COTEC HOLDINGS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED – DECEMBER 31, 2022

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of CoTec Holdings Corp (the "Company" or "CoTec") has been prepared by management as of April 20, 2023. Information herein is provided as of April 20, 2023, 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, 2022 and 2021 ("Financial Statements") and the notes thereto, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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.

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. The Company is an environment, social, and governance ("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 Year

Operational

- Earnings for the 2022 year of $1.5 million;
- Completed the Company's Change of Business on April 14, 2022 ("COB");
- Completed $6.27 million private placement through the issuance of an aggregate 11,390,593 subscription receipt units at $0.55 per unit on April 14, 2022 ("Private Placement");
- Completed a USD2 million investment in Binding Solutions Limited ("BSL") during April 2022;
- Acquired 15.8% equity interest in MagIron LLC ("MagIron") for USD2.12 million during May 2022;
- Signed a non-binding term-sheet with Mkango Resources Ltd ("Mkango") in relation to investments by CoTec into Mkango and Mkango's subsidiary, Maginito Limited ("Maginito"), and collaboration in downstream rare earth technologies between CoTec and Mkango/Maginito for an exclusivity period of 4 months;
- 4,040,404 Warrants exercised during September and $667 received by the Company;
- Invested a total of GBP1,547,500 in four secured convertible notes in Mkango of which GBP550,000 was invested in the fourth quarter and extended the exclusivity period to January 31, 2023;
- Announced the intention to complete a non-brokered private placement of up to 20,000,000 units (each, a "Unit") at a price of $0.50 per Unit for gross proceeds of up to $10 million (the "December Private Placement") on December 20, 2022 and completed an initial closing ("Initial Closing") of 1,264,108 Units for aggregate gross proceeds of $632 on December 28, 2022.

Corporate

- Appointed Julian Treger as Chief Executive Officer and Braam Jonker as Chief Financial Officer and Corporate Secretary on completion of the COB;
- Appointed Margot Naudie as independent director on completion of the COB;
- Appointed Sharon Fay as independent director on June 20, 2022;
- Appointed PI Financial Corp.("PI") as market maker on June 27, 2022,
- Appointed John McCagh as advisor to the Investment Committee in October 2022;
- Appointed Research Capital Corporation as trading advisor on December 7, 2022;
- Announced the appointment of John Singleton as Chief Operating Officer effective January 2, 2023 on December 23, 2022; and
- Applied for listing on the OTC Market in the United States ("OTC"). The Company was assigned a ticker CTHCF in March 2023.

Recent Developments and Outlook

The Company completed its COB on April 14, 2022 and resumed trading on April 19, 2022. Concurrent with the COB, the Company also completed the Private Placement and raised gross proceeds of $6.27

million. This was followed by three successful quarters of operation. During this period the Company made three investments, reviewed many potential opportunities and completed due diligence on several of them.

CoTec has commenced the identification of application opportunities for the BSL technology and is in discussion with Mkango to prepare for the feasibility work and site selection in relation to the pursuit of rare earth element ("REE") opportunities in the United States, as it seeks to commence its transition from investment holding issuer to resource producer.

During the year, the Company also significantly strengthened its Board of Directors, technical advisory and executive management.

BSL

The Company completed a USD2 million equity investment ("Initial BSL Investment") in BSL at an implied BSL total equity value of USD70 million during April 2022. The Company was also granted the right to invest a further USD2 million within six months of the Initial BSL Investment at a valuation equal to an amount that is 20% less than any follow-on BSL fundraise, capped at a USD120 million valuation ("Subsequent Subscription"). The six-month option period for the Subsequent Subscription was extended and on February 28, 2023 the Company made a Subsequent Subscription of USD500,000 at an implied BSL total equity valuation of USD104 million and was granted the right to complete a further USD1.5 million Subsequent Subscription until June 30, 2023 at an equity valuation equal to 20% less than any follow-on BSL fundraise.

BSL is a UK based private company that has developed a proprietary cold agglomeration technology for the production of high-quality clean pellets from primary materials, waste dumps, and stockpiles. BSL estimates that its technology for creating green pellets using its cold binding process could result in a meaningful reduction in global carbon emissions by replacing sintering and induration processes which account for approximately 15% of carbon emissions from the global steel industry. CoTec believes BSL's technology has the potential to reduce these emissions by around 90%.

BSL continues to test its solutions with many of the world's leading steel and iron ore producers. This resulted in 2022 revenues increasing by more than 100% year-over-year. Subsequent to the Initial BSL Investment, BSL received another equity investment of USD2 million at a pre-money implied BSL total valuation of USD130 million on a fully diluted basis from a large third-party Japanese steel company. This subsequent equity raise, combined with a significant uplift in BSL's 2022 revenue, supports the uplift in the value of the Initial BSL Investment as reflected in the 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. On February 28, 2023 CoTec and BSL agreed to extend the initial period of exclusivity to identify BSL application opportunities in these jurisdictions from three years to four years. To date, the Company has identified three potential application opportunities for the BSL technology and has commenced high level discussions with the counter parties. The Company expects to have greater clarity on these opportunities by the end of Q2 2023.

MagIron

On May 15, 2022 the Company entered into an agreement to acquire a 15.8% equity interest in MagIron for USD2.12 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 in MagIron by CoTec includes terms customary for an investment of this nature, including Board representation subject to CoTec maintaining a 10% equity interest.

Following the CoTec 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 both 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 acquired selected assets from the receivership estate of Prairie River Materials LLC (“PRM”). The assets are of strategic interest to the Plant 4 complex.

These acquisitions 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 direct reduced iron (“DRI”) grade pellets as well as to benefit from favorable fundamentals for high grade feedstock for the steel industry.

The purchase consideration for the PRM assets comprised cash payments of USD2.6 million and the assumption of debt by MagIron of USD6.05 million. In order to fund this acquisition, MagIron issued a USD5 million secured convertible note. The note was issued at a pre-money valuation of USD30 million, representing an increase of approximately 130% from the CoTec investment. Additionally, during December 2022 and January 2023, MagIron raised a further USD600,000 from insiders at a pre-money valuation of USD20 million. CoTec contributed USD200,000 to this fundraise on January 31, 2023. These follow-on investments support the uplift in valuation of this investment in the Financial Statements.

MagIron continues to explore 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 is targeting a restart of its operations during the second half of 2024.

Mkango

Mkango is a public company that trades on the TSX-V under the ticker symbol MKA and on the London Stock Exchnge (“LSE”) under MKA.L. Mkango’s principal business is rare earth elements and associated minerals exploration and development. Mkango has two main assets - a rare earth development project in Malawi and, more interestingly to CoTec, an interest in a green process utilizing hydrogen to extract the rare earth elements (“REE”) by recycling magnets (“HyProMag Technology”), held through Mkango’s subsidiary Maginito via its 42% interest in HyProMag Ltd. (“HyProMag”).

- *Mkango/Maginito Investment Update*

On May 29, 2022, the Company signed a non-binding term-sheet with Mkango for a four-month option to invest GBP2 million into a two-year secured convertible loan to Mkango ("Mkango Note") and a GBP1.5 million investment into Maginito for shares equivalent to a 10% equity stake ("Maginito Investment") (together the "Investment Option").

In order to accelerate Mkango's activities ahead of the completion of the Mkango Note, CoTec advanced four notes to Mkango in aggregate of GBP1,547,500 and Mkango agreed to the extension of the Investment Option. These notes carried largely the same terms as the Mkango Note. The notes were advances as to GBP500,000 ($781) on June 19, 2022 ("Mkango Loan 1"), GBP500,000 ($766) on September 6, 2022 ("Mkango Loan 2"), GBP222,500 ($354) on October 27, 2022 ("Mkango Loan 3") and GBP325,000 ($537) on December 28, 2022 ("Mkango Loan 4") (together the "Mkango Loans").

The Mkango Note was completed on February 2, 2023 through a final investment by CoTec of a further GBP452,500 ($739) for an aggregate investment of GBP2,000,000 ($3,177). On completion of the Mkango Note the Mkango Loans' aggregate principal and accrued interest were credited towards the Mkango Note. Concurrent with the Mkango Note, CoTec agreed to the Maginito Investment with a closing date no later than March 15, 2023 ("Maginito Closing"). The Company completed the Maginito Investment on March 16, 2023 (see *Subsequent Events* below).

The Mkango Note is secured over the shares held by Mkango in Maginito and may be converted at GBP27 pence per Mkango share with interest to be converted at the higher of GBP27 pence per Mkango Share and the price of the Mkango Shares at the time of conversion. The conversion price is subject to customary anti-dilution adjustments. Following completion of the Maginito Investment, CoTec also has the option to convert the Mkango Note and interest into Maginito shares. This would give CoTec an effective interest, post conversion, of 20.6% in Maginito.

If not converted into either Mkango or Maginito shares, the Mkango Note is repayable on the earlier of its maturity date, financing of Mkango's Songwe Hill Rare Earths Project ("Songwe Hill") in Malawi or the sale of a material portion of Songwe Hill or a change of control at either Songwe Hill or at Mkango.

In the event that Maginito increases its interest in HyProMag from 42% to 100%, CoTec is required to convert the Mkango Note into either Mkango or Maginito equity within 120 days following such acquisition. It is CoTec's intention to convert the Mkango Note into Maginito shares once Maginito acquires the remaining HyProMag shares.

On closing of the Maginito Investment, Mkango and CoTec entered into a co-operation agreement regarding future investments in rare earth processing technology opportunities in the United States. This was the main driver behind CoTec's investment into Mkango and Maginito and will provide CoTec with another opportunity to apply technology downstream in the production of resources.

- *Maginito Operations Update*

During the third quarter of 2022, a pilot plant for rare earth magnet recycling was successfully commissioned in the United Kingdom to scale up the technology. A demonstration plant at Tyseley in Birmingham is under construction and is expected to be commissioned during the second half of 2023. A further scale up plant is also scheduled to be built in Germany in 2024 with first production targeted for 2024. All three of these plants have received government support in the form of grant funding.

The feasibility work for the roll-out of the Hypromag Technology and other REE technologies owned by Maginito into the US in collaboration with CoTec will commence in the first half of 2023. The roll-out will be in the form of a 50:50 joint venture between Maginito and CoTec in which, broadly, CoTec will provide the funding for the first two years, whilst Maginito will provide the technology.

International Zeolite Loan Note

During the Fourth quarter, the Company entered into an investment agreement with International Zeolite Corp ("IZ"), that was inter alia subject to due diligence. As part of this agreement, CoTec agreed to provide IZ with interim funding of $300 that is fully secured through a first ranking charge in favor of CoTec over all of IZ's assets ("IZ Loan"). The note attracts interest at 7% per annum and is repayable at the earlier of November 1, 2024 and a change of control at IZ.

CoTec subsequently completed its due diligence process and announced its withdrawal from the IZ transaction on January 25, 2023. The IZ Loan however remains in place until such time any of the agreed upon conditions have been met.

Loan Notes from Kings Chapel

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") (GBP500,000 "Kings Chapel Loan 1", GBP250,000 "Kings Chapel Loan 2"), a company related to the Company's Chief Executive Officer. The Kings Chapel loans had repayment terms similar to the Mkango Loans (see *Other Related Party Transactions* below).

The IZ loan was also funded by an advance of $300 from Kings Chapel ("Kings Chapel Loan 3") on terms similar to Kings Chapel Loan 1 and 2 (collectively, "Kings Chapel Loans").

The Kings Chapel Loans were fully repaid from the proceeds of the Company's fundraise during January 2023 (see *Subsequent Events* below).

Warrant Exercise

On September 7, 2021, the Company issued 4,040,404 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 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 third quarter and the Company received $667 pursuant to the exercise.

Fundraising

On December 20, 2022, the Company announced the December Private Placement of up to 20,000,000 Units for gross proceeds of up to $10 million. Each Unit consisted of one common share of the Company and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.75 for a period of 12 months following the issuance of the Units.

On December 28, 2022, the Company completed the Initial Closing of 1,264,108 units for gross proceeds of $632. Two further closings were completed subsequent to December 31, 2022 resulting in the issuance of an aggregate total of 8,984,904 Units for gross proceeds of $4,492. The Company used the gross proceeds of the Private Placement to fund the completion of the Mkango Note, the additional USD200,000 investment in MagIron and the repayment of the Kings Chapel Loans. The remainder of the funds are retained for working capital purposes.

The Company does not yet have any cash generating operations and will be dependent upon external funding to finance its initial investments and operational roll-out of its technologies.

Board and Management Changes

During the financial year the Company significantly strengthened its team with the addition of Margot Naudie and Sharon Fay to the Board and appointed John McGagh as an advisor to the Investment Committee.

CoTec also appointed John Singleton as Chief Operating Officer effective January 2, 2023. John spent the bulk of his career at Rio Tinto Plc and his technical, project evaluation and business development background provides strong support to the CoTec team.

During the upcoming financial year, the Company will continue to execute on its strategy of building a mid-tier mineral resource producer through the application of innovative and disruptive technologies to undervalued operating assets and recycling opportunities. With its first three investments completed, the Company will commence the preparation work for the operational roll-out in the United States of the Hypromag technology and pursue the application opportunities for BSL. CoTec will also seek to identify and complete more investments during the coming year and strengthen its team as required.

Governance

CoTec continues to strengthen its internal governance processes through the Investment Committee. The Investment Committee meets on bi-monthly basis and reviews all proposals on investments, capital decisions and recommends matters for approval to the Board, where appropriate.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

RESULTS OF OPERATIONS

For the year ended December 31 *($'000 unless otherwise stated)*	**2022**	**2021**	**2020**
Income			
FV gain on equity securities	3,969	-	-
FV gain on convertible notes	53	-	-
Expenses			
Professional consulting fees	(534)	(143)	-
General and administrative expenses	(1,505)	(375)	(86)
Stock-based compensation	(434)	(88)	-
Operating income	**1,548**	**(606)**	**(86)**
Net finance expense	(60)	(1)	(17)
Comprehensive income (loss) for the period	**1,489**	**(607)**	**(103)**

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 USD2.12 million in MagIron which was revalued due to MagIron subsequently issuing a secured convertible note to an unrelated third party. The Company invested USD2 million in BSL at an implied BSL USD70 million total valuation, which was subsequently revalued to USD130 million on a fully diluted basis due to a subsequent fundraise completed by BSL. The fair value gain on convertible notes relate to the quarterly re-valuation of the conversion rights embedded in the Mkango Loans as required by IFRS and does not impact the actual GBP1.6 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, due diligence fees as well as fees related to interim reviews by the Company's auditors.

General and administrative expenses include salary costs for three 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			
Amounts	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Income (loss) and comprehensive loss for the period	(282)	(113)	2,262	(350)	(240)	(348)	(16)	(4)
Net income (loss) per common share								
Basic	($0.01)	($0.00)	$0.07	($0.02)	($0.01)	($0.02)	($0.00)	($0.00)
Diluted	($0.01)	($0.00)	$0.06	($0.02)	($0.01)	($0.02)	($0.00)	($0.00)

During the quarter, the Company incurred a gain on convertible notes receivable of $267 primarily due to the valuation of the conversion option of the Mkango Loans using the Longstaff-Schwartz algorithm which is driven by the spot price of the issuer's common shares, dividend yield of the issuer's common shares, GBP SONIA interest rate curve, historical volatilities of the issuer's common shares with an observation period matching the remaining term-to-maturity of each convertible note, implied volatilities of the CAD to GBP FX rate, correlation between the issuer's share price and the CADGBP FX rate, and the credit spread of the issuer. The Company recorded a loss on its investments of $72 primarily due to FX movements in the USD to CAD. Costs during the period were primarily driven by general and administrative expenses of $567, legal fees of $118, stock-based compensation of $215, accounting review and audit fees of $42, and interest expense for loans outstanding of $17. Costs were offset by $26 in interest earned on the Mkango Loans and IZ Loan.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company has experienced recurring losses prior to its COB and has accumulated a deficit of $99,793 as at December 31, 2022. For the year ended December 31, 2022, the Company used cash in operating activities totalling $1,128. The Company had cash and cash equivalents of $239 and a working capital deficit of $1,155 as at December 31, 2022. Included in trade and other payables is $50 owed to a Director and 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 $720 relate to accrued salaries for the CEO and CFO. These liabilities were partly repaid after the December 31, 2022 from the proceeds of the December Private Placement. It is anticipated that all the remaining amounts will only be repaid subsequent to the Company's next fundraising and subject to the Company having sufficient liquidity.

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.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

As at December 31, 2022 the Company had investments with a total book value of $12,061, current assets of $341, offset by current liabilities of $1,497 and non-current liabilities of $1,685. Current liabilities and non-current liabilities include obligations to related parties totalling $2,682, of which $2,367 were paid subsequent to year-end from the proceeds of the December Private Placement.

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 third quarter. 4,040,404 shares were issued in respect of the warrants at an exercise price of $0.165 for gross proceeds of $667.

On December 28, 2022, the Company completed the Initial Closing of the December Private Placement. Pursuant to this initial closing, the Company issued a total of 1,264,108 Units at a price of $0.50 per subscription receipt for gross proceeds of $632.

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, Chief Financial Officer, and Board Chairman 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 year ended December 31, 2022, and 2021:

	Dec. 31, 2022 $	Dec. 31, 2021 $
Short-term salaries and benefits	(970)	(200)
Share-based compensation	(339)	(80)
Total	**(1,309)**	**(280)**

Short-term salaries, fees and benefits comprise $720 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 December 31, 2022, a total of $50 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 payment terms were stipulated for the $50 payable. $720 was accrued for salaries for both the CEO and CFO which is included in accrued liabilities less $39 paid to the CFO prior to December 31, 2022.

On June 29, 2022, the Company entered into Kings Chapel Loan 1, an unsecured loan agreement for an amount of GBP500,000 or $781 ("Kings Chapel Loan 1"). The purpose of the Kings Chapel Loan 1 was to fund Mkango Loan 1. 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 December 31, 2022, the loan had an unrealized $36 loss due to foreign exchange movements, and $20 in accrued interest payable.

On September 6, 2022, the Company entered into Kings Chapel Loan 2, a second unsecured loan agreement with Kings Chapel for an amount of GBP250,000 or $378. 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. As at December 31, 2022, the loan had $31 loss due to foreign exchange movements, and $6 in accrued interest payable.

On November 23, 2022, the Company entered into Kings Chapel Loan 3, a third unsecured loan agreement with Kings Chapel for an amount of $300. The purpose of Kings Chapel Loan 3 was to fund the IZ Loan. The Kings Chapel Loan 3 carries the same terms as the Kings Chapel Loan 1 and 2. As at December 31, 2022, the loan had $2 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 value based on the ending share prices as at the Vesting Date. The fair value of the EIU as at the grant date of $153. The expense will be recognized during the vesting period. For the year ended December 31, 2022, an expense in the amount of ($4) 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. For financing transactions which occurred prior to March 31, 2023, whereby the Company has or will issue additional common shares (or securities convertible into, or exchangeable for, common shares), additional EIUs equal to 7% of common shares issued or issuable will be awarded to the CEO pursuant to such financing transaction or acquisition on each closing date of such transactions . Refer to *Financing* and *Subsequent Events* for further details.

Following the listing of the Company on the TSX-V during April 2022, 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 during April 2022 was determined as $396 as at December 31, 2022. The fair value of the EIUs was calculated using Monte Carlo simulation with an expected volatility of approximately 125% based on historical volatility. This was determined by using Monte Carlo simulation to estimate the expected value by averaging the ending stock prices as at the Vesting Date over 10,000 simulations as at December 31, 2022. For the year ended December 31, 2022, $114 was added to the non-current liability and recorded 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 in September 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 in September 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 EIUs was calculated using Monte Carlo simulation. The fair value of the 282,828 EIUs awarded to the CEO was determined to be $99 as at September 7, 2022 using an expected volatility of approximately 113% based on historical volatility over 10,000 simulations. Subsequent measurement as at December 31, 2022 was $112. As at December 31, 2022, the fair value of the EIUs was calculated using Monte Carlo simulation using an and expected volatility of approximately 125% based on historical volatility to estimate the expected value by averaging the ending stock prices as at the Vesting Date over 10,000 simulations. For the year ended December 31, 2022, $17 was added to the non-current liability and recorded 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 was 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 year ended December 31, 2022, $288 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 December 31, 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 December 31, 2022.

SUBSEQUENT EVENTS

December Private Placement

On January 10, 2023, the Company completed a second closing of the December Private Placement. Pursuant to this second closing, the Company issued a total of 2,651,000 Units at a price of $0.50 per Unit for gross proceeds of $1,326.

On February 2, 2023, the Company completed a third and final closing of the December Private Placement. Pursuant to this second closing, the Company issued a total of 5,069,796 Units at a price of $0.50 per Unit for gross proceeds of $2,535.

Definitive Agreement to Invest in Mkango, Maginito

On February 1, 2023 the Company and Mkango entered into definitive agreements in relation to the Mkango Note and the Maginito Investment. The parties also agreed to enter into a co-operation agreement regarding future investments in rare earth processing technology opportunities in the United States on closing of the Maginito Investment.

On February 5, 2023 the Company completed the Mkango Note through a final investment by CoTec of a further GBP452,500 ($739) which was in addition to the funding completed in 2022, for an aggregate investment of GBP2,000,000 ($3,177). The aggregate principal and accrued interest of the Mkango Loans were credited towards the Mkango Note.

On March 16, 2023, the Company acquired a 10% equity stake in Maginito for GBP1,500,000.

BSL Subsequent Subscription

On February 28, 2023 the Company made a Subsequent Subscription of USD500,000 at an implied BSL total equity valuation of USD104 million and was granted the right to complete a further USD1.5 million Subsequent Subscription until June 30, 2023 at an equity valuation equal to 20% less than any follow-on BSL fundraise.

March Fundraising

On March 9, 2023 the Company completed a private placement through the issuance of 7,153,210 units at a price of $0.50 per unit for gross proceeds of $3.6 million. Each unit comprised one common share in the equity of the Company and one warrant, which entitles the holder to acquire one common share in the company at a price of $0.75 for a period of up to 12 months following the subscription date.

Repayment of Kings Chapel Loans

On January 12, 2023 the Company repaid GBP375,000 ($611) of Kings Chapel Loan 1.

On February 2nd and 5th, 2023 the Company repaid the remaining GBP375,000 of Kings Chapel Loan 1 and 2 and the $300 of Kings Chapel Loan 3, respectively.

Management Changes

On January 2, 2023 the Company appointed John Singleton as Chief Operating Officer.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Equity Investments in Private Companies

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.

Management exercises significant judgement when determining the fair value of the equity investment in private companies at the end of each reporting period by using company-specific information and other inputs that are not based on observable market data.

Some of the significant unobservable inputs used in the valuation of such investments are the discount rate, probability factor, and investee's valuation used in subsequent equity financing transactions (Note 6).

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

a) a significant change in the performance of the investee compared with budgets, plans or milestones.
b) changes in expectation that the investee's technical product milestones will be achieved.
c) a significant change in the market for the investee's equity or its products or potential products.
d) a significant change in the global economy or the economic environment in which the investee operates.
e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market.
f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy.
g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

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.

Management applied the price of recent investment valuation technique where it uses the initial cost of the investment, or, where there has been subsequent investment, the price at which a significant amount of new investment into the investee's company was made, to estimate the enterprise value, but only if deemed to represent fair value and only for a limited period following the date of the relevant transaction.

During the year ended December 31, 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 involved 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, management 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, management discounted the gain in equity value over the duration of the conversion period, and also applied a success factor in order to reflect management's expectation of the project being successful as well as the likelihood of a liquidity event.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

BALANCE SHEET ARRANGEMENTS

At December 31, 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 Loans.

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 APRIL 20, 2023

a) Authorized and issued Share Capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	54,627,430

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[1]
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[2]
April 14, 2022	April 14, 2025	$0.55	250,020
December 28, 2022	December 28, 2023	$0.75	1,264,108

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

January 10, 2023	January 10, 2024	$0.75	2,651,000
February 9, 2023	February 9, 2024	$0.75	5,069,796
March 9, 2023	March 9, 2024	$0.75	7,153,210

1) These stock options were expired at the time of filing the MD&A
2) These warrants were expired at the time of filing the MD&A

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.