options have an exercise price of $0.55, being the closing price of the trading day following the date on which the shares were re-listed on the TSX-V, a term of 10 years and will be subject to vesting over three years, using a graded vesting approach applied for accounting purposes with 1/3 of each option grant vesting each year subject to their continued employment with or engagement by the Company.

In connection with the warrants exercised during the 3 months ended September 30, 2022, 202,020 stock options have been granted to the CEO of the Company pursuant to the Company's 10% rolling stock option plan so that, as of that date, they held options to purchase a total number of Common Shares equal to 5% of the Company's issued and outstanding Common Shares. The options have an effective grant date of September 7, 2022 and are exercisable for a period of 10 years at a price of $0.46 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period.

In connection with the warrants exercised during the 3 months ended September 30, 2022, 282,828 EIUs have been awarded to the CEO of the Company so, as of that date, they held EIUs equal to 7% of the number of Common Shares issued. The fair value of the 282,828 EIUs awarded to the CEO was determined as $21 as at September 30, 2022. The fair value of the EIUs was calculated using Monte Carlo simulation and the Black-Scholes option pricing model. As at September 30, 2022, the fair value of the EIUs were calculated using the Black-Scholes option pricing model based on a risk-free annual interest rate of 3.76%, an expected life of 1.98 years, and expected volatility of approximately 113% based on historical volatility, and a dividend yield of nil. A probability factor of 17.9% was applied to the Black-Scholes calculation which was determined by using Monte Carlo simulation to estimate the proportion of stock prices as at the Vesting Date which were above the $0.50 threshold over 10,000 simulations as at September 30, 2022. For the nine months ended September 30, 2022, $1 was recorded as a non-current liability and as share-based compensation expense for the vesting of these EIUs and any changes in fair value.

The Company granted the Chairman options in the amount of 142,382 on the date on which the Company is listed on the TSX-V so that, as of that date, he held options to purchase a total number of Common Shares equal to 1.25% of the Company's issued and outstanding Common Shares. The options have an exercise price of $0.55, being the closing price of the trading day following the date on which the shares were re-listed on the TSX-V, a term of 10 years and will be subject to vesting over three years, using a graded vesting approach applied for accounting purposes with 1/3 of each option grant vesting each year subject to their continued employment with or engagement by the Company.

For the nine months ended September 30, 2022, $206 was recorded as share-based compensation expense for the vesting of these stock options.

On April 14, 2022, the Company awarded the CEO a cash bonus of $200 subject to the Company being listed on the TSX-V. An accrual of $200 related to the aforementioned bonus is included in accrued liabilities as at September 30, 2022.

On April 14, 2022, the Company awarded the Chairman a cash bonus of $50 subject to the Company being listed on the TSX-V. An accrual of $50 related to the aforementioned bonus is included in accrued liabilities as at September 30, 2022.

SUBSEQUENT EVENTS

On October 14, 2022, the Company has agreed with BSL in writing to extend the subsequent longstop date for the subsequent subscription between US$1.0m and US$2.0m, to December 31, 2022 as permissible under the existing subscription agreement.

On October 28, 2022 the Company announced that it was in the process of finalizing documentation in relation to the intended investments into Mkango and Mganito. In order to accommodate the delayed timelines, the Company extended a third advance in the amount of GBP222,500 to Mkango on terms consistent to the Mkango Loans and the exclusivity period was extended to December 23, 2022.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The Company's accounting policies are described in Note 3 to the December 31, 2021, audited consolidated financial statements.

Equity Investments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

In preparing the interim condensed consolidated financial statements, except as outlined below the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2021.

Equity Investments

The determination of fair value of the Company's investments at other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgement and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a long-term investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing long-term investments.

The fair value of long-term investments and convertible notes receivable may be adjusted if:

- There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is considered in the assessment of value at which that financing took place;
- There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on the management's judgement and any value estimated may not be realized or realizable;
- The investee company is placed into receivership or bankruptcy;
- Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- Key management changes by the investee company that the Company's management believes will have an impact on the investees company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a long-term investment will be based upon management's judgement and any value estimated may not be realized or realizable.

During the nine months ended September 30, 2022, the Company determined that there was sufficient evidence from external transactions in the investees' equity which are indicators that initial cost might no longer be representative of fair value. The Company used these external transactions to support the valuation of the Company's investments into MagIron LLC ("MagIron") as well as Binding Solutions Limited ("BSL").

The valuation of the investment in MagIron LLC required significant judgment in that the external transaction with the investee was the issuing of a convertible note to an external party. The convertible note gave the note holder the option to convert to equity at any time during a certain duration at a pre-determined valuation for the equity. Given this extended time period, the Company determined that using the updated equity valuation was not entirely representative of the value of the equity as at the date of the transaction. As such, the Company discounted the gain in equity value over the duration of the conversion period, and also applied an estimated success factor in order to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event.

BALANCE SHEET ARRANGEMENTS

At September 30, 2022, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

CONFLICTS OF INTEREST

Kings Chapel International Limited, a company associated with Julian Treger, is a shareholder in both BSL and MagIron. As a result, Mr. Treger has recused himself from the decisions made in relation to the Company's investments in BSL and MagIron and the Kings Chapel Loan .

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company and its Directors, Officers or other members of management as a result of their outside business interests except as disclosed above and that certain of the Company's directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to CoTec and their duties as a director, officer or advisor of such other companies.

OUTSTANDING SHARE DATA AS AT NOVEMBER 4, 2022

a) Authorized and issued Share Capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	38,489,316

b) Summary of Options Outstanding:

Date of Issue	Expiry Date	Exercise Price	Number of Options
September 24, 2021	September 24, 2031	$0.30	1,152,916
October 8, 2021	October 8, 2031	$0.45	288,229
April 19, 2022	April 19, 2032	$0.55	711,912
April 19, 2022	April 19, 2023	$0.55	100,000
September 7, 2022	September 7, 2032	$0.46	202,020

c) Summary of Warrants Outstanding:

Date of Issue	Expiry Date	Exercise Price	Number of Warrants
April 14, 2022	April 14, 2023	$0.75	11,390,593
April 14, 2022	April 14, 2025	$0.55	250,020

INTERNAL CONTROL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING

Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate for non-venture issuers under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the interim and annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer 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 (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer 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.

OTHER INFORMATION

Additional information with respect to the Company is also available on the Company's website at www.cotec.ca and also on SEDAR at www.sedar.com.