

**NEVADA CLEAN MAGNESIUM INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Condensed Interim Consolidated Statements of Financial Position  
As at April 30, 2017 and 2016  
(Expressed in Canadian Dollars)

	Notes	April 30, 2017	October 31, 2016
		(Unaudited)	(Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 130,029	\$ 70,904
Accounts receivable		8,931	25,304
Prepaid expenses		-	7,674
Restricted cash	6	123,026	-
		<b>261,986</b>	103,882
<b>Non-current assets</b>			
Exploration and evaluation assets	4	1,472,207	1,445,160
Reclamation deposit		3,500	3,500
<b>TOTAL ASSETS</b>		<b>\$ 1,737,693</b>	<b>\$ 1,552,542</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 231,814	\$ 213,887
Due to related parties	5,6	699,783	655,782
Provision for flow through share issuances	9	288,900	288,900
Promissory note	7	-	14,500
		<b>1,220,497</b>	1,173,069
<b>Non-current liabilities</b>			
Convertible debentures	8	-	427,625
<b>Total liabilities</b>		<b>1,220,497</b>	1,600,694
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	16,756,361	15,956,143
Obligations to issue shares	15	83,000	-
Reserves	10	2,538,694	2,399,687
Accumulated other comprehensive income		509,249	482,299
Deficit		(19,370,108)	(18,886,281)
<b>Total Shareholders' equity (deficiency)</b>		<b>517,196</b>	<b>(48,152)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,737,693</b>	<b>\$ 1,552,542</b>
<b>Nature of operations and going concern</b>	1		
<b>Contingencies</b>	6		
<b>Subsequent events</b>	15		

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

Approved on behalf of the directors on June 29, 2017

"Edward Lee" Director

"Steve Thorlakson" Director

**NEVADA CLEAN MAGNESIUM INC.**

## Condensed Interim Consolidated Statements of Comprehensive Loss

For the Period Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	2017	April 30, 2016	2017	April 30, 2016
<b>Expenses</b>				
Bank charges	619	\$ 612	\$ 885	\$ 845
Consulting and management fees	5 101,240	28,326	150,149	164,551
Engineering expense	6,460	-	6,460	-
Foreign exchange loss (gain)	(5,346)	(98)	885	1,086
Interest	8,544	7,413	27,468	7,413
Office and general	13,702	8,118	26,723	12,265
Professional fees	25,411	40,535	29,413	21,967
Salaries	5 24,000	24,310	48,000	49,468
Shareholder communications	12,000	17,678	32,313	22,491
Stock based compensation	131,321	76,624	131,321	76,624
Transfer agent and filing fees	20,105	10,332	21,838	12,550
Travel	1,886	129	8,372	129
<b>Net loss for the period</b>	<b>(339,942)</b>	<b>(193,979)</b>	<b>(483,827)</b>	<b>(369,389)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency gain (loss) on translation of subsidiary	57,253	(123,330)	26,950	(54,815)
Realized gain (loss) on marketable securities	-	(207)	-	(207)
<b>Other comprehensive loss (gain) for the period</b>	<b>57,253</b>	<b>(123,537)</b>	<b>26,950</b>	<b>(55,022)</b>
<b>Total comprehensive loss for the period</b>	<b>\$ (282,689)</b>	<b>\$ (317,516)</b>	<b>\$ (456,877)</b>	<b>\$ (424,411)</b>
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	153,016,335	152,511,450	153,188,705	151,742,659

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

**NEVADA CLEAN MAGNESIUM INC.**

Condensed interim consolidated Statement of Changes in Equity

For the Period Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	Common shares		Obligations to issue shares	Share based payments reserve	Accumulated Deficit	Total other comprehensive income (loss)	Shareholders' equity (Deficiency)
	Shares	Amount					
<b>Balance, October 31, 2015</b>	<b>149,871,450</b>	<b>\$ 15,834,143</b>	<b>\$ -</b>	<b>\$ 2,361,551</b>	<b>\$ (18,363,331)</b>	<b>\$ 447,367</b>	<b>\$ 279,730</b>
Private placements	1,640,000	82,000	-	-	-	-	82,000
Shares issued for services	1,000,000	40,000	-	-	-	-	40,000
Options granted	-	-	-	76,624	-	-	76,624
Total comprehensive income (loss) for the period	-	-	-	-	(369,389)	(55,022)	(424,411)
<b>Balance, April 30, 2016</b>	<b>152,511,450</b>	<b>\$ 15,956,143</b>	<b>\$ -</b>	<b>\$ 2,438,175</b>	<b>\$ (18,732,720)</b>	<b>\$ 392,345</b>	<b>\$ 53,943</b>
<b>Balance, October 31, 2016</b>	<b>152,511,450</b>	<b>\$ 15,956,143</b>	<b>\$ -</b>	<b>\$ 2,399,687</b>	<b>\$ (18,886,281)</b>	<b>\$ 482,299</b>	<b>\$ (48,152)</b>
Private placement	6,015,200	300,760	-	-	-	-	300,760
Shares issued for services	1,000,000	50,000	-	-	-	-	50,000
Shares issued for debt settlement	9,535,598	476,780	-	-	-	-	476,780
Obligation to issue shares	-	-	83,000	-	-	-	83,000
Options granted	-	-	-	131,321	-	-	131,321
Share issued costs	-	(27,322)	-	7,686	-	-	(19,636)
Comprehensive income (loss) for the period	-	-	-	-	(483,827)	26,950	(456,877)
<b>Balance, April 30, 2017</b>	<b>169,062,248</b>	<b>\$ 16,756,361</b>	<b>\$ 83,000</b>	<b>\$ 2,538,694</b>	<b>\$ (19,370,108)</b>	<b>\$ 509,249</b>	<b>\$ 517,196</b>

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

**NEVADA CLEAN MAGNESIUM INC.**

Condensed Interim Consolidated Statements of Cash Flows

For the Periods Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	For the Six Months Ended April 30,	
	2017	2016
<b>Cash provided by (used in): Operating activities</b>		
Net loss for the period	\$ (483,827)	\$ (369,389)
Items not affecting cash:		
Accrued interest	27,155	7,413
Shares issued for services	50,000	50,000
Stock-based compensation	131,321	76,624
Foreign exchange translation	(97)	1,574
Changes in non-cash working capital items:		
Accounts receivable	16,373	(6,774)
Restricted cash	(123,026)	-
Prepaid expenses	7,674	-
Accounts payable and accrued liabilities	17,927	(35,000)
Due to related parties	44,001	57,771
<b>Net cash (used in) provided by operating activities</b>	<b>(312,499)</b>	<b>(217,781)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares, net of share issuance costs	281,124	82,000
Proceeds from share subscription	83,000	-
Proceeds (repayment) from promissory note	(14,500)	14,000
Proceeds from convertible debenture	22,000	250,000
Other comprehensive loss on marketable securities	-	207
<b>Net cash provided by financing activities</b>	<b>371,624</b>	<b>346,207</b>
<b>Net increase (decrease) in cash</b>	<b>59,125</b>	<b>128,426</b>
<b>Cash, beginning of the period</b>	<b>70,904</b>	<b>17,112</b>
<b>Cash, end of the period</b>	<b>\$ 130,029</b>	<b>\$ 145,538</b>
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

## NEVADA CLEAN MAGNESIUM INC.

### Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### 1. Nature of operations and going concern

Nevada Clean Magnesium Inc. (the "Company", or "NCMI") 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 condensed interim 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 April 30, 2017, the Company had working capital deficiency of \$958,511 (October 31, 2016 –\$1,069,187). It has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the period ended April 30, 2017, the Company reported a comprehensive loss of \$456,877 (2016 – \$424,411). As at April 30, 2017, the Company had an accumulated deficit of \$19,370,108 (October 31, 2016 – \$18,886,281).

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 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted.

## NEVADA CLEAN MAGNESIUM INC.

### Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended October 31, 2016, which have been prepared in accordance with IFRS. The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended October 31, 2016. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **b) Functional and presentation currency**

These condensed interim consolidated 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.

#### **c) Critical accounting estimates and judgments**

##### *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities, provisions for restoration and environmental obligations and contingent liabilities.

##### *Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- whether there are indicators of impairment of the Company's exploration and evaluation assets and other non-current assets;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the classification of financial instruments.

### **3. Principles of consolidation**

These condensed interim consolidated 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.



**NEVADA CLEAN MAGNESIUM INC.**

Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

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**4. Exploration and evaluation assets**

	British Columbia, Canada	Nevada, United States	Total
<b>Balance, October 31, 2015</b>	\$ 3	\$ 1,390,389	\$ 1,390,389
Acquisition costs	-	17,484	17,484
Exploration costs	-	2,300	2,300
Impairment	(1)	-	(1)
Foreign currency translation	-	34,985	34,985
<b>Balance, October 31, 2016</b>	2	1,445,158	1,445,160
Foreign currency translation	-	27,047	20,047
<b>Balance, April 30, 2017</b>	<b>\$ 2</b>	<b>\$ 1,472,205</b>	<b>\$ 1,472,207</b>

**a) British Columbia, Canada**

	Windpass Sweethome	Crowrea Empress	Beaverdell	Total
<b>Balance, October 31, 2015</b>	\$ 1	\$ 1	\$ 1	\$ 3
Impairment	(1)	-	-	(1)
<b>Balance, October 31, 2016 and April 30, 2017</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2</b>

**i) Windpass Sweethome Property, Kamloops Mining Division**

The Windpass Sweethome property is located 50 kilometers northeast of Barriere in the Thompson Plateau area of Central British Columbia. In 2014, the carrying value of the property was written down to \$1. In 2016, the Company abandoned this property and wrote off the remaining \$1.

**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. During the year ended October 31, 2015, an impairment was recorded on the property in the amount of \$256,820, reducing the carrying value to \$1.

**iii) Beaverdell Property, Greenwood Mining Division**

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

**b) Nevada, United States**

	Silverado	Tami-Mosi	Total
<b>Balance, October 31, 2015</b>	\$ 1	\$ 1,390,388	\$ 1,390,389
Acquisition costs	-	17,484	17,484
Exploration costs	-	2,300	2,300
Foreign currency translation	-	34,985	34,985
<b>Balance, October 31, 2016</b>	1	1,445,157	1,445,158
Foreign currency translation	-	27,047	27,047
<b>Balance, April 30, 2017</b>	<b>\$ 1</b>	<b>\$1,472,204</b>	<b>1,472,205</b>

## NEVADA CLEAN MAGNESIUM INC.

### Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### i) 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 a 100% owned by the Company.

#### ii) 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 totaling approximately 677 hectares and 4 quartz unpatented claims totaling approximately 33 hectares, is 100% owned by the Company, 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 February 6, 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 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. 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:

- 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;
- NCMI will be BBT's industry partner;
- NCMI to provide BBT board positions and stock options;
- NCMI will have first right of refusal to exclusivity and licensing of the BBT process;
- The BBT principals will provide their grant writing abilities to NCM for potential research grants and US loan guarantees that are available for new magnesium metal projects within the United States;
- NCMI, through a revenue share agreement, will grant access of the Tami-Mosi magnesium property to BBT in order to commercialized its process;
- 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.

#### 5. Related party transactions

Related party transactions incurred during the period ended April 30, 2017 and 2016 consisted of salaries and fees of \$143,194 (2016 - \$134,914) to directors and officers of the Company. At April 30, 2017, balances payable to these parties totaled \$699,783 (October 31, 2016 - \$655,782).

#### 6. Contingencies

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.

## NEVADA CLEAN MAGNESIUM INC.

### Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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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 any, resulting from these proceedings cannot be reasonably determined at this time. On March 14, 2017, the Company paid \$123,026 into the courts, in trust, on account of the lawsuit initiated by this former officer and director. The civil suit filed by this former officer and director has now been settled. ( Note 15)

#### 7. 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 April 30, 2017, the promissory note and \$813 (October 31, 2016 - \$500) of accrued interest was paid in full.

#### 8. 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 is 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. The Company has allocated all the proceeds to the debt component of these convertible notes.

As of April 30, 2017, \$350,000 of convertible notes and \$63,055 of interest on these notes was converted into 8,261,095 common shares of the Company.

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, is 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. 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.

As of April 30, 2017, \$62,000 of convertible notes and \$1,725 of interest accrued on these notes was converted into 1,274,503 common shares of the Company.

#### 9. Provision for flow through share issuances

The Company has recorded a provision in the amount of \$288,900 (October 31, 2016 - \$288,900) for tax and related obligations relating to flow through share issuances from prior years.

#### 10. 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.

**NEVADA CLEAN MAGNESIUM INC.**

## Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

**b) Issued shares**

During the year ended October 31, 2016, the Company issued the following units and shares:

1. On December 23, 2015, the Company received gross proceeds of \$82,000 consisting of 1,640,000 units. Each unit consists of one common share and one share purchase warrant for a period of three years. Each warrant exercisable into one common share at a price of \$0.05 for the first two years and \$0.10 for the third year from the date of issuance.
2. On December 23, 2015, the Company issued the first 1,000,000 common shares for the services provided with a fair market value of \$40,000.

During the period ended April 30, 2017, the Company issued the following units and shares:

1. 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 consists of one common share of the Company and one common share purchase warrant. Each warrant is 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 \$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. The broker's warrants fair value was estimated \$1,870.

On March 27, 2017, the Company closed the second tranche of the non-brokered private placement for gross proceeds of \$202,500 comprised of 4,050,000 units at a price of \$0.05 per. The Company paid \$17,636 Finder's Fee in cash and issued 155,000 broker's warrants at a price of \$0.05 per warrant in connection with the first tranche. The broker's warrants fair value was estimated \$5,816.

2. During the period ended April 30, 2017, the Company converted \$412,000 of its convertible debentures (Note 8) and \$64,780 of interest incurred on these convertible debentures into 9,535,598 common shares at a market price of \$0.05.
3. On April 3, 2017, the Company issued 1,000,000 shares at a market price of \$0.05 for the services provided to the Company (Note 11).

**c) Issued warrants**

A summary of the changes in the Company's share purchase warrants during the period ended April 30, 2017 are as follows:

Expiry date	Exercise price	WARC life (years)	October 31, 2016	Granted	Exercised	Expired/Cancelled	April 30, 2017
December 29, 2017	\$ 0.05	0.67	1,280,000	-	-	-	1,280,000
February 17, 2018	\$ 0.05	0.80	2,190,000	-	-	-	2,190,000
May 7, 2018	\$ 0.05	1.02	1,340,000	-	-	-	1,340,000
October 28, 2018	\$ 0.05	1.24	1,000,000	-	-	-	1,000,000
September 20, 2018	\$ 0.05	1.39	400,000	-	-	-	400,000

**NEVADA CLEAN MAGNESIUM INC.**

Notes to the Consolidated Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

December 22, 2018	\$ 0.05	1.65	1,640,000	-	-	-	1,640,000
February 21, 2022	\$ 0.05	4.82	-	2,005,200	-	-	2,005,200
March 27, 2022	\$ 0.05	4.91	-	4,205,000	-	-	4,205,000
<b>TOTAL</b>			<b>7,850,000</b>	<b>6,210,200</b>	-	-	<b>14,060,200</b>
<b>Weighted average price</b>			<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.05</b>

Assumptions used in the broker's warrants fair market evaluation are as follows:

	<b>2017</b>	<b>2016</b>
Risk free rate of interest	0.94 - 1.16%	0.66%
Expected life of options	5 years	5 years
Exercise price of options	\$ 0.05	\$ 0.05
Expected annualized volatility	232 - 234%	232%
Expected dividend rate	-	-

**d) Share-based payments**

The Company has adopted an incentive stock option plan 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.

A summary of the changes in the Company's stock options during the period ended April 30, 2016 are as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>WARC Life (years)</b>	<b>Number of options October 31, 2016</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/Cancelled</b>	<b>Number of options April 30, 2017</b>
August 12, 2018	\$ 0.05	1.28	4,010,000	-	-	-	4,010,000
January 9, 2019	\$ 0.11	1.70	6,200,000	-	-	500,000	5,700,000
May 9, 2019	\$ 0.08	2.02	400,000	-	-	-	400,000
May 29, 2019	\$ 0.08	2.08	1,100,000	-	-	-	1,100,000
June 3, 2020	\$ 0.05	3.10	2,250,000	-	-	-	2,250,000
February 11, 2021	\$ 0.05	3.79	1,600,000	-	-	-	1,600,000
August 16, 2021	\$ 0.05	4.30	2,000,000	-	-	-	2,000,000
March 27, 2022	\$ 0.05	4.91	-	3,500,000	-	-	3,500,000
<b>TOTAL</b>			<b>17,860,000</b>	<b>3,500,000</b>	-	<b>500,000</b>	<b>20,860,000</b>
<b>Weighted average price</b>			<b>\$ 0.07</b>	<b>\$ 0.05</b>	<b>\$ -</b>	<b>\$ 0.11</b>	<b>\$ 0.07</b>

During the period ended April 30, 2017, the Company granted 3,500,000 stock options to directors, officers and consultants of the Company, exercisable at \$0.05 per share, vesting immediately, and incurred stock-based compensation expense of \$131,321 (2016 - \$76,624).

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Assumptions used in the above stock based compensation calculations are as follows:

	<b>2017</b>	<b>2016</b>
Risk free rate of interest	0.64 - 1.06%	0.66%
Expected life of options	2 - 5 years	5 years
Exercise price of options	\$ 0.05	\$ 0.05
Expected annualized volatility	200.44 - 323.84%	232%
Expected dividend rate	-	-

**e) 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 subsequently exercised, the fair value of such options in share-based payments reserve is credited to share capital.

**f) Dilutive common shares**

For the period ended April 30, 2017, potentially dilutive common shares (relating to warrants and options outstanding) totalling 34,920,200 (October 31, 2016 – 33,210,000) were not included in the computation of loss per share as the effect would be anti-dilutive.

**11. Commitments**

On October 6, 2015, the Company contracted Lindon Acres Enterprises Ltd. ("Lindon") located in Fort St John, British Columbia, to build a bench scale pilot furnace with the technical assistance from James Sever, P. Eng. and Alpha Omega Inc., of Spokane Washington. In consideration, Lindon was issued a total of 2,000,000 shares of the Company for the services rendered and expenses incurred in the construction of the furnace, of which 1,000,000 shares were issued on December 22, 2015, at the time of completed procurement of materials and shell fabrication and another 1,000,000 common shares were issued on April 3, 2017 (Note 10), on completion of the bench scale test furnace.

On November 1, 2016, the Company entered into a service agreement 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 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.

On April 7, 2017, the Company signed an operating and storage agreement with Industrial Surplus Supplies Ltd. ("ISS") located in Fort St. John, British Columbia. The agreement provides the Company with a facility to operate and later store the bench scale pilot furnace which is scheduled to process materials needed to produce magnesium metal for proof of concept of the Company's process. The agreement also allows for storage of not less than one year with compensation being the issuance of 1,500,000 shares of the Company. These shares will be subject to a four month hold period per TSX-Venture Exchange policy.

April 25, 2017, the Company entered into an agreement with Baxter Capital Inc. ("BCA"), of Scottsdale, Arizona for the of six months period. BCA will provide financial advisory and assist with the company's application for uplisting to the OTC QB. In consideration for services provided, BCA will receive \$14,500 USD as follows: \$3500 USD to be paid upon the execution of this agreement and approval from the TSX Venture Exchange; \$6500 USD to be paid once the company is trading on the OTC QB exchange; \$4500 USD to be paid the one day prior to commencement of the US broker

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presentations. In addition, BCA will receive an option allowing the purchase of 500,000 common shares of the Company at a price to be determined but not less than \$0.05 cents per share CDN.

**12. Financial instruments and financial risk management**

As at April 30, 2017	Loans and receivables \$	Assets/liabilities at fair value through profit and loss \$	Other liabilities \$	Total \$
Cash	-	130,029	-	130,029
Restricted cash	123,026	-	-	123,026
Accounts receivable	8,931	-	-	8,931
Reclamation bonds	3,500	-	-	3,500
Accounts payable	-	-	231,814	231,814
Due to related parties	-	-	699,783	699,783
Provision for flow through share issuances	-	-	288,900	288,900

As at October 31, 2016	Loans and receivables \$	Assets/liabilities at fair value through profit and loss \$	Other liabilities \$	Total \$
Cash	-	70,904	-	70,904
Accounts	25,304	-	-	25,304
Reclamation	3,500	-	-	3,500
Accounts	-	-	213,887	213,887
Due to related	-	-	655,782	655,782
Provision for flow through share	-	-	288,900	288,900
Promissory	-	-	14,500	14,500
Convertible	-	-	427,625	427,625

**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 payables 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 period.

**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**

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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 year.

#### 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 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 year.

#### (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 the period end, net liabilities denominated in



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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.

#### (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 GST 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, 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 2017 fiscal year, and also allows the Company to continue its exploration and evaluation program.

### 13. **Capital management**

The Company classifies the components of shareholders' equity and cash as capital, which at April 30, 2017 totalled \$647,225 (October 31, 2016 - \$22,752). 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 changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

### 14. **Segmented information**

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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:

	<b>April 30, 2017</b>	<b>October 31, 2016</b>
Canada	\$ 2	\$ 2
United States	1,472,205	1,445,158
Balance	<b>\$ 1,472,207</b>	<b>\$ 1,445,160</b>

**15. Subsequent events**

1. On May 10, 2017, the Company closed a third tranche of the non-brokered private placement originally announced on February 10, 2017 (Note 10) for gross proceeds of \$351,813 comprising of 7,036,260 units at a price of \$0.05 per unit. The Company paid \$10,782.00 cash in finder’s fees and issued 68,626 broker’s warrants at a price of \$0.05 in connection to this tranche. The broker’s warrants were fair valued at \$3,244. As of April 30, 2017, \$83,000 of share subscription was received towards this tranche.
2. On May 24, 2017, the Company engaged FrontTier Merchant Capital Group to provide investor relations and marketing services. Under the terms of the engagement, FrontTier has been retained for a 12 month period at \$87,000 (plus GST) per annum plus direct expenses. The Company also granted 300,000 stock options to FrontTier at an exercise price of \$0.05 expiring two years from the date of grant. This agreement is subject to TSX Venture regulatory approval.
3. Subsequently, the Company granted 1,100,000 incentive stock options to its directors, officers, advisors and consultants. The options are exercisable at a price of \$0.05 per share for a five-year term.
4. The civil suit filed by a former officer and director, has been settled. (Note 6)