

**NEVADA CLEAN MAGNESIUM INC.**  
**Management's Discussion and Analysis**  
**For the Period Ended January 31, 2017**

This management's discussion and analysis of Nevada Clean Magnesium Inc. (the "Company") contains analysis of the Company's operational and financial results for the three months ended January 31, 2017. The following should be read in conjunction with the Company's consolidated financial statements for the period ended January 31, 2017 and the year ended October 31, 2016. All figures are in Canadian dollars unless otherwise stated.

**DATE OF REPORT**

March 28, 2017

**JURISDICTION OF INCORPORATION AND CORPORATE NAME**

The Company was incorporated under the *Company Act* (British Columbia) on March 24, 1966 as "Ft. Lauderdale Resources Inc.". The Company changed its name to Amcorp Industries Inc. on July 20, 1990, and to Molycor Gold Corporation on May 17, 1996 and to Nevada Clean Magnesium Inc. on April 16, 2012. The Company is a reporting issuer in the provinces of British Columbia and Alberta. The Company's common shares trade on the TSX Venture Exchange under the symbol "NVM". The Company has one wholly owned subsidiary, Nevada Moray Inc., incorporated in the State of Nevada. Nevada Moray Inc. manages the exploration work on the Company's Nevada properties. The Company's head office is located at #602 – 15216 North Bluff Road, White Rock, British Columbia V4B 0A7.

**HIGHLIGHTS**

On October 20, 2016, the Company announced a non-brokered private placement of unsecured convertible notes in the principal amount of up to \$120,000. The notes bear interest at 7.5% per annum, and any accrued but unpaid interest, will mature on the date that is one year following the closing date. Each note is convertible into common shares of the Company at a price of \$0.05 per share and any accrued but unpaid interest thereon convertible into shares at the price which is the greater of \$0.05 and the market price on the date of the conversion notice. On October 20, 2016, the Company closed the first tranche for gross proceeds of \$40,000. As of October 31, 2016, interest of \$90 was accrued on these notes. The Company has determined that the value of the equity component of these notes is not material, and accordingly has allocated all the proceeds to the debt component. On February 8, 2017, the Company closed the second tranche for gross proceeds of \$22,000.

On January 4, 2017, the Company announced that it has entered into a service agreement in exchange for common shares with Lodestar Management Group, LLC. ("LODESTAR"), a US corporate logistics company. LODESTAR will provide advisory, consulting, negotiation and other management services relating to corporate management, administrative and/or operational activities of NCMI, managerial oversight, strategic planning, financial and compulsory oversight and compliance including, advisory and consulting services in relation to the selection, retention and supervision of independent contractors, required to implement and execute the intentions and objectives and to forward the pace and progression of the business affairs of NCMI. The term of the contract is for one year retroactively commencing November 1, 2016. NCMI has agreed to compensate LODESTAR in the amount of \$2,500 per month by arrangement of the issuance of shares. The number of shares issued will be based on the share price on the day of issuance that is not lower than the \$0.05 per share minimum requirement, and will not exceed \$2,500 in value. The shares will be issued on the last working day of each month for a period of twelve months.

On January 17, 2017, the Company announce that ScanMag AS of Norway has requested a 6 month extension of the technical joint venture agreement to raise the funds needed to fulfill their investment obligation to NCMI. On February 24, 2017, the company announced the lapse and therefore termination of the joint venture between ScanMag AS and the Company.

**OUTLOOK**

The outlook for the Company is positive; however the mining and metals investment sector for junior companies is slowly improving but the investment community is still very selective. The investment community shows interest in well planned and solid projects with a bright economic future such as ours but are nervous to invest into pre-revenue generating companies due to the volatile global financial sector. The demand and uses for magnesium continues to expand and there is strong demand for a second producer within the USA. In light of this, Management continues to endeavor to source funding and maintain a steady path for proceeding with the development of the Company's largest asset, being the Tami – Mosi magnesium project located in Nevada, which is being led by a proven, technically focused

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management team dedicated to taking the magnesium project to full development.

**SUBSEQUENT EVENTS**

February 06, 2017, the Company entered into a binding Memorandum of Understanding ("MOU") for the purposes of forming a technical joint venture with Big Blue Technologies LLC ("BBT"), of Broomfield, Colorado, USA. BBT is engaged in developing high temperature chemical processing solutions to aid in the manufacture of magnesium and other light-weight high performance materials. BBT is collaborating and expanding on research performed at the University of Colorado at Boulder on carbothermic reduction (the "BBT Process"), the subject of two patent applications. Both Parties expect to have a definitive agreement completed on or before August 1, 2017.

Both Parties have agreed to the following within the MOU:

1. BBT and NCMI's technical teams will collaborate to enhance each other's respective processes in order to try and achieve successful commercialization for earlier cash flow
2. NCMI will be BBT's industry partner
3. NCMI to provide BBT board positions and stock options
4. NCMI will have first right of refusal to exclusivity and licensing of the BBT process
5. The BBT principals will provide their grant writing abilities to NCMI for potential research grants and US loan guarantees that are available for new magnesium metal projects within the United States
6. NCMI, through a revenue share agreement, will grant access of the Tami-Mosi magnesium property to BBT in order to commercialize its process
7. NCMI will issue 15% of the Company's total common shares issued as of January 1, 2017 to BBT released at increments of 5% per year over a 3 year period.

On February 10, 2017, the Company announced a non-brokered private placement of 5,000,000 units at a price of \$0.05 for gross proceeds of \$250,000. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share for a period of five years at a price of \$0.05. The Warrants are subject an acceleration clause in the years three, four and five so that the exercise period of the warrants will be reduced to 30 days, if for any ten consecutive trading days during the unexpired term of the warrant closing price of the listed shares exceeds the exercise price of the warrants by: (1) 25% or more if the exercise price is \$0.50 or less; (2) 20% or more if the exercise price is between \$0.51 and \$2.00; and (3) 15% or more if the exercise price is greater than \$2.

On February 22, 2017, the Company closed the first tranche of the non-brokered private placement for gross proceeds of \$98,260 comprised of 1,965,200 units at a price of \$0.05 per. The Company paid an \$2,000 Finder's Fee in cash and issued 40,000 broker's warrants at a price of \$0.05 per warrant in connection with the first tranche.

On February 24, 2017, the company announced the lapse and therefore termination of the joint venture between ScanMag AS and the Company.

February 27, 2017, the Company appointed Aaron Palumbo, Scott Rowe, and Boris Chubukov of Big Blue Technologies LLC, to its board of directors. Also the Company accepted Lothar Maruhn's resignation from the board.

On March 14, 2017, the Company paid \$123,025 into the courts in trust on account of the lawsuit initiated by a former officer and director on October 26, 2016.

**MINERAL EXPLORATION PROJECTS**

**British Columbia, Canada Mineral Properties**

*Crowrea/Empress Property, British Columbia*

The Crowrea Empress property is located near Summerland, British Columbia. The property originally consisted of 27 claims totaling approximately 10,494 hectares, with 2 claims dropped during the year ended October 31, 2012 and one

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other claim dropped during the year ended October 31, 2013, reducing the property to 24 claims totaling approximately 9,720 hectares.

The Crowrea Project is a mineral rich occurrence within a 650 meter northeast trending dyke zone, potentially extending another 400 meters. The discovery was contained in a trench which returned 0.209% MoS<sup>2</sup> over 38 meters. Subsequent drilling returned up to 0.273% MoS<sup>2</sup> over 39 meters in holes #95-03-09 and 4.6 meters grading 3.39% MoS<sup>2</sup> in Hole # 96-14-56. Diamond drilling entailing 30 holes returned significant values in 14 of the holes up to 10.6 meters grading 0.292% molybdenum. In April 2007, the Company acquired additional property consisting of 82 claim units totaling 1629.8 hectares (4027.5 acres) and adjoins the northwest border of the Crowrea Molybdenum property.

The Company has decided to no longer pursue exploration activities on these properties and an impairment of \$256,820 was recorded at October 31, 2015.

*Beaverdell Property, Greenwood Mining Division*

The Beaverdell property is located 3 kilometers southeast of Beaverdell, British Columbia, and is owned 100% by the Company.

**Nevada, USA Mineral Properties**

*Tami-Mosi Magnesium Property, Nevada*

The Company owns 100% interest in the unpatented mining claims located in the Schell Creek Range, 6.5 miles south-east of the town of Ely. The property consists of 81 unpatented mining claims totaling approximately 677 hectares and 4 quartz unpatented claims totaling approximately 33 hectares, and is subject to a 2% net smelter royalty in favor of the originating vendors.

The Company entered into an agreement with ScanMag AS ("ScanMag") on May 9, 2014 to form a joint venture whereby the Company will own 60% and ScanMag would purchase 40% of the Tami-Mosi property. On January 6, 2015, the Company renegotiated its joint venture agreement with ScanMag. On July 19, 2016, the Company granted an extension to the joint venture agreement and granted the next 6 month extension which lapsed December 18, 2016. On February 24, 2017, the joint venture agreement was terminated.

On August 22, 2007 the Company announced the start of a drill program. The program consists of up to 25 holes, totaling 15,000 feet (4500 meters) in 25 reverse circulation rotary holes to test four target areas along a strike length of more than 3 miles (5000 meters) as identified by the geological mapping, outcrop sampling, a biogeochemical survey and a resistivity/spontaneous potential geophysical surveys. The drilling program tested alluvium-covered extensions of known surface mineralized zones. All assays were received for the program which consisted of 14 reverse circulation holes totaling 8,420 feet (2,567 meters) being drilled into the four identified old bearing with minimum gold results. However in February 2008, the Company announced the discovery of high grade manganese grading 35.2% Mn over 15 feet (4.60 meters) in hole # TM-07-003 during the Phase I drilling program.

An additional nine diamond drill holes were completed in May, 2008. The recognition of magnesium in the assays resulted in the discovery of the potential for magnesium development. The nine holes ranged from 27.5 meters (90 ft) grading 10.5% Mg (17.12% MgO), to 164.63 meters (540 ft) grading 11.4% Mg (18.60% MgO), reporting Mg values over 2,600 meter (8,500 ft) strike length. Most of the drill holes ended in mineralization. The deposit remains open to the north along strike and to depth.

The Company engaged Teck Cominco Global Discovery Labs to analyze a 9.2 meter (30 ft.) section of hole # TM 07- 13 from 270 – 300 feet (82.3 m – 91.5 m), for purity of the dolomite. Hole # TM 07-13 averaged 11.4% Mg (18.6% MgO) over 164.4 meters (540 ft.). Results returned a high purity form of dolomite that is virtually identical with the National Bureau of Standards (NBS), Standard 88B.

SAMPLE	SiO <sub>2</sub>	TiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	Fe <sub>2</sub> O <sub>3</sub>	MnO	MgO	CaO	Na <sub>2</sub> O	K <sub>2</sub> O	P <sub>2</sub> O <sub>5</sub>	Ba	LOI	Total
Hole#TM-07-13 270ft - 300ft	1.25%	0.01%	0.22%	0.10%	0.01%	20.95%	29.91%	0.01%	0.01%	<0.01%	<0.01%	46.78%	99.27%

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NBS "Standard 88B" 1.15% 0.02% 0.35% 0.30% 0.07% 21.14% 29.79% 0.01% 0.03% 0.01% <0.01% 46.93% 99.80

In news release dated July 7, 2009, the Company announced receipt of NI 43-101 updated resource report from Norm Tribe and Associates quoting 236,183,772 tonnes of an inferred resource at a grade of 10.0% Magnesium. The NI 43-101 resource study estimate at 8.0% Magnesium cut-off is summarized as follows:

RESOURCE CALCULATIONS FOR TAMI-MOSI							
SECTION	AREA Sq.m.	HORIZ. m.	VOLUME Cu.m.	TONNAGE Tonnes		GRADE POUNDS % Mg	
1	43500N	72,450	100	7,245,000	205,75,800	.12	5,486,331,312
2	43200N	78,378	100	7,837,800	22,259,352	.62	5,200,675,001
3	43100N	58,873	100	5,887,300	16,719,932	.16	3,737,239,201
4	4300N	62,513	100	6,251,300	177,53,692	.22	4,772,902,557
5	42700N	46,354	100	4,635,400	13,164,536	.09	2,922,263,701
6	42600N	64,290	100	6,429,000	18,258,360	.19	3,691,475,225
7	42500N	99,316	100	9,931,600	28,205,744	0.5	6,515,526,864
8	42000N	29,483	100	2,948,300	8,373,172	.16	1,871,571,405
9	4200N	65,001	100	6,500,100	18,460,284	.02	4,475,511,253
10	41800N	26,558	100	2,655,800	7,542,472	.74	1,616,200,900
11	41800N	16,897	100	1,689,700	4,798,748	.38	1,201,414,549
12	41300N	26,491	100	2,649,100	7,523,444	.45	1,564,124,008
13	4100N	37,326	100	3,732,600	10,600,584	.33	2,175,875,872
14	40900N	17,436	100	1,743,600	4,951,824	10.21	1,112,278,707
15	40900N	19,400	100	1,940,000	5,509,600	9.1	1,103,021,920
16	40800N	35,264	100	6,526,400	10,014,976	9.95	2,192,278,246
TOTAL POUNDS Mg.							49,638,690,722
TOTAL TONNES AND GRADE UNDILUTED					214,712,520	10.51	
WITH 10% DILUTION AT THE LISTED GRADE					21,471,252	4.89	2,309,877,29
<b>DILUTED TONNAGE AND GRADE</b>					<b>236,183,772</b>	<b>10.00</b>	<b>51,748,568,01</b>

**RESOURCE CALCULATION**

Pounds per 1%/Tonne 22.06 Density: 2.84  
Tonnes per cubic meter

The Company engaged Hazen Research Inc. as Phase 1 Process Development Study for Exploitation of the Tami Mosi resource. The resource is a premium quality dolomite containing an estimated 236 million tonnes of dolomite.

On September 15, 2010, the Company announced the results of Hazen Research Inc.'s Phase I Process Development Study for Exploitation of the Tami-Mosi Resource. Hazen's work included a review of technical literature for recovering magnesium from dolomite deposits and the work done on the drill core samples from the Tami-Mosi testing its purity. Hazen's initial assessment indicates the high quality dolomite is an ideal basis for the production of magnesium based refractory's, magnesium metal, cement and/or agricultural products. The report outlines potential process routes for production of both high value products and the recovery of magnesium metal and recommends Nevada Clean Magnesium Inc. to develop to a full feasibility for exploiting the resource.

In December 2010, the Company engaged Wardrop, a Tetra Tech Company, to complete a Preliminary Economic Assessment for N1 43-101 magnesium production study. The work included project management, geology, mining, metallurgical processing, environmental considerations, financial analysis, capital and operating cost estimates. In January 2011, the Company retained James Sever and Robert Brown, two renowned experts in magnesium industry, to assist the Company with the completion of the preliminary economic assessment study for the Tami-Mosi magnesium project.

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In August 2011, the Company announced an updated block modeling and resource analysis completed by Wardrop Engineering that resulted in an estimated increase of the inferred resource to 412million tonnes of dolomite at an average grade of 12.3% magnesium (Mg), using a 12% Mg cut-off grade, for a contained metal content of 111 billion pounds of Mg. This estimate was included into the NI 43-101 Preliminary Economic Assessment Study for the Tami – Mosi Magnesium Project, dated September 15, 2011. The NI 43-101 compliant Report was filed with the Regulators on SEDAR.

On October 17, 2011 the Company received a paper, from Alpha Omega Engineering Inc. of Spokane Washington, USA, titled "A Discussion Paper for Potential Areas of Improvement within Nevada Clean Magnesium Inc. Tami- Mosi Magnesium Project and Possible Effects upon Projected Profitability". The Paper identifies eleven potential cost saving areas and increases to revenue streams to the current NI 43-101.

On June 17, 2013, the Company announced the acceptance and publication of a paper titled "Waste Heat Recovery Opportunities in a Magnesium Silicothermic Reduction Plant" by the TMS (The Minerals, Metals and Materials Society). The paper is authored by James Sever P. Eng., President and Director of the Company, who is recognized as a qualified person as defined by NI 43-101. The paper defines and quantifies potential reductions to operating costs and carbon dioxide emissions through energy production, whereby low grade waste heat is recovered during the operation of the proposed vertically integrated Tami-Mosi Magnesium project.

The paper suggests the following:

- Generate 43 MW of electrical energy for use in the Tami-Mosi project;
- Reduce operating costs by \$0.17 per lb. Mg ingot; and
- Reduce the carbon footprint by 51 metric ton per hour of operation. Potential

ancillary benefits identified include:

- Generation of water as a co-product will eliminate the need for external water for plant operation;
- Plant productivity improvement through double operating cycles without incurring additional capital need for expansion of the power plant; and
- Facilitation of permitting of the plant and operations.

Waste heat recovery, together with the confirmation of two cycles per day as presented at the 2012 International Magnesium Association (IMA) conference by The RIMA Group, are just two of the items from the opportunities document that could potentially reduce operating costs and increase revenues for the Tami-Mosi Project.

On July 10, 2014, the Company filed an amended 43-101 preliminary economic assessment and technical report of the Tami-Mosi Magnesium Project dated effective September 15, 2011 and amended as of July 4, 2014. As a result of a review by the BCSC, the Company amended the 43-101 technical report as of July 4, 2014 to address the comments raised by the BCSC relating to including an after-tax based-case scenario, providing certificates of only qualified persons for all sections of the report, ensuring that the requirements for the disclosure of historical estimates have been met, ensuring that sections of the report have been updated to provide the specific disclosure required by the BCSC, and ensuring that the section on mineral resources has been revised to provide clarity on what is an inferred resource and what is a mineral reserve. There were no material differences between the mineral resources estimates regarding the Tami-Mosi Magnesium Project set out in the original report and those set out in the amended report.

In November 2014 the Company announced that the Company's Board of Directors, after an internal review and analysis, determined that the NI 43-101 Preliminary Economic Assessment of the Tami-Mosi Magnesium Project should be reviewed to consider additional potential project improvements. The original NI 43-101 Preliminary Economic Assessment was completed on September 15, 2011 and the Board believed that three potential opportunities which could significantly reduce operating costs and increase revenue on the Nevada Clean Tami- Mosi Project had been sufficiently proven and thus should be considered for inclusion in in the amended NI 43-101 report, should the independent engineer and report writer determine the opportunities are available to the Company's operations.

On January 13, 2015 the Company announced it signed a Licence and Royalty Agreement with its director, James Sever, P. Eng., to use Mr. Sever's unique knowledge and concepts on the Company's Tami Mosi and other properties for the commercial production of magnesium. In consideration for the licence, the Company will pay to Mr. Sever a royalty in the amount of USD\$0.003 per pound (USD\$0.00661 per kilogram) of magnesium produced and sold by the Company where the condenser concept has been utilized and USD\$0.0015 per pound of magnesium produced and sold from its properties

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without using the condenser concept. The initial term of the agreement ends on December 31, 2040, and is renewable.

*Silverado Property*

The Silverado property is located in the Pinto mining district of Nevada, consists of 3 patented mining claims totalling approximately 120 hectares, and is 100% owned by the Company. The property has been impaired to \$1 and the Company has no current plans for this property.

**SELECTED ANNUAL FINANCIAL INFORMATION**

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. The functional and reporting currency of the parent has been determined to be Canadian dollars. The functional currency of the subsidiary has been determined to be United States dollars.

The selected annual information for the years ended October 31, 2016, 2015 and 2014.

<b>Years Ended:</b>	<b>October 31, 2016</b>	October 31, 2015	October 31, 2014
<b>Revenues</b>	\$ -	\$ -	\$ -
<b>Expenses</b>	683,958	919,995	1,616,672
<b>Other expenses (recovery)</b>	(161,008)	379,393	604,648
<b>Net loss</b>	522,950	1,299,388	2,221,320
<b>Comprehensive loss</b>	488,018	1,067,135	2,053,027
<b>Basic and diluted loss per share</b>	(0.00)	(0.01)	(0.01)
<b>Total current assets</b>	103,882	27,109	67,499
<b>Total assets</b>	1,552,542	1,421,001	2,210,235
<b>Total current liabilities</b>	1,173,069	1,141,271	1,311,205
<b>Total long term liabilities</b>	427,625	-	-

**RESULTS OF OPERATIONS**

The following financial data are derived from our consolidated financial statements for the three months ended January 31, 2017 and 2016.

**Three months ended January 31, 2017 and 2016**

The comprehensive loss for the period ended January 31, 2017 was \$174,188 which compares to \$106,895 in 2016. Net loss for the first quarter of 2017 totaled \$143,885 and \$211,410 for the same period of 2016. The significant fluctuations in costs are as follows:

*Consulting and management fees (2017 - \$48,909; 2016 - \$136,225)*

The decrease in consulting and management fees is due to the over-accrual of payroll withholding taxes and benefits for 2016.

*Shareholder communication (2017 - \$20,313; 2016 - \$4,813)*

The increase in shareholder communication fees primarily due to the Company's increase in activity and communicating with the shareholders.

*Office and general (2017 - \$13,021; 2016 - \$4,147)*

The increase in office and general the result of increased administrative activity in the Company.

*Foreign exchange on transaction with subsidiary (2017 - \$(30,303); 2016 - \$104,515)*

The decrease in foreign exchange is due to FX rate fluctuation.

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*Interest and penalties (2017 – \$18,924; 2016 - \$Nil)*

Interest expense was calculated on the \$14,000 of promissory note and \$412,000 of convertible debentures issued in 2016.

**Financial Position – January 31, 2017 and October 31, 2016**

Current assets as at January 31, 2017 were \$43,280 compared to \$103,882 at October 31, 2016.

Exploration and evaluation assets decreased from \$\$1,445,160 on October 31, 2016 to \$1,414,923 as of January 31, 2017 due to foreign exchange fluctuation.

Current liabilities as at January 31, 2017 increased by net \$32,613 over October 31, 2016.

In the first quarter of 2017, the Company issued \$22,000 of convertible debentures and accrued a total interest of \$18,924.

The Company recorded a \$10,000 in obligations to issue shares as of January 31, 2017 which relates to the subsequent issuance of units in conjunction with the private placement noted above. Additional information on share issuances is contained under "Liquidity and Capital Resources".

**Summary of Quarterly Results**

Summarized results for the most recent eight quarters are as follows:

Quarters ended:	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016
Comprehensive loss	\$174,188	\$ (54,775)	\$ 118,382	\$ 317,516
Basic and diluted loss per share	\$0.00	\$ 0.00	\$ 0.00	\$ 0.00

  

Quarters ended:	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015
Comprehensive loss	\$ 106,895	\$ 909,337	\$ 25,145	\$ 250,393
Basic and diluted loss per share	\$0.01	\$ 0.01	\$ 0.00	\$ 0.00

(Fully diluted losses per share amounts have not been calculated as they would be anti-dilutive.)

**Analysis of mineral property costs**

	British Columbia, Canada	Nevada, United States	Total
<b>Balance, October 31, 2015</b>	<b>\$ 3</b>	<b>\$ 1,390,389</b>	<b>\$ 1,390,389</b>
Acquisition costs	-	17,484	17,484
Exploration costs	-	2,300	2,300
Impairment	(1)	-	(1)
Foreign currency translation	-	34,985	34,985
Balance, October 31, 2016	2	1,445,158	1,445,160
Foreign currency translation	-	(30,237)	(30,237)
<b>Balance, January 31, 2017</b>	<b>\$ 2</b>	<b>\$ 1,414,921</b>	<b>\$ 1,414,923</b>

The Tami-Mosi property continues to be the primary core property on which the Company is focused.

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**LIQUIDITY AND CAPITAL RESOURCES**

Period ended:	January 31, 2017	October 31, 2016
Current assets	\$ 43,280	\$ 103,882
Exploration and evaluation assets	1,414,923	1,445,160
Reclamation bonds	3,500	3,500
Current liabilities	1,205,682	1,173,069
Long term liabilities	468,361	427,625
Shareholders' equity (deficiency)	(212,340)	(48,152)
Working capital deficiency	(1,162,402)	(1,069,187)

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon the capital markets to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on terms acceptable to the Company. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, which will be derived from the exercise of stock options and warrants, and/or private placements.

As at January 31, 2017, the Company had a cash balance of \$39,636 (October 31, 2015 - \$70,904) and a working capital deficiency of \$1,162,402 compared to working capital deficiency of \$1,069,187 as at October 31, 2016.

Financing activities provided cash of \$32,000 in the period ended January 31, 2017. The Company received \$10,000 in share subscription towards the first tranche of private placement closed on February 22, 2017, and closed second tranche of non-brokered private placement of unsecured convertible notes in total amount of \$22,000. In January 31, 2016, The Company closed third tranche of financing for gross proceeds of \$82,000, and closed non-brokered private placement of unsecured convertible notes in total amount of \$50,000.

Operating activities used cash of \$63,268 during the period ended January 31, 2017, compared to \$105,693 in the same period of 2016.

The Company does not generate revenue from operations and is dependent upon its ability to raise equity capital through the issuance of shares and exercise of warrants to pay ongoing operating expenses and the costs associated with its exploration and development activities. The Company expects this to continue for the foreseeable future.

**USE OF PROCEEDS FROM FINANCING**

Date of financing and planned use of proceeds	Actual use of proceeds
2017 financing: \$62,000	Funds used for general working capital
2017 financing: \$250,000	Funds used for general working capital

**COMMITMENTS**

- On January 13, 2015, the Company announced it signed a License and Royalty Agreement with its director, James Sever, P. Eng., to use Mr. Sever's unique knowledge and concepts on the Company's Tami Mosi and other properties for the commercial production of magnesium. In consideration for the license, the Company will pay to Mr. Sever a royalty in the amount of USD\$0.003 per pound (USD\$0.00661 per kilogram) of magnesium produced and sold by the Company where the condenser concept has been utilized and USD\$0.0015 per pound of magnesium produced and sold from its properties without using the condenser concept. The initial term of the agreement ends on December 31, 2040, and is renewable.
- On November 1, 2016, the Company entered into a service agreement in exchange for common shares with Lodestar Management Group, LLC. ("Lodestar"), a US corporate logistics company. Lodestar will provide advisory, consulting, negotiation and other management services relating to corporate management, administrative and/or operational



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activities of the Company. The term of the contract is for one year. The Company has agreed to compensate Lodestar in the amount of \$2,500 per month by arrangement of the issuance of shares. The number of shares issued will be based on the share price on the day of issuance that is not lower than the \$0.05 per share minimum requirement, and will not exceed \$2,500 in value. The shares will be issued on the last working day of each month for a period of twelve months.

- Statement of Claim was filed against the Company by a former Officer and Director on October 14, 2016 seeking payment of approximately \$177,000 for services rendered. The Company has filed a Statement of Defense and believes that a substantial portion of the amount claimed is without merit. The loss, if any, cannot be reasonably determined at this time. On March 14, 2017, the Company paid \$123,025 into the courts in trust on account of the lawsuit initiated by this former officer.

**Promissory note**

On February 27, 2016, the Company received an unsecured promissory note in the principal amount of \$14,000. The note bears interest at 5% per annum and was due on April 27, 2016. If the principal amount and the accrued interest is not paid back in full after six month, the note may be converted into common shares of the Company at a price of \$0.05 per share on the election of lender. As of January 31, 2017, interest of \$688 (October 31, 2016 - \$500) was accrued on this note, and remains outstanding.

**Convertible notes**

During the year ended October 31, 2016, the Company completed a non-brokered private placement of unsecured convertible notes in the principal amount of \$350,000. The notes bear interest at 20% per annum, and any accrued but unpaid interest will mature on the date that is one year following the closing date. Each note is convertible into common shares of the Company at a price of \$0.05 per share, and any accrued but unpaid interest thereon is convertible into shares at the price which is the greater of \$0.05 and the market price on the date of the conversion notice. As of January 31, 2017, interest of \$55,178 (October 31, 2016 - \$37,534) was accrued on these notes. The Company has allocated all the proceeds to the debt component of these convertible notes.

On October 20, 2016, the Company announced a non-brokered private placement of unsecured convertible notes in the principal amount of up to \$120,000. The notes bear interest at 7.5% per annum, and any accrued but unpaid interest, will mature on the date that is one year following the closing date. Each note is convertible into common shares of the Company at a price of \$0.05 per share and any accrued but unpaid interest thereon convertible into shares at the price which is the greater of \$0.05 and the market price on the date of the conversion notice. On October 20, 2016, the Company closed the first tranche for gross proceeds of \$40,000. On December 9, 2016, the Company closed the second tranche for gross proceeds of \$22,000. As of January 31, 2017, interest of \$1,091 (October 31, 2016 - \$90) was accrued on these notes.

The Company has determined that the value of the equity component of these notes is not material, and accordingly has allocated all the proceeds to the debt component

**Capital Stock**

As at January 31, 2017 and the date of this report, the Company had 152,511,450 and 154,476,650 common shares issued and outstanding, respectively.

On February 22, 2017, the Company closed the first tranche of the non-brokered private placement for gross proceeds of \$98,260 comprised of 1,965,200 Units at a price of \$0.05 per Unit. In connection with the first tranche of the offering, the Company paid \$2,000 Finder's Fee in cash and 40,000 broker's warrants at a price of \$0.05 per warrant.

**Stock Options**

As at January 31, 2017 and the date of this report, the Company had outstanding stock options enabling the holder to purchase 17,560,000 common shares of the Company. Options outstanding at January 31, 2017 had a weighted-average exercise price of \$0.07 per share.

As at October 31, 2016, the following options were outstanding:

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Expiry date	Exercise price	WARC Life (years)	Number of options October 31, 2016	Granted	Exercised	Expired Cancelled	Number of options January 31, 2017
August 12, 2018	\$ 0.05	1.53	4,010,000	-	-	-	4,010,000
January 9, 2019	\$ 0.11	1.94	6,200,000	-	-	-	6,200,000
May 9, 2019	\$ 0.08	2.27	400,000	-	-	-	400,000
May 29, 2019	\$ 0.08	2.32	1,100,000	-	-	-	1,100,000
June 3, 2020	\$ 0.05	3.34	2,250,000	-	-	-	2,250,000
February 11, 2021	\$ 0.05	4.03	1,600,000	-	-	-	1,600,000
August 16, 2020	\$ 0.05	3.54	2,000,000	-	-	-	2,000,000
<b>TOTAL</b>			<b>17,560,000</b>	-	-	-	<b>17,560,000</b>
<b>Weighted average price</b>			<b>\$ 0.07</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.07</b>

**Warrants**

As at January 31, 2016 and the date of this report, the Company had outstanding share purchase warrants enabling the holder to purchase 7,850,000 and 9,855,200 common shares of the Company, respectively, with a weighted-average exercise price of \$0.05 per share.

Subsequently, the Company issued a total of 2,005,200 warrants in connection to private placement announces on February 10, 2017.

As at January 31, 2017, the following common share purchase warrants were outstanding:

Expiry date	Exercise price	WARC life (years)	October 31, 2016	Granted	Exercised	Expired/ Cancelled	January 31, 2017
December 29, 2017	\$ 0.05	0.91	1,280,000	-	-	-	1,280,000
February 17, 2018	\$ 0.05	1.05	2,190,000	-	-	-	2,190,000
May 7, 2018	\$ 0.05	1.26	1,340,000	-	-	-	1,340,000
October 28, 2018	\$ 0.05	1.49	1,000,000	-	-	-	1,000,000
September 20, 2018	\$ 0.05	1.64	400,000	-	-	-	400,000
December 22, 2018	\$ 0.05	1.89	1,640,000	-	-	-	1,640,000
<b>TOTAL</b>			<b>7,850,000</b>	-	-	-	<b>7,850,000</b>
<b>Weighted average price</b>			<b>\$ 0.05</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.05</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have material off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

**Key management compensation**

Key management includes the Company's directors and officers and their related companies, as included in the table below. Compensation to key management for the period ended January 31, 2017 and 2016 is summarized as follows:

	January 31, 2017	January 31, 2016
Fees	\$71,709	\$ 81,780
Share-based payments	-	-
<b>Total</b>	<b>\$71,709</b>	<b>\$ 81,780</b>

At October 31, 2016, the Company entered into the following related party transactions:

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	Nature of Transactions	Incurred during period ended January 31, 2017	Incurred during period ended January 31, 2016	Balance payable at January 31, 2017	Balance payable at October 31, 2016
Chief executive officer, director	Salaries	\$ 24,000	\$ 33,750	\$235,356	\$ 218,638
President, chief operating officer, director	Fees	28,409	21,880	433,993	402,556
Corporate secretary	Fees	21,775	4,500	20,728	19,153
Former chief financial officer, director	Fees	18,000	-	27,825	13,650
Former chief financial officers, directors	Fees	-	21,150	-	-
Director	Fees	1,300	-	1,785	1,785
		<b>\$ 93,484</b>	<b>\$ 86,280</b>	<b>\$719,687</b>	<b>\$ 655,782</b>

The balances referred to above are non-interest bearing, unsecured, receivable or payable on demand with no specific terms for repayment and have arisen from the provision of services and expense reimbursements or advances described.

**SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have most significant effect on the amounts recognized in the condensed consolidated interim financial statements are as follows:

- Determination of functional currency;
- Asset carrying values and impairment charges;
- Impairment of exploration and evaluation assets;
- Capitalization of exploration and evaluation assets;
- Mineral reserve estimates;
- Estimation of decommissioning and restoration costs and the timing of expenditure;
- Income taxes and recoverability of potential deferred tax assets; and
- Share based payments.

**NEW ACCOUNTING STANDARDS**

For information on the Company's accounting policies and new accounting pronouncements, please refer to our disclosure in our Consolidated Financial Statements for the year ended October 31, 2016.

**CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of precious metal properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

The properties to which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund on-going activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend 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 where sufficient geologic or economic potential are noted and if financial resources exist to do so.

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Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

Details of the Company's financial instruments, management's assessment of their related risks and details of management of those risks are as follows:

**Financial risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, GST receivable, marketable securities, reclamation bond, accounts payable and accrued liabilities, and payable to related parties.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

**Financial instrument risk exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The Company does not have any asset backed commercial paper.

**Credit risk**

The Company's main exposure to credit risk relates to its cash. Cash balances are held in Canadian and US chartered banks. The Company determined that it has limited exposure to credit risk related to receivables since these amounts are not material.

**Liquidity risk**

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at January 31, 2017, the Company had cash of \$39,636 to settle current liabilities of \$1,205,682 which fall due for payment within twelve months of the statement of financial position date. The Company's cash is invested in business accounts which are available on demand. Management has determined that the Company will require additional financing to meet its obligations during fiscal 2017, and is actively engaged in raising funds via a private placement of units and convertible notes.

**Market risk**

The market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rate fluctuations. This is not a significant risk to the Company.

**Foreign exchange risk**

The Company's exposure to fluctuations in foreign exchange rates is limited.

**OTHER RISK FACTORS**

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further

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exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities and properties, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity. The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

The Company's exploration and development activities require permits and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

The Company's activities are subject to extensive federal, state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims and concessions. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

The market price of securities of many companies, particularly exploration and development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

A number of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of The Company may have a conflict of interest in negotiating and concluding terms respecting such participation. Further, certain of the directors and officers are involved in other copper exploration companies and other companies that are developing mines. As a result, conflicts of interest may arise and officers and directors cannot devote 100% of their time to the Company.

The Company has invested resources to document and analyze its system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

**LEGAL MATTERS**

A Statement of Claim was filed against the Company by a former Officer and Director on October 14, 2016 seeking payment of approximately \$177,000 for services rendered. The Company disputes the amount claimed and has filed a Statement of Defense as a substantial portion of the amount claimed is without merit. The outcome of this litigation is not determinable and a loss, if

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any, resulting from these proceedings cannot be reasonably determined at this time. On March 14, 2017, the Company paid \$123,025 into the courts in trust on account of the lawsuit initiated by this former officer.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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 interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificate 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.

**ADDITIONAL INFORMATION**

Additional information about the Company is available at the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

**APPROVAL**

The board of directors has approved the disclosure contained in this MD&A.

**CAUTIONARY NOTES FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's future business plans and strategy, exploration plans, and environmental protection requirements. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" (or "does not expect"), "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" (or "does not anticipate"), or "believes", and other similar words and phrases, or which states that certain actions, events, or results "may", "could", "might", or "will" occur. Forward-looking information is subject to known and unknown risks and uncertainties that may cause the actual results, or performance of the Company to be materially different from those expressed or implied by such forward-looking information. These risks and uncertainties include risk and uncertainties associated with the mining industry and the exploration and development of mineral projects, such as the uncertainty of exploration results, the volatility of commodity prices, potential changes in government regulation, the uncertainty of potential title claims against the Company's projects, and the uncertainty of predicting operating and capital costs. They also include risks and uncertainties that affect the business environment generally, such as international political or economic developments, changes in interest rates and the condition of financial markets, and changes in exchange rates.

Forward-looking information is based on assumptions and expectations which the Company considers are reasonable, and which are based on management's experience and its perception of trends, current conditions, and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information. The Company can give no assurance that forward-looking information, or the assumptions and expectations on which it is based, will prove to be correct. Nevada Clean Magnesium Inc. does not undertake to revise or update any forward-looking information, except in accordance with applicable laws. Readers should not place undue reliance on forward looking information.

**MANAGEMENT**

The following comprise key management and directors:

Edward Lee – Chief Executive Officer, Director

James Sever – President, Chief Operating Officer, Director

Lisa Maxwell – Corporate Secretary

Steve Thorlakson – Interim Chief Financial Officer, Director

Robert Brown – Independent Director

Jeff Wilson – Independent Director

Scott Rowe – Independent Director

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Boris Chubukov – Independent Director  
Aaron Palumbo – Independent Director