

NEVADA CLEAN MAGNESIUM INC.

Consolidated Financial Statements

For the Years Ended October 31, 2013 and 2012

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

VANCOUVER
1500 – 1140 W. Pender Street
Vancouver, BC V6E 4G1
TEL 604.687.4747 | FAX 604.689.2778

TRI-CITIES
700 – 2755 Lougheed Hwy.
Port Coquitlam, BC V3B 5Y9
TEL 604.941.8266 | FAX 604.941.0971

WHITE ROCK
301 – 1656 Martin Drive
White Rock, BC V4A 6E7
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nevada Clean Magnesium Inc.

We have audited the accompanying consolidated financial statements of Nevada Clean Magnesium Inc., which comprise the consolidated statement of financial position as at October 31, 2013, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nevada Clean Magnesium Inc. as at October 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Nevada Clean Magnesium Inc. for the year ended October 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2013 (prior to the restatement described in Note 17).

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
February 27, 2014

NEVADA CLEAN MAGNESIUM INC.

Consolidated Financial Statements

For the Years Ended October 31, 2013 and 2012

(Unaudited)

Consolidated Statements of Financial Position	1
Consolidated Statements of Changes in Equity	2
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Financial Position

As at October 31, 2013 and 2012

(Expressed in Canadian Dollars)

	Notes	October 31, 2013	October 31, 2012	November 1, 2011
			<i>(restated - Note 17)</i>	
ASSETS				
Current assets				
Cash and cash equivalents		\$ 14,975	\$ 3,656	\$ 173,750
GST receivable		10,341	6,241	56,681
Marketable securities	6	167,214	7,974	34,285
Receivable from related parties		-	-	516
Prepaid expenses		2,802	-	27,708
		195,332	17,871	292,940
Non-current assets				
Exploration and evaluation assets	7	2,665,825	3,697,776	4,221,707
Reclamation deposit		3,500	16,000	26,155
TOTAL ASSETS		\$ 2,864,657	\$ 3,731,647	\$ 4,540,802
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 93,958	\$ 51,639	\$ 73,806
Payable to related parties	9	542,889	379,701	152,237
Provision for flow through share issuances	10	550,000	533,000	516,000
Total liabilities		1,186,847	964,340	742,043
Shareholders' equity				
Share capital	11	15,107,243	14,872,543	14,845,043
Obligation to issue shares	8	30,000	-	-
Reserves	11	1,336,370	1,299,075	1,299,075
Accumulated other comprehensive income	11	46,821	2,953	8,586
Deficit		(14,842,624)	(13,407,264)	(12,353,945)
Total shareholders' equity		1,677,810	2,767,307	3,798,759
TOTAL LIABILITIES AND EQUITY		\$ 2,864,657	\$ 3,731,647	\$ 4,540,802
Nature of operations and going concern	1			
Commitments	8			
Events after the reporting date	15			

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

Approved on behalf of the directors on February 26, 2014

"Edward Lee" Director

"Jim Sever" Director

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Changes in Equity
 For the Years Ended October 31, 2013 and 2012
 (Expressed in Canadian Dollars)

	Common shares		Reserves	Deficit (restated - Note 17)	Accumulated other comprehensive income (loss)	Total shareholders' equity (restated - Note 17)
	Shares	Amount				
Balance, October 31, 2011	111,243,450	\$ 14,845,043	\$ 1,299,074	\$ (12,353,945)	\$ 8,586	\$ 3,798,758
Issued pursuant to private placements	550,000	27,500	-	-	-	27,500
Total comprehensive loss for the period	-	-	-	(1,053,319)	(5,633)	(1,058,952)
Balance, October 31, 2012	111,793,450	14,872,543	1,299,074	(13,407,264)	2,953	2,767,307
Issued pursuant to private placements	23,630,000	234,700	-	-	-	234,700
Options granted	-	-	37,296	-	-	37,296
Total comprehensive loss for the period	-	-	-	(1,435,360)	43,868	(1,391,492)
Balance, October 31, 2013	135,423,450	\$ 15,107,243	\$ 1,336,370	\$ (14,842,624)	\$ 46,821	\$ 1,647,810

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

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Comprehensive Loss
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Notes	2013	2012 <i>(restated - Note 17)</i>
Expenses (recovery)			
Bank charges		\$ 1,481	\$ 484
Consulting fees	9	134,911	6,450
Interest and penalties	10	17,000	44,105
Management fees		16,575	18,150
Office and general		12,090	53,597
Professional fees		38,997	51,527
Salaries	9	104,965	188,303
Shareholder communications		68,123	100,087
Stock based compensation	11	37,296	-
Transfer agent and filing fees		30,690	30,132
Travel		26,682	31,018
Loss from operations		488,810	523,853
Gain on sale of exploration and evaluation assets	7	(12,785)	-
Impairment of exploration and evaluation assets	7	959,335	529,466
Net loss for the period		1,435,360	1,053,319
Other comprehensive loss			
Foreign currency loss (gain) on translation of subsidiary		(79,028)	(30,678)
Unrealized loss on marketable securities	6	35,160	36,311
Other comprehensive loss (income) for the period		(43,868)	5,633
Total comprehensive loss for the period		\$ 1,391,492	\$ 1,058,952
Basic and diluted loss per share		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		120,606,491	111,341,128

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

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Cash Flows
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

	October 31, 2013	October 31, 2012 <i>(restated - Note 17)</i>
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (1,435,360)	\$ (1,053,319)
Items not affecting cash:		
Impairment of exploration and evaluation assets	959,335	529,466
Gain on sale of exploration and evaluation assets	(12,785)	-
Shares issued for shareholder communication	30,000	-
Stock-based compensation	37,296	-
Foreign exchange translation	(3,554)	-
Changes in non-cash working capital items:		
GST receivable	(4,100)	50,440
Receivable from / payable to related parties	163,188	227,980
Prepaid expenses	(2,802)	27,708
Accounts payable and accrued liabilities	59,318	(5,167)
Net cash (used in) provided by operating activities	(209,464)	(222,892)
Investing activities		
Exploration and evaluation assets expenditures	(26,417)	(71,942)
Exploration and evaluation option payments received	-	59,636
Mineral exploration tax credits received	-	27,449
Reclamation bond recovery	12,500	10,155
Net cash (used in) provided by investing activities	(13,917)	25,298
Financing activities		
Proceeds from issuance of shares, net of issue costs	234,700	27,500
Net cash provided by financing activities	234,700	27,500
Net increase (decrease) in cash	11,319	(170,094)
Cash, beginning of the period	3,656	173,750
Cash, end of the period	\$ 14,975	\$ 3,656
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Nevada Clean Magnesium Inc. (the "Company") was incorporated under the laws of British Columbia on March 24, 1966, and is a publicly traded company with its shares listed on the TSX Venture Exchange. The name of the Company was changed from Molycor Gold Corp. to Nevada Clean Magnesium Inc. on April 16, 2012. The Company is principally engaged in the acquisition, exploration and development of interests in mineral resource projects in British Columbia, Canada and Nevada, USA. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

The address of the Company's corporate office and principal place of business is #602 – 15216 North Bluff Road, White Rock, British Columbia, Canada, V4B 0A7.

These consolidated financial statements comprise the financial statements of Nevada Clean Magnesium Inc. and its wholly owned subsidiary, Nevada Moray Inc., incorporated in the state of Nevada, USA.

The business of exploring and developing mineral resource properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for capitalized exploration and development costs is dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation interests.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

At October 31, 2013, the Company had working capital deficiency of \$991,515 (2012 – \$946,469) but has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended October 31, 2013, the Company reported comprehensive losses of \$1,391,492 (2012 – \$1,058,952) and as at October 31, 2013 had an accumulated deficit of \$14,842,624 (2012 – \$13,407,264).

The Company has financed its exploration activities and operations through equity issuances and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company until such time as its operations provide positive cash flows. Accordingly, the Company's financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. Management believes that the going concern assumption is appropriate for these financial statements based on their continuing ability to raise financing through share issuances. If future financing is unavailable, the Company may not be able to meet

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

its ongoing obligations, in which case the realizable value of its assets may decline materially from current estimates. If the going concern assumption was not appropriate for these financial statements, then potentially material adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

2. Basis of presentation

a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized by the Company’s Board of Directors on February 26, 2014.

These condensed consolidated interim financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for share-based payment transactions (Note 10).

b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. The functional currency of the Company’s subsidiary is the United States dollar (“USD”). The accounts of the subsidiary have been translated to the Canadian dollar in accordance with Note 3(b).

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are as follows:

(i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

(ii) Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 10 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually.

(iii) Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(iv) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. As at October 31, 2013, the Company has not recognized any decommissioning liabilities.

(v) Payable to related parties

Prior to March 1, 2013, the Company shared its office premises with Goldrea Resources Corp. and American Manganese Inc., companies which previously shared common directors and officers with the Company. In addition, certain personnel were shared between the three companies. Expenses related to the common office facilities were shared among the companies and were allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel were allocated according to the relative time expended on each

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

company. Significant management estimation was required regarding the allocation of costs between these companies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently, to all periods presented in these condensed consolidated interim financial statements and have been applied consistently by the Company and its subsidiary.

a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned and controlled subsidiary as described in Note 1 above. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive income.

Assets and liabilities of the subsidiary with a functional currency in US dollars are translated at the period end rates of exchange, and the results of its operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income as shareholders’ equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents include short-term investments that are readily convertible into cash with original maturities of three months or less.

d) Reclamation deposit

The Company maintains cash deposits, as required by regulatory bodies, as assurance for the funding of decommissioning costs. These funds are restricted to that purpose and are not available to the Company

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

until the reclamation obligations have been fulfilled, and are therefore classified as long term assets.

e) Research and development

Expenditures on research activities taken to develop a pyrometallurgical process to extract and recover magnesium metal from dolomite are expensed as incurred. Development expenditures are expensed in the period incurred unless the project meets certain strict accounting criteria for deferral and amortization. No development expenditures have met the criteria for deferral to date.

f) Government assistance

The Company is eligible for a refundable tax credit related to eligible exploration expenditures conducted in certain regions of British Columbia. The refundable mining exploration tax credits are recorded as government assistance against exploration and evaluation assets at fair value when there is reasonable assurance that they will be received.

g) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the statement of comprehensive loss as incurred.

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration / pre-development stage, which are incurred subsequent to the acquisition of the legal right to explore.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- drilling and related costs;
- professional / technical fees;
- surveying, geological and geotechnical;
- land maintenance;
- sampling and storage; and
- mineral claims and permits.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operations activities in the relevant area of interest.

All capitalized exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to that property are written off in the period.

h) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

j) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

k) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

business on the basis of one reportable segment under two geographic regions, being Canada and the United States.

l) Share-based payments

The Company has an equity settled share purchase stock option plan that is described in Note 10. Share-based payments to employees are measured at the fair value of the instruments issued at the grant date using the Black-Scholes pricing model, and are expensed over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry the recorded value is transferred to deficit.

The share-based compensation fair value is determined using an estimated forfeiture rate. Compensation ultimately recognized is revised in subsequent periods to reflect final grant amounts. For employees and consultants who are working on specific capital projects, the share-based compensation is allocated to projects under development. For the remainder of employees and consultants, the compensation is expensed.

m) Decommissioning liabilities

The Company records a liability for the reclamation of its exploration and evaluation interests based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate, and the liability is recognized at the time the environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The fair value of the provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amount and timing of future site closure and reclamation cash flows. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the reporting date.

n) Share capital

The Company records proceeds from share issuances net of issuance costs. Shares issued for consideration

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

other than cash are valued at the quoted price on the date the agreement to issue the shares was reached.

o) Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash and cash equivalents are included in this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income and presented within equity in accumulated other comprehensive income (loss). When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Marketable securities are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of amounts receivable and reclamation deposits.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to earnings.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accruals, obligation to issue shares, and payable to related parties.

(iii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

p) Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leases in which

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases, which are recognised as an expense on a straight-line basis over the lease term.

q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive loss.

r) Finance expenses

Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of comprehensive loss using the effective interest method. Interest incurred on qualifying assets is capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale at the rate of interest applicable to the specific borrowings financing the asset, or where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowings.

4. Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

a) IFRS 9 – Financial instruments

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied for annual periods beginning on or after January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company does not expect this standard to have a significant impact on the financial statements.

b) IFRS 10 – Consolidated financial statements

IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company does not expect this standard to have a significant impact on the financial statements.

c) IFRS 11 – Joint arrangements

IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company does not expect this standard to have a significant impact on the financial statements.

d) IFRS 12 – Disclosure of interests in other entities

IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect this standard to have a significant impact on the financial statements.

e) IFRS 13 – Fair value measurement

IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect this standard to have a significant impact on the financial statements.

5. Cash and cash equivalents

Cash is comprised of cash at banks and on hand. Cash at banks earn interest at floating rates based on daily bank deposit rates.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

6. Marketable securities

The Company holds the following marketable securities, which are classified as available for sale investments:

- (i) 70,690 shares of American Manganese Inc., acquired during the year ended October 31, 2007 at \$0.02 per share;
- (ii) 100,000 shares of MillenMin Ventures Inc., acquired during the year ended October 31, 2012 under the terms of an option agreement (Note 7(b)(i) at \$0.02 per share; and
- (iii) 180,000 shares of Pilot Gold Inc. acquired during the year ended October 31, 2013 under the terms of the sale of the Griffon property (Note 7(b)(i) at \$0.91 per share.

	October 31, 2013	October 31, 2012
American Manganese Inc - 70,690 common shares at cost	7,069	7,069
MillenMin Ventures Inc. - 100,000 common shares at cost	10,000	10,000
Pilot Gold Inc. - 180,000 common shares at cost	194,400	-
Cumulative increase (decrease) in fair value	(44,255)	(9,095)
Balance, at fair value	\$ 167,214	\$ 7,974

Subsequent to October 31, 2013, the Company sold 60,000 shares of Pilot Gold for proceeds of \$55,012.

7. Exploration and evaluation assets

a) British Columbia, Canada

(a) British Columbia, Canada

	Windpass Sweethome	Crowrea Empress	Flap	Beaverdell	Total
Balance, October 31, 2011	\$ 641,927	\$ 454,036	\$ 132,621	\$ 330,657	\$ 1,559,241
Acquisition costs	2,302	-	-	-	2,302
Exploration costs	-	-	-	5,482	5,482
BC mineral exploration tax credits	(4,357)	(2,313)	(19,774)	(1,005)	(27,449)
Option payments received	(30,000)	-	-	-	(30,000)
Impairment	-	-	(112,847)	-	(112,847)
Balance, October 31, 2012	609,872	451,723	-	335,134	1,396,729
Acquisition costs	5,166	-	-	-	5,166
Impairment	-	(194,902)	-	(335,133)	(530,035)
Balance, October 31, 2013	\$ 615,038	\$ 256,821	\$ -	\$ 1	\$ 871,860

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

i) Windpass Sweethome Property, Kamloops Mining Division

The Windpass Sweethome property is located 50 kilometres northeast of Barriere in the Thompson Plateau area of Central British Columbia, consists of 8 contiguous mineral leases totalling 737 hectares in size, and is owned 100% by the Company. In March 2012, the Company entered into an option agreement whereby MillenMin Ventures Inc. ("MillenMin") may earn up to 70% of the Company's interest in the Windpass Sweethome property by paying \$120,000 to the Company, incurring \$750,000 in aggregate exploration expenditures, and issuing 400,000 common shares over a period of four years. Upon MillenMin earning the 70% interest, MillenMin and the Company will form a joint venture to further explore and develop the property. The original vendors of the property will retain a 3% net smelter royalty. On July 25, 2013, this agreement was terminated by mutual agreement.

ii) Crowrea Empress Property, Osoyoos and Similkameen Mining Division

The Crowrea Empress property is located near Summerland, British Columbia, and is a jointly controlled venture with Goldrea Resources Corp. The property originally consisted of 27 claims totalling approximately 10,494 hectares, with 2 claims dropped during the year ended October 31, 2012 and one further claim dropped during the year ended October 31, 2013, reducing the property to 24 claims totalling approximately 9,720 hectares. During the year ended October 31, 2013, an impairment was recorded on the property in the amount of \$194,902, reducing the carrying value to \$256,821.

iii) Flap Property, Nicola and Vernon Mining Divisions

The Flap property is located in the Tadpole Lake area about 45 kilometres west of Kelowna, British Columbia, consists of 9 claims totalling approximately 706 hectares in size, and is a jointly controlled venture with Goldrea Resources Corp. During the year ended October 31, 2012, an impairment allowance was recorded on the property in the amount of \$132,621, bringing the carrying value to \$nil.

iv) Beaverdell Property, Greenwood Mining Division

The Beaverdell property is located 3 kilometres southeast of Beaverdell, British Columbia, consists of 27 claims totally approximately 706 hectares in size, and is owned 100% by the Company. During the year ended October 31, 2013, an impairment was recorded on the property in the amount of \$335,133, reducing the carrying value to \$1.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

b) Nevada, United States

(b) Nevada, United States

	TKO, Hot Dog Ridge, Ridge						Total
	Griffon	Silverado	Top	Tami-Mosi	BCS Davis		
Balance, October 31, 2011	\$ 204,078	\$ 392,622	\$ 416,619	\$ 1,067,129	\$ 605,228	\$ 2,685,676	
Acquisition costs	3,676	-	-	24,073	3,690	31,439	
Exploration costs	7,915	28,262	-	21,791	(17,781)	40,187	
Option payments received	(39,636)	-	-	-	-	(39,636)	
Impairment	-	-	(416,619)	-	-	(416,619)	
Balance, October 31, 2012	176,033	420,884	-	1,112,993	591,137	2,301,047	
Acquisition costs	-	-	-	11,900	7,201	19,101	
Exploration costs	-	-	-	1,734	-	1,734	
Disposal of property	(176,033)	-	-	-	-	(176,033)	
Impairment	-	(420,883)	-	-	-	(420,883)	
Foreign currency translation	-	-	-	45,065	23,934	68,999	
Balance, October 31, 2013	\$ -	\$ 1	\$ -	\$ 1,171,692	\$ 622,271	\$ 1,793,965	

i) Griffon Property

The Griffon property is located in White Pine County, Nevada, 45 miles southeast of Eureka, and 13 miles southeast of Mount Hamilton. The property consists of 64 unpatented mining claims leases totalling 535 hectares in size, but following the optioning of the property in February 2012, Pilot Gold Inc. ("Pilot Gold") (noted below) elected to stake an additional 149 unpatented mining claims in the name of the Company's US subsidiary, later dropping 27 of these claims to reduce the number of current claims staked by Pilot Gold to 122. The claims are 100% owned by the Company and are subject to a 2% net smelter royalty in favour of the originating vendors.

In February 2012, the Company entered into an option agreement with Pilot Gold. Under the terms of the agreement, to acquire a 60% interest in the property over the subsequent four years, Pilot Gold must make various payments and expenditures, and issue common shares to the Company.

During the year ended October 31, 2013, the Company entered into an agreement for the sale of 100% ownership of the Griffon property to Pilot Gold for proceeds of 180,000 Pilot Gold common shares valued at \$194,400 resulting in a gain on sale of \$12,785. The Griffon property remains subject to a 2% net smelter royalty in favour of the originating vendors.

ii) Silverado Property

The Silverado property is located in the Pinto mining district of Nevada, consists of 3 patented mining claims totalling approximately 121 hectares, and is a 100% owned by the Company. During

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

the year ended October 31, 2013, an impairment was recorded on the property in the amount of \$420,884, reducing the carrying value to \$1.

iii) TKO Hot Dog Ridge, and Ridge Top Properties

The TKO Hot Dog Ridge and Ridge Top properties are located approximately 25 kilometres southeast of Ely, Nevada. The Ridge Top property consists of 23 unpatented claims totalling 186 hectares, and the TKO Hot Dog Ridge property consists of 8 unpatented claims totalling approximately 65 hectares. These previously 100% owned properties were not renewed by the Company. During the year ended October 31, 2012, an impairment was recorded on the property in the amount of \$416,619, bringing the carrying value to \$nil.

iv) Tami-Mosi Property

The Tami-Mosi property is located approximately 8 miles southeast of Ely, Nevada in the Tamerlaine district, consists of 81 unpatented mining claims totalling approximately 677 hectares and 4 quartz unpatented claims totalling approximately 33 hectares, is 100% owned by the Company, and is subject to a 2% net smelter royalty in favour of the originating vendors.

v) BCS Davis Property

The BCS Davis property is located in Nye County, Nevada, consists of 61 unpatented lode mining claims totalling approximately 510 hectares, is 100% owned by the Company, and is subject to a 2% net smelter royalty in favour of the originating vendors.

c) Exploration and evaluation assets, total

(c) Exploration and evaluation assets, total

	British Columbia, Canada	Nevada, United States	Total
Balance, November 1, 2011	\$ 1,559,241	\$ 2,685,676	\$ 4,244,917
Acquisition costs	2,302	31,439	33,741
Exploration costs	5,482	40,187	45,669
BC mineral exploration tax credits	(27,449)	-	(27,449)
Option payments received	(30,000)	(39,636)	(69,636)
Impairment	(112,847)	(416,619)	(529,466)
Balance, October 31, 2012	1,396,729	2,301,047	3,697,776
Acquisition costs	5,166	19,101	24,267
Exploration costs	-	1,734	1,734
Disposal of property	-	(176,033)	(176,033)
Impairment	(530,035)	(420,883)	(950,918)
Foreign currency translation	-	68,999	68,999
Balance, October 31, 2013	\$ 871,860	\$ 1,793,965	\$ 2,665,825

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

8. Commitment

On April 11, 2013, the Company entered into a contract with an investor and public relations firm for a period of twelve months. The Company is committed to payments of \$5,000 per month for the first six months of the agreement, and \$10,000 per month for the subsequent six months. In addition, the Company will issue a total of 2,000,000 common shares, with 500,000 issuable at 90 day intervals commencing with the 90 day anniversary of signing the agreement. As at October 31, 2013, \$30,000 has been accrued as an obligation to issue shares in the financial statements, representing 1,000,000 shares at a value of \$0.03 per share.

9. Related party transactions

a) Investment in subsidiary

The wholly owned subsidiary of the Company has been incorporated in the United States and is included in these consolidated financial statements as disclosed in Note 1.

b) Transactions with related parties

Individual	Relationship	Nature of transactions	Incurred period ended October 31, 2013	Incurred period ended October 31, 2012	Balance payable at October 31, 2013	Balance payable at October 31, 2012
Ed Lee	Chief executive officer, director	Salaries	\$ 96,000	\$ 51,000	\$ 60,808	9,000
Annie Storey	Chief financial officer	Fees	40,100	-	25,804	-
James Sever	President, director	Fees	84,000	-	84,000	-
Lisa Maxwell	Corporate secretary	Fees	9,811	-	-	-
Goldrea Resources Corp.	Former related company	Reimbursed expenses	-	51,113	22,214	20,638
American Manganese Inc.	Former related company	Reimbursed expenses	-	197,255	320,063	320,063
Larry Reaugh	Former chief executive officer	Fees	-	41,000	30,000	30,000
			\$ 229,911	\$ 340,368	\$ 542,889	\$ 379,701

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

Prior to March 1, 2013, the Company shared its office premises with Goldrea Resources Corp. and American Manganese Inc., companies which previously shared common directors with the Company. In addition, certain personnel were shared between the three companies. Expenses related to the common office facilities were shared among the companies and were allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel were allocated according to the relative time expended on each company. Included in payable to related parties at October 31, 2013 is \$342,277 payable to the related companies (2012 - \$340,701).

As at October 31, 2013, \$30,000 is payable to the Company's former chief executive officer for accrued wages (2012 - \$30,000). The amount is non-interest bearing, unsecured and has no fixed terms of repayment.

As at October 31, 2013, \$170,612 is payable to officers of the Company for accrued wages and expenses (2012 - \$9,000). These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

During the year ended October 31, 2013, the Company incurred \$nil in consulting fees to a private company controlled by a director of the Company (2012 - \$42,675).

As at October 31, 2013, the Company held 70,690 common shares of American Manganese Inc. (2012 - 70,690), as described in Note 6.

c) Compensation of key management personnel

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's board of directors and the Company's executive leadership team. The executive leadership team consists of the chief executive officer, president, chief operating officer, and chief financial officer.

Total compensation expense for key management personnel is as follows:

	October 31, 2013	October 31, 2012
Fees	\$ 220,100	\$ 95,375
Share-based payments	16,656	-
Total	\$ 236,756	\$ 95,375

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

10. Provision for flow through share issuances

The Company has recorded a provision in the amount of \$550,000 (2012 - \$533,000) for tax and related obligations relating to flow through share issuances from prior years. Refer to Note 17.

11. Share capital, share-based payments and reserves

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

b) Issued shares

Subsequent to October 31, 2013, the Company raised gross proceeds of \$115,000 through the exercise of 2,300,000 warrants.

In August 2013, the Company completed a non-brokered private placement raising gross proceeds of \$236,300 which was comprised of 23,630,000 units at a price of \$0.01 per unit. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the owner to purchase one common share at a price of \$0.05 for the first year and \$0.10 for the second and third years from the date of issuance. No value has been attributed to the warrants.

In October 2012, the Company completed a non-brokered private placement raising gross proceeds of \$27,500, which was comprised of 550,000 units at a price of \$0.05 per unit, with each unit comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.10 per share for a period of two years. No value has been attributed to the warrants.

c) Issued warrants

A summary of the changes in the Company's share purchase warrants during the year ended October 31, 2013 and 2012 are as follows:

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Number of warrants	Average exercise price
Balance, October 31, 2011	33,067,214	\$ 0.11
Granted - private placement	550,000	0.10
Expired / cancelled	(17,771,714)	0.11
Balance, October 31, 2012	15,845,500	\$ 0.12
Granted - private placement	23,630,000	0.05
Expired / cancelled	(15,295,500)	0.12
Balance outstanding at October 31, 2013	24,180,000	\$ 0.12

As at October 31, 2013, the following common share purchase warrants were outstanding:

Expiry date	Number of warrants	Exercise price	Weighted average remaining contractual life (years)
August 27, 2014	550,000	\$ 0.05	0.82
February 16, 2016	5,200,000	0.05	2.30
June 20, 2016	9,300,000	0.05	2.64
August 30, 2016	9,130,000	0.05	2.83

d) Share-based payments

The Company has adopted an incentive stock option plan, as amended, under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and consultants, enabling them to acquire up to 20% of the total shares outstanding of the Company. Under the stock option plan, the option exercise price of any option granted shall not be less than the discounted market price of the Company's common shares. If options are granted within 90 days of a distribution by prospectus, the minimum exercise price per share is the greater of the discounted market price and the share price paid by investors pursuant to the distribution. For the purposes of the stock option plan, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of the grant of the options. The options may be granted for a maximum term of 5 years. All options granted shall vest immediately, except for those options granted to persons performing investor relations activities for the Company. Pursuant to the policies of the TSX-V, shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of options.

During the year ended October 31, 2013, the Company granted 5,150,000 stock options (2012 – nil) exercisable at \$0.05 per share, vesting immediately and expiring in five years, for total stock based compensation expense of \$37,296. Assumptions used in this calculation are as follows:

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

	October 31, 2013	October 31, 2012
Risk free rate of interest	1.78%	n/a
Expected life of options	5 years	n/a
Exercise price of options	0.05	n/a
Expected annualized volatility	132%	n/a
Expected dividend rate	-	n/a

Subsequent to the year ended October 31, 2013, the Company granted 6,860,000 stock options exercisable at \$0.11 per share, expiring in five years.

A summary of the changes in the Company's stock options during the year ended October 31, 2013 and 2012 are as follows:

	Number of options	Average exercise price
Balance, October 31, 2011	3,740,000	\$ 0.17
Expired / cancelled	(910,000)	0.24
Balance outstanding at October 31, 2011 and 2012	2,830,000	\$ 0.14
Expired / cancelled	(2,830,000)	\$ 0.14
Issued	5,150,000	0.05
Balance, October 31, 2013	5,150,000	\$ 0.05

As at October 31, 2013, the following options were outstanding:

Expiry date	Number of options	Exercise price	Weighted average remaining contractua l life (years)
August 12, 2018	5,150,000	\$ 0.05	4.78

f) Share-based payments reserve

The share-based payments reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequent exercised, the fair value of such options in share-based payments reserve is credited to share capital.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

g) Dilutive common shares

For the year ended October 31, 2013, potentially dilutive common shares (relating to warrants and options outstanding) totalling 28,750,000 (2012 – 15,295,500) were not included in the computation of loss per share as the effect would be anti-dilutive.

12. Financial instruments and financial risk management

	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
At October 31, 2012				
Cash	\$ -	\$ 3,656	\$ -	\$ 3,656
Amounts receivable	6,241	-	-	6,241
Marketable securities	-	7,974	-	7,974
Reclamation bonds	16,000	-	-	16,000
Accounts payables and accrued liabilities	-	-	51,639	51,639
Provision for flow through share issuances	-	-	533,000	533,000
Demand loan	-	-	379,701	379,701

	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
As at October 31, 2013				
Cash	\$ -	\$ 14,975	\$ -	\$ 14,975
GST receivable	10,341	-	-	10,341
Marketable securities	-	167,214	-	167,214
Reclamation bonds	3,500	-	-	3,500
Accounts payables and accrued liabilities	-	-	93,958	93,958
Provision for flow through share issuances	-	-	550,000	550,000
Payable to related parties	-	-	542,889	542,889

a) Financial assets and liabilities by category

The Company has designated cash and cash equivalents as fair value through profit or loss, measured at fair value. Changes in the fair values are recorded in net earnings. Marketable securities are designated as available-for-sale financial assets, which are initially measured at fair value with subsequent changes to other comprehensive income. GST receivable and reclamation deposits are designated as loans and receivables, and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities and payable to related parties are designated as other financial liabilities and are measured initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had no held-to-maturity financial instruments during the years ended October 31, 2013 and 2012.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

b) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

c) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Cash and cash equivalents, marketable securities, and obligation to issue shares are valued using a market approach based upon unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1 and 2 during the years ended October 31, 2013 and 2012.

d) Financial risk management

The Company's board of directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

In the normal course of operations, the Company is exposed to various risks such interest rate, foreign exchange, credit and liquidity risks. To manage these risks, management determines what activities must

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risks are as follows:

- Maintaining sound financial condition;
- Financing operations; and
- Ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- Prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;
- Recognize and observe the extent of operating risk within the business; and
- Identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships.

There have been no changes in risks that have arisen or how the Company manages those risks during the years ended October 31, 2013 and 2012.

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, reclamation deposits and accounts payable and accruals that are denominated in US dollars. As at October 31, 2013, net liabilities denominated in US were immaterial. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss and comprehensive loss by an immaterial amount with all other variables remaining constant.

(iii) Commodity price risk

The value of the Company's exploration and evaluation assets are dependent on the price of magnesium and the outlook for this mineral. Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to magnesium. If magnesium prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production.

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's credit risk is primarily attributable to cash and cash equivalents, and amounts receivable. The Company limits its exposure to credit risk on cash and cash equivalents as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Amounts receivable consist primarily of harmonized sales tax due from the Federal Government of Canada. Management believes the credit risk concentration with respect to amounts receivable is remote. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash and cash equivalent. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash is primarily invested in bank accounts and guaranteed investment certificates which are cashable on demand. The Company expects that its cash on hand at October 31, 2013, together with expected funds raised from private placements and on exercise of warrants and options, will provide sufficient financial resources to carry out its operations through the 2014 fiscal year, and also allows the Company to continue its exploration and evaluation program.

13. Capital Management

The Company classifies its share capital and reserves as capital, which at October 31, 2013 totalled \$16,443,613 (2012 - \$16,171,618). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the years ended October 31, 2013 and 2012. The Company is not

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

subject to any externally imposed capital requirements.

14. Segmented Information

The Company operates in one segment – the exploration for and development of mineral property interests. Geographic information for the Company’s exploration and evaluation assets is as follows:

	October 31, 2013	October 31, 2012
Canada	\$ 871,860	\$ 1,426,088
United States	1,793,965	2,305,559
Balance, end of year	\$ 2,665,825	\$ 3,731,648

15. Events after the reporting date

Subsequent to October 31, 2013, the Company sold 60,000 shares of Pilot Gold Inc. for proceeds of \$55,012.

In January 2014, the Company granted 6,860,000 stock options exercisable at \$0.11 per share, vesting immediately and expiring in five years.

In January 2014, 2,300,000 warrants were exercised at \$0.05 per share for proceeds of \$115,000.

In October, 2013, the Company entered into an agreement with ScanMag AS (“ScanMag”) to form a joint venture whereby the Company will own 51% and ScanMag will own 49% of the Company’s Tami-Mosi property. In exchange for this interest, ScanMag will pay the Company \$5,000,000 USD in cash and will issue the Company a 5% equity stake in ScanMag. Further, the Company will issue to ScanMag shares of its common stock equal to 19.9% of the total issued and outstanding common stock at the time the agreement is signed, and ScanMag will have the right to appoint one representative to the Company’s board of directors. The formation of the joint venture was expected to be completed by January 31, 2014, however closing of the transaction has been extended to March 15, 2014 pending further clarification of certain aspects of the transaction. The transaction is also subject to ScanMag obtaining \$30M in project financing and approval of the TSX Venture Exchange.

16. Income taxes

Significant items resulting in the difference between the Company’s income tax rate and the federal statutory rate are as follows:

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

	October 31, 2013	October 31, 2012
Loss before income taxes	\$ (1,435,360)	\$ (1,053,319)
Effective statutory rate	28.20%	28.79%
Expected income tax recovery at statutory rate	(404,839)	(303,217)
Net adjustment for deductible and non-deductible amounts	277,639	152,851
Change in tax rates	(59,662)	-
Other	(309,582)	-
Valuation allowance	496,444	150,366
Deferred income tax provision (recovery)	\$ -	\$ -

The Companies deferred tax assets and liabilities are as follows:

	October 31, 2013	October 31, 2012
Non-capital loss carry-forwards	\$ 1,726,940	\$ 1,510,700
Share issuance costs	10,719	20,640
Exploration and evaluation assets - Canada and US	520,444	230,788
Property and equipment	12,155	11,687
Valuation allowance	(2,270,258)	(1,773,815)
Deferred income tax asset (liability)	\$ -	\$ -

The Company has approximately \$6,357,000 of non-capital losses in Canada and \$256,000 net operating losses in the US that, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire at various dates through 2033.

17. Restatement

During the preparation and audit of the financial statements for the year ended October 31, 2013, it was determined that certain tax and related obligations for flow through shares issued in previous years had not been recorded. Accordingly, the financial statements for the year ended October 31, 2012 have been restated to correct for this omission. The following summarizes the impact of the restatement on the consolidated statement of financial position at October 31, 2012, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows:

Consolidated Statement of Financial Position

	Previously reported	Correction	Restated as at October 31, 2012
Provision for flow through share issuances	-	533,000	533,000
Total liabilities	431,340	533,000	964,340
Deficit	(12,874,264)	(533,000)	(13,407,264)
Total shareholders' equity	3,300,307	(533,000)	2,767,307
Total liabilities and equity	4,264,647	(533,000)	3,731,647

NEVADA CLEAN MAGNESIUM INC.

Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2013 and 2012
(Expressed in Canadian Dollars)

Consolidated Statement of Comprehensive Loss

	Previously reported	Correction	Restated as at October 31, 2012
Interest and penalties	27,105	17,000	44,105
Loss from operations	506,853	17,000	523,853
Net loss for the period	1,036,319	17,000	1,053,319
Total comprehensive loss for the period	1,041,952	17,000	1,058,952

Consolidated Statement of Changes in Equity

	Previously reported	Correction	Restated as at October 31, 2012
Total comprehensive loss for the period	1,041,952	17,000	1,058,952
Total shareholders' equity	3,300,307	(533,000)	2,767,307

Consolidated Statement of Cash Flows

	Previously reported	Correction	Restated as at October 31, 2012
Net loss for the period	1,036,319	17,000	1,053,319
Increase (decrease) in accounts payable and accrued liabilities	(538,167)	533,000	(5,167)
Net cash provided by (used in) operating activities	(738,892)	516,000	(222,892)