COTEC HOLDINGS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED – JUNE 30, 2023

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of CoTec Holdings Corp (the "Company" or "CoTec") has been prepared by management as of August 11, 2023. Information herein is provided as of August 11, 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 year ended December 31, 2022 ("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 six months ended June 30, 2023 and 2022 ("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 thousands of 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 the OTCQB and trades under the symbol CTH and CTHCF respectively. 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 transitions 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 five investments to date and is actively pursuing operating opportunities where current technology investments could be deployed.

HIGHLIGHTS, RECENT DEVELOPMENTS AND OUTLOOK

Highlights for the Quarter

Operational

- Income for the six months ended June 30, 2023 of $9,854
- Increased the Company's interest in MagIron LLC ("MagIron") to 16.94% on a fully diluted basis through two additional investments in the aggregate of USD221,239
- MagIron second investment completed at USD150 million valuation following successful completion of metallurgical test work demonstrating the potential to double historical iron recovery achieved at Plant 4 and to produce Direct Reduction grade iron concentrate
- Invested USD1.5 million into Ceibo Inc. ("Ceibo"), developer of a revolutionary process to leach low-grade primary copper sulphides, such as chalcopyrite, and copper waste material using a proprietary high throughput inorganic leaching technology
- Maginito Limited ("Maginito") signed definitive agreements for purchase of the 58% equity interest in HyProMag Limited ("HyProMag") it does not already own ("HyProMag Acquisition"). The transaction was completed on August 3, 2023

Corporate

- Commenced trading on the OTCQB under the ticker CTHCF on May 10, 2023

Recent Developments and Outlook

CoTec continued its momentum during the second quarter through the completion of its USD1.5 million investment in Ceibo, Maginito's conditional acquisition of the 58% equity interest in HyProMag it does not already own and significant progress on the operational application of its technologies. The Company now targets revenue by 2025/2026 from its joint-venture rights. Furthermore, the Company reported a gain of $10,910 on its MagIron investment, recognizing the value add from the flowsheet test work done by the Natural Resources Research Institute ("NRRI").

Mkango Resources Limited ("MKango") and Maginito

During May 2023, Maginito announced that it signed definitive agreements for the HyProMag Acquisition. The transaction was conditional upon the approval of the TSX Venture Exchange and approval pursuant to the UK's National Security and Investment (NSI) Act. The transaction was completed in early August 2023 and the purchase price comprised a combination of cash consideration of £1 million and Mkango shares.

During the quarter, the Company also informed Maginito and Mkango of its intention to convert its £2 million convertible loan note in Mkango into Maginto stock on completion of the HyProMag Acquisition. In terms of the investment agreements, CoTec has 120 days, or by December 1, 2023, following the completion of the HyProMag Acquisition to complete the conversion. The conversion will increase CoTec's equity interest in Maginito from 10% to 20.6%.

Maginito is targeting first production of Rare Earth Element ("RRE") carbonate from the Tyseley plant, UK in 2023 and from its German operations in 2024.

Maginito and CoTec entered into a co-operation agreement during the first quarter 2023 in relation to REE opportunities in the US. Following the signing of the agreement, the Parties launched the roll-out of the HyProMag technology in the US for REE recycling. Scoping studies and site selection are underway ahead of the feasibility study. Discussions with the US Government, potential customers and recycling partners have commenced and are ongoing. The US roll-out will be done through a 50/50 joint venture to be formed. Maginito will provide a license for the HyProMag technology and technical assistance to the joint venture, whilst CoTec will be responsible for funding initial costs, including the feasibility study, and project development costs.

The US roll-out will be completed in parallel with the UK and German based developments and will benefit from operational experience and production ramp-up in the UK and Germany. Revenue from the US operation is targeted for 2025/2026.

Binding Solutions Limited ("BSL") and Lac Jeannine Property

During the quarter, the Company continued to pursue and evaluate the application opportunities identified for the BSL technology. Following a detailed due diligence during the quarter, the Company signed an option agreement on August 8, 2023 to acquire 31 mining claims forming the Lac Jeannine Property (the "Property") located in the Côte-Nord region of Quebec, Canada.

The Property contains historical tailings of the previous Lac Jeannine iron ore mine operated by the Québec Cartier Mining Company between 1959 and 1985. Prior to exercising its option to acquire the Property, the Company intends to complete a maiden resource estimate and extract a bulk sample from the Property tailings material. The bulk sample will be used for independent metallurgy testing and further testing with BSL of its cold agglomeration technology. If the results are positive, the Company intends to complete a feasibility study regarding the recovery and production of low cost and low carbon iron ore pellets from the Property applying the BSL technology.

Operationally, BSL are continuing to commission their pilot plant in Teeside, UK and are expected to commence and expand commercial testing in Q3. Following quarter-end, BSL also secured further funding of USD17.5 million from Australian based Mineral Resources Limited ("MinRes"). BSL will use the funds to progress the design and construction of a demonstration plant capable of producing approximately 50 tonnes per hour of cold-bonded iron ore pellets applying its technology. The location of the demonstration plant is yet to be decided.

MagIron

During late April 2023, CoTec contributed USD101,014 to a USD400,000 fundraise, increasing its equity interest in MagIron to 16.89% on a fully diluted basis. This fundraise was completed at a valuation of USD35 million. This was followed by a further fundraise of USD500,000 in June 2023 at a valuation of

USD150 million ("June Fundraise"). CoTec contributed USD120,225 to the June Fundraise and increased its equity interest to 16.94% on a fully diluted basis and 16.39% on an undiluted basis.

During the quarter MagIron successfully completed an extensive campaign of independent laboratory metallurgical test work ("Test Work") for its 100% owned Plant 4 iron ore project. The initial results have confirmed a new process flowsheet which has demonstrated the potential to double the historical iron recovery achieved at Plant 4 and to produce Direct Reduction grade iron concentrate.

The Test Work was performed under MagIron's direction by independent experts at the NRRI of the University of Minnesota with assistance from Canadian based Soutex Inc., a consultant specializing in ore processing and metallurgical processes. Applying the results of the Test Work significantly increases MagIron's internal assessment of Plant 4's valuation. This increase in valuation formed the basis of the USD150 million valuation for the June Fundraise.

The funds will be used to further progress the restart of Plant 4 and for general corporate purposes. As a next step, MagIron will follow the Test Work with large scale testing through a limited restart of Plant 4. MagIron is targeting a restart of its operations during the second half of 2024.

Ceibo Inc. ("Ceibo")

On May 11, 2023 the Company invested USD1.5 million into Ceibo Inc., a Delaware private corporation for a small equity interest of 3%. Ceibo, through its wholly-owned Chilean subsidiary has developed a revolutionary process to leach low-grade primary copper sulphides, such as chalcopyrite, and copper waste material using a proprietary high throughput inorganic leaching technology.

CoTec's investment was part of a larger funding round supported by a group of leading international investors. Ceibo will use the proceeds from the financing to scale its technology through continued small- and large-scale column testing and the building of a demonstration plant.

If successful, Ceibo's technology will represent a leading, low-carbon, high recovery primary and waste copper sulphide heap leaching process. This could deliver considerable value through a significant reduction in the time required to bring additional copper into production, a competitive cost structure and a lower environmental and carbon footprint, protected by a high technical barrier to entry.

In line with the Company's business model, CoTec will provide ongoing support to Ceibo through its representation on the Ceibo Technical Advisory Board and through the identification of potential operational application opportunities. Opportunities identified by CoTec, if pursued by Ceibo, will be done in cooperation with CoTec as joint partner/investor.

International Zeolite Loan Note

The Company's $300 loan note to International Zeolite Corp ("IZ") remains outstanding as at quarter-end. The loan note 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.

Loan Notes from Kings Chapel

On May 3, 2023, the Company entered a loan note of USD1.5 million with Kings Chapel to fund its investment into Ceibo. The loan note attracts interest at 10% per annum, is unsecured and is repayable on the earlier of the date on which the Company receives gross proceeds from equity financing transactions of at least $3.2 million and May 3, 2025 (see *Other Related Party Transactions* below).

On June 15, 2023, the Company entered a loan note of USD120,000 with Kings Chapel to fund its contribution to MagIron's June Fundraise. The loan note attracts interest at 10% per annum, is unsecured and is repayable on the earlier of the date on which the Company receives gross proceeds from equity financing transactions of at least $3.5 million and June 14, 2025 (see *Other Related Party Transactions* below).

Subsequent to quarter-end, the Company entered a loan note of USD1.2 million with Kings Chapel to fund general working capital requirements. The loan note attracts interest at 10% per annum, is unsecured and is repayable on the earlier of the date on which the Company receives gross proceeds from equity financing transactions of at least $5 million and July 20, 2025. The loan will be drawn down in three tranches (see *Subsequent Events* below).

Business Development

The company continues to assess and evaluate new technologies and complementary technologies to our existing investments. Attractive opportunities that meet the Company's investment criteria are progressed to the Investment Committee. The Investment Committee meets on bi-weekly basis and reviews all proposals on investments and capital decisions and recommends matters for approval to the Board, where appropriate.

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.

Looking forward, the Company will focus on the roll-out of the HyProMag technology in the US and in progressing the various BSL application opportunities. The Company will also continue to support MagIron in the execution of its strategy and will work with Ceibo to identify possible application opportunities.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

RESULTS OF OPERATIONS

For the six months ended March 31 *(\$'000 unless otherwise stated)*	**2023**	**2022**
Income		
FV gain on equity securities	11,693	3,468
FV gain on convertible notes	136	-
Expenses		
Professional consulting fees	(350)	(289)
General and administrative expenses	(1,210)	(544)
Stock-based compensation	(499)	(114)
Operating income (loss)	**9,770**	**2,521**
Net finance expense	84	-
Comprehensive income (loss) for the period	**9,854**	**1,911**

The fair value gain is mostly driven by MagIron announcing on June 19, 2023, that it had completed a fundraise of USD500,000 that was supported by existing shareholders and was completed at a pre-money valuation of USD150 million. The Company's initial investment was completed at a valuation of USD13.3 million, which was subsequently restated following an investment by a third party for a MagIron convertible loan note at a conversion value of USD30 million. Management has considered the uncertainties around project milestones and applied an overall success factor of 50% to this latest gain, to reflect its expectation of the project being successful as well as the likelihood of a liquidity event. This gain and any related changes in foreign exchange ("FX") have been recorded through the statement of income as Fair Value Through the Statement of Profit or Loss ("FVTPL") in the amount of $10,966. For the three months ended June 30, 2023, the change in fair value due to the June Fundraise pre-money valuation was $11,029 gain and changes due to FX movements resulted in a loss of $119. No changes or events subsequent to the relevant transaction that would imply a change in the investment's fair value were identified.

Subsequent to the Company's initial equity investment in 2022 into BSL, BSL had received an equity investment from an Asian based corporate group at a valuation of USD130 million on a fully diluted basis, or USD1,101.25 per share. This valuation represents a 51% increase over the $70 million valuation which the Company has agreed for its initial USD2 million investment into BSL. This gain and any related changes in FX have been recorded through the statement of income as FVTPL in the amount of $26 for the six months ended June 30, 2023.

The remaining change in equity securities is the result of FX gains and losses recorded through FVTPL.

For the six months ended June 30, 2023, the Mkango Convertible Loan had a fair value loss of $83, which is due to movements in FX. Interest accrued was $68.

Professional consulting fees were consistent with the prior period and include 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 four employees of the Company, website and marketing development fees. The increase in cost is the result of additional accrued salaries and increased activity for the Company.

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, the management team and other employees of the Company, as well as the deferred share units ("DSUs") granted to non-executive Directors. 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	2023	2022					2021	
Amounts	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Income (loss) and comprehensive loss for the period	10,376	(521)	(282)	(113)	2,262	(350)	(240)	(348)
Net income (loss) per common share								
Basic	$0.19	($0.01)	($0.01)	($0.00)	$0.07	($0.02)	($0.01)	($0.02)
Diluted	$0.19	($0.01)	($0.00)	$0.06	($0.02)	($0.01)	($0.02)	($0.00)

In Q2 2023, the company recognized a significant gain on its MagIron equity investments, together with related changes in FX of $10,966 which has been recorded in the statement of income as FVTPL. The Company invested USD120,225 in MagIron, which was at a valuation of USD150 million pre-money.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company has experienced recurring operating losses and has an accumulated deficit of $89,939 as at June 30, 2023 (December 31, 2022: ($99,793)). For the six months ended June 30, 2023, the Company used cash in operating activities totalling $1,967 (June 30, 2022: ($610)). The Company had cash and cash equivalents of $281 (December 31, 2022: $239) and a working capital (current assets less current liabilities) deficit of $779 as at June 30, 2023 (December 31, 2022: ($1,155)). As at June 30, 2023, current liabilities included $750 in accrued salaries to the CEO, CFO, and Chairman, which will only be repaid following a successful fundraise by the Company.

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 funds 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. These condensed consolidated interim 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 June 30, 2023 the Company had investments with a total carrying value of $26,679, current assets of $391, offset by current liabilities of $1,170 and non-current liabilities of $3,025.

TRANSACTION WITH 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, Chief Operating 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 consulting fees and other compensation of key management personnel were as follows for the six months ended June 30, 2023, and 2022:

	June 30, 2023	**June 30, 2022**
	$	**$**
Short-term salaries and benefits	(695)	(220)
Share-based compensation	(208)	(71)
Total	**(903)**	**(291)**

Short-term salaries and benefits include $500 accrued salaries for the CEO and CFO.

Other Related Party Transactions

On June 29, 2022, the Company entered into an unsecured loan agreement with Kings Chapel International Ltd. (“Kings Chapel”) for an amount of GBP500,000 or $781 (“Kings Chapel Loan 1”). The purpose of the Kings Chapel Loan 1 was to fund the Mkango Loan. 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. 50% of the loan principal was repaid on January 11, 2023, and the remaining 50% was repaid on February 2, 2023. GBP14,110 in accrued interest remains outstanding as of June 30, 2023.

On September 6, 2022, the Company entered into a second unsecured loan agreement with Kings Chapel for an amount of GBP250,000 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”). 50% of the loan principal was repaid on January 11, 2023, and the remaining 50% was repaid on February 2, 2023. GBP4,692 in accrued interest remains outstanding as of June 30, 2023.

On November 23, 2022, the Company entered into a third unsecured loan agreement with Kings Chapel for an amount of $300 (“Kings Chapel Loan 3”). The purpose of the Kings Chapel Loan 3 was to fund the IZ Bridge Loan. The Kings Chapel Loan 3 carries the same terms as the Kings Chapel Loan 1 and 2 (“Kings Chapel Loans”). 100% of the loan principal was repaid on February 1, 2023, and $4 in accrued interest remains outstanding as of June 30, 2023.

On February 28, 2023, the Company entered into a fourth unsecured loan agreement with Kings Chapel for an amount of $475 (“Kings Chapel Loan 4”). The purpose of the Kings Chapel Loan 4 was to fund the MagIron additional investment. The Kings Chapel Loan 4 carries the same terms as the Kings Chapel Loan 1, 2, and 3. For the three months ended June 30, 2023, $8 was incurred for accrued interest.

On May 3, 2023, the Company entered into a fifth unsecured loan agreement with Kings Chapel for an amount of USD1,500,000 or $2,026 (“Kings Chapel Loan 5”). The purpose of the Kings Chapel Loan 5 was to fund the Ceibo investment. The Kings Chapel Loan 5 carries the same terms as the Kings Chapel Loan 1, 2, 3, and 4. For the six months ended June 30, 2023, $31 was incurred for accrued interest.

On June 15, 2023, the Company entered into a sixth unsecured loan agreement with Kings Chapel for an amount of USD120,000 or $159 (“Kings Chapel Loan 6”). The purpose of the Kings Chapel Loan 6 was to fund the additional investment in MagIron. The Kings Chapel Loan 6 carries the same terms as the Kings Chapel Loan 1, 2, 3, 4, and 5. For the six months ended June 30, 2023, $1 was incurred for accrued interest.

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 six months ended June 30, 2023, an expense in the amount of $12 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 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 $397 as at June 30, 2023. The fair value of the EIUs was calculated using Monte Carlo simulation with an expected volatility of approximately 86% 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 June 30, 2023. For the six months ended June 30, 2023, $87 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, 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 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 December Private Placement and March Private Placement, 806,905 stock options were granted to the CEO of the Company on April 24, 2023 pursuant to the Company's 10% rolling stock option plan so that, as of those dates, 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 are exercisable for a period of 10 years, at a share price of $0.55 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $37 was recorded as an expense during the six months ended June 30, 2023.

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, he 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 March 31, 2023 was $80. As at June 30, 2023, the fair value of the EIUs was calculated using Monte Carlo simulation using an expected volatility of approximately 86% 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 six months ended June 30, 2023, $23 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.

In connection with the December Private Placement and March Private Placement, 1,129,668 EIUs were awarded to the CEO of the Company. The fair value of the 1,129,668 EIUs awarded to the CEO was determined to be $451 as at June 30, 2023 using an expected volatility of approximately 86% based on historical volatility over 10,000 simulations. For the six months ended June 30, 2023, $78 was added to the non-current liability and recorded as an estimated 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 three months ended June 30, 2023, $96 was recorded as share-based compensation expense for the vesting of these stock options.

On April 24, 2023, the Company granted an aggregate 490,000 deferred share units ("DSUs") to the non-executive Directors of the Company. Each DSU granted shall vest on April 24, 2024, provided that the participant continues to qualify as a participant for the purposes of the Plan as of that date, and be settled, subject to and in accordance with Section 9.1 of the Plan. $51 was recorded as an expense during the six months ended June 30, 2023.

On April 24, 2023, the Company granted an aggregate of 825,000 stock options to the COO, CFO, and other management of the Company pursuant to the Company's 10% rolling stock option plan. The options are exercisable for a period of 10 years, at a share price of $0.55 per common share, with 1/3 of the options vesting every 12 months, over a 3-year period. $38 was recorded as an expense during the six months ended June 30, 2023.

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 June 30, 2023.

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 June 30, 2023.

SUBSEQUENT EVENTS

Kings Chapel Loan Note

On July 20, 2023, the Company entered into a loan note of USD1.2 million with Kings Chapel to fund general working capital requirements. The loan note attracts interest at 10% per annum, is unsecured and is repayable on the earlier of the date on which the Company receives gross proceeds from equity financing transactions of at least $5 million and July 20, 2025. The loan will be drawn down in three tranches.

Maginito Completes Acquisition of HyProMag

On August 3, 2023, Mkango announced that Maginito has completed the transaction to increase its ownership in HyProMag to 100% for a cash and share consideration.

BSL Subsequent Investment

On August 4, 2023, BSL has secured an additional investment of USD17.5 million from an Australian-based Mineral Resource Limited (“MinRes”). The fundraise was completed at a further significant increase to CoTec’s previously reported investment value.

Lac Jeannine Option Agreement

The Company signed an option agreement (“Option Agreement”) on August 8, 2023 to acquire 31 mining claims forming the Lac Jeannine Property (the “Property”) located in the Côte-Nord region of Quebec, Canada.

Pursuant to the Option Agreement, CoTec will pay the vendor US$40,000 within thirty days of the effective date, US$60,000 nine months following the effective date (subject to certain conditions and subject to extension for 135 days to allow for completion of bulk testing), US$250,000 on exercise of the option and US$1,000,000 at the start of commercial extraction of the tailings. The Company may exercise the option to acquire the mining claims at any time until the earlier of (i) 15 business days after the issuance of all material permits required to construct and operate the Project and (ii) August 7, 2033. If the option is exercised, the vendor will also receive a 1% NSR from the sale of minerals from the historical tailings and a 1.5% NSR from the sale of other minerals from the Property. The 1% NSR and 1.5% NSR could be reduced, at CoTec’s option, to 0.5% and 0.75% through the payment of US$1,000,000 and US$2,000,000 respectively.

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these interim 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, 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, 2022.

BALANCE SHEET ARRANGEMENTS

At June 30, 2023, 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. Messrs Treger and Genovese both participated in the Ceibo series B financing and as result, recused themselves from the Company's investment decision in this matter.

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 AUGUST 11, 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

(Expressed in Thousands of Canadian Dollars Unless Otherwise Stated)

September 7, 2022	September 7, 2032	$0.46	202,020
April 24, 2023	April 24, 2033	$0.50	1,631,905

c) Summary of Warrants Outstanding:

Date of Issue	Expiry Date	Exercise Price	Number of Warrants
April 14, 2022	April 14, 2025	$0.55	250,020
December 28, 2022	December 28, 2023	$0.75	1,264,108
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

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.