NEVADA CLEAN MAGNESIUM INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Period Ended January 31, 2018 and 2017

(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.

NEVADA CLEAN MAGNESIUM INC.
Condensed Interim Consolidated Statements of Financial Position
As at January 31, 2018 and October 31, 2017
(Expressed in Canadian Dollars)

	Notes	January 31, 2018	October 31, 2017
ASSETS		(Unaudited)	(Audited)
Current assets			
Cash		$ 204,418	**$ 380,961**
Accounts receivable		8,713	**6,009**
Prepaid expenses		65,296	**90,577**
		278,427	**477,547**
Non-current assets			
Exploration and evaluation assets	**5**	1,342,159	**1,407,667**
Equipment	**4**	110,852	**108,365**
Reclamation deposit		3,500	**3,500**
TOTAL ASSETS		$ 1,734,938	**$ 1,997,079**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$14,423	**$ 14,139**
Due to related parties	**6,7**	731,020	**723,820**
Provision for flow through share issuances	**9**	288,900	**288,900**
		1,034,343	**1,026,859**
Non-current liabilities			
Convertible debentures	**8**	394,525	**385,775**
Total liabilities		1,428,868	**1,412,634**
Shareholders' equity (deficiency)	**10**	17,210,492	**17,210,492**
Reserves	**10**	2,645,569	**2,645,569**
Obligation to issue shares	**11**	75,000	**75,000**
Accumulated other comprehensive income		360,739	**426,283**
Deficit		(19,985,730)	**(19,772,899)**
Total Shareholders' equity		306,070	**584,445**
TOTAL LIABILITIES AND EQUITY		$1,734,938	**$ 1,997,079**

Nature of operations and going concern	**1**
Contingencies	**7**
Commitments	**11**
Subsequent events	**15**

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

Approved on behalf of the directors on March 26, 2018

"Edward Lee" Director *"Dennis Mee"* Director & CFO

NEVADA CLEAN MAGNESIUM INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the Periods Ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	2018	2017
Expenses			
Bank charges		$ 510	$ 266
Depreciation	4	606	-
Consulting and management fees	6	122,809	48,909
Exploration expense		1,234	-
Foreign exchange loss (gain)		-	6,231
Interest		8,750	18,924
Office and general		19,025	13,021
Professional fees		7,549	4,002
Salaries	6	9,000	24,000
Shareholder communications		20,834	20,313
Transfer agent and filing fees		1,377	1,733
Travel		21,137	6,486
Net loss for the period		(212,831)	(143,885)
Other comprehensive income (loss)			
Foreign currency gain (loss) on translation of subsidiary		(65,544)	(30,303)
Total comprehensive loss for the period		$ (278,375)	$ (178,188)
Basic and diluted loss per share		$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted		178,318,508	152,511,450

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 Periods Ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Common shares		Share based payments and other reserve	Obligation to issue shares	Accumulated Deficit	Total other comprehensive income (loss)	Shareholders' equity (deficiency)
	Shares	Amount					
Balance, October 31, 2016	**152,511,450**	**$ 15,956,143**	**$ 2,399,687**	**$ -**	**$ (18,886,281)**	**$ 482,299**	**$ (48,152)**
Comprehensive income (loss) for the period	-	-	-	10,000	(143,885)	(30,303)	(164,188)
Balance, January 31, 2017	**152,511,450**	**15,956,143**	**2,399,687**	**10,000**	**(19,030,166)**	**451,996**	**(212,340)**
Private placement	14,621,460	731,073	-	-	-	-	731,073
Shares issued for services	1,550,000	77,500	-	65,000	-	-	152,500
Shares issued for debt settlement	9,535,598	476,780	-	-	-	-	476,780
Shares issued on warrants exercise	100,000	5,000	-	-	-	-	5,000
Options granted	-	-	195,785	-	-	-	195,785
Share issued costs	-	(36,004)	10,930	-	-	-	(22,074)
Equity component of convertible debt	-	-	39,167	-	-	-	39,167
Comprehensive income (loss) for the period	-	-	-	-	(742,733)	(25,713)	(768,446)
Balance, October 31, 2017	**178,318,508**	**17,210,492**	**2,645,569**	**75,000**	**(19,772,899)**	**426,283**	**584,445**
Comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**(212,831)**	**(65,544)**	**(278,375)**
Balance, January 31, 2018	**178,318,508**	**$ 17,210,492**	**$ 2,645,569**	**$ 75,000**	**$ (19,985,730)**	**$ 360,739**	**$ 306,070**

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

NEVADA CLEAN MAGNESIUM INC.

Condensed Interim Consolidated Statements of Cash Flows
For the Periods Ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	2018	2017
Cash provided by (used in):		
Operating activities		
Net loss for the period	**$ (212,831)**	$ (143,885)
Items not affecting cash:		
Accrued interest	**8,750**	18,924
Depreciation	**606**	-
Foreign exchange translation	**(36)**	(66)
Changes in non-cash working capital items:		
Accounts receivable	**(2,704)**	21,660
Prepaid expenses	**25,281**	7,674
Accounts payable and accrued liabilities	**284**	(31,480)
Due to related parties	**7,200**	63,905
Net cash used in operating activities	**(173,450)**	(63,268)
Investing activities		
Equipment	**(3,093)**	-
Net cash used in investing activities	**(3,093)**	-
Financing activities		
Proceeds from share subscription	**-**	10,000
Proceeds from convertible debenture	**-**	50,000
Net cash provided by financing activities	**-**	60,000
Net decrease in cash	**(176,543)**	(31,268)
Cash, beginning of the period	**380,961**	70,904
Cash, end of the period	**$ 204,418**	$ 39,636
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

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

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 ("TSX-V") under the symbol "NVM" and OTCQB market under the symbol "MLYFF". 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 January 31, 2018, the Company had working capital deficiency of $755,916 (October 31, 2017 –$549,311). It has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the period ended January 31, 2018, the Company reported a loss of $212,831 (2017 – $143,885). As at January 31, 2018, the Company had an accumulated deficit of $19,985,730 (October 31, 2017 – $19,772,899).

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. These factors indicate the existence of a material uncertainty that cast significant doubt on the Company's ability to continue as a going concern.

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.

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, 2017, 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, 2017. 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 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 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 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.

(Expressed in Canadian Dollars)

4. Equipment

Cost	Computer equipment	Pilot Furnace	Total
As at October 31, 2016	$ -	$ -	$ -
Additions during the year	9,095	99,695	108,790
As at October 31, 2017	9,095	99,695	108,790
Additions during the period	-	3,093	3,093
As at January 31, 2018	$ 9,095	$ 102,788	$ 111,883
Accumulated depreciation			
As at October 31, 2016	$ -	$ -	$ -
Additions during the year	425	-	425
As at October 31, 2017	425	-	425
Additions during the period	606	-	606
As at January 31, 2018	$ 1,031	$ -	$ 1,031
Net book value			
As at October 31, 2016	$ -	$ -	$ -
As at October 31, 2017	$ 8,670	$ 99,695	$ 108,365
As at January 31, 2018	**$ 8,064**	**$ 102,788**	**$ 110,852**

5. Exploration and evaluation assets

	Beaverdell Property	Silverado Property	Tami-Mosi Property	Total
Balance, October 31, 2016	$ 1	$ 1	$ 1,445,158	$ 1,445,160
Foreign currency translation	-	-	(56,426)	(56,426)
Engineering	-	-	17,549	17,549
License	-	-	1,385	1,385
Balance, October 31, 2017	**1**	**1**	**1,407,665**	**1,407,667**
Foreign currency translation	-	-	(65,509)	(65,509)
Balance, January 31, 2018	**$ 1**	**$ 1**	**$ 1,342,157**	**$ 1,342,159**

a) Beaverdell Property, Greenwood Mining Division, British Columbia, Canada

The Beaverdell property is located 3 kilometers southeast of Beaverdell, British Columbia, and is owned 100% by the Company. The carrying value of the property $1.

b) Silverado Property, Nevada, United States

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. The carrying value of the property $1.

c) Tami-Mosi Property Nevada, United States

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

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 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 provided BBT board positions and stock options (Note 10);
- 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 commercialize its process;
- NCMI issued 15% of the Company's total common shares on January 1, 2017 to BBT released at increments of 5% per year over a 3 year period.

As of January 31, 2018, the transaction has not been approved by the TSX-V and no definitive agreement has been signed.

6. Related party transactions

Related party transactions incurred during the period ended January 31, 2018 and 2017 consisted of salaries and fees of $107,250 (2017 - $93,484) to directors and officers of the Company. At January 31, 2018, balances payable to these parties totaled $731,020 (October 31, 2017 - $723,820). Amounts owing are unsecured, non-interest bearing and have no specified terms of repayment.

7. 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.

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 is due 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 October 31, 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, of which $40,000 was closed on October 20, 2016 and $22,000 on December 9, 2016. The notes bear interest at 7.5% per annum, and any accrued but unpaid interest, is due 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 October 31, 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.

On August 10, 2017, the Company closed a non-brokered private placement of an unsecured convertible note in the principal amount of $220,000. The note bears interest at 10% per annum, and is due on the date that is one year following the closing date. The 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. The Company has allocated $18,333 of the proceeds to the equity component of these convertible notes. As of January 31, 2018, $9,942 (October 31, 2017 - $4,942) of interest was accrued on these notes.

On October 31, 2017, the Company closed a non-brokered private placement of an unsecured convertible note in the principal amount of $200,000. The note bears interest at 7.5% per annum, and is due on the date that is one year following the closing date. The 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 $20,834 of the proceeds to the equity component of these convertible notes. As of January 31, 2018, $3,750 of interest was accrued on these notes.

9. Provision for flow through share issuances

The Company has recorded a provision in the amount of $288,900 (2017 - $288,900) for tax and related obligations relating to flow through share issuances from prior years.

10. Share capital

i) Authorized capital

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

ii) Issued shares

During the year ended October 31, 2017, the Company issued the following units and shares:

The Company announced a non-brokered private placement for a total of 13,051,460 units at a price of $0.05 for gross proceeds of $652,573. 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. 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 this tranche. The broker's warrants fair value was estimated at $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. The Company paid $14,350 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 at $5,816.

(Expressed in Canadian Dollars)

On May 10, 2017, the Company closed the third tranche of the non-brokered private for gross proceeds of $351,813 comprising of 7,036,260 units. The Company paid $7,724 cash in finder's fees and issued 68,626 broker's warrants at a price of $0.05 in connection with this tranche. The broker's warrants fair value was estimated $3,244.

On August 15, 2017, the Company closed a non-brokered private placement of 1,570,000 units at a price of $0.05 per unit for gross proceeds of $78,500. Each unit consists of one common share 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 per share. 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 $0.0625. The Company paid a cash commission of $1,000.

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 price of $0.05.

On April 3, 2017, the Company issued 1,000,000 shares (Note 11) and on October 31, 2017, 550,000 shares at a price of $0.05 for the services provided to the Company.

On September 5, 2017, 100,000 warrants were exercised at a price of $0.05 for proceeds of $5,000.

iii) Warrants

A summary of the changes in the Company's share purchase warrants during the period ended January 31, 2018 are as follows:

Expiry date	Exercise price	WARC life (years)	October 31, 2017	Granted	Exercised	Expired/ Cancelled	January 31, 2018
December 29, 2017	$ 0.05	-	1,280,000	-	-	1,280,000	-
February 17, 2018*	$ 0.05	0.05	2,190,000	-	-	-	2,190,000
May 7, 2018	$ 0.05	0.26	1,340,000	-	-	-	1,340,000
October 28, 2018	$ 0.05	0.74	1,000,000	-	-	-	1,000,000
September 20, 2018	$ 0.05	0.64	400,000	-	-	-	400,000
December 22, 2018	$ 0.05	0.89	1,640,000	-	-	-	1,640,000
February 21, 2022	$ 0.05	4.06	2,005,200	-	-	-	2,005,200
March 27,2022	$ 0.05	4.15	4,205,000	-	-	-	4,205,000
May 9, 2022	$ 0.05	4.27	7,104,886	-	-	-	7,104,886
August 14, 2022	$ 0.05	4.54	1,470,000	-	-	-	1,470,000
TOTAL			**22,635,086**	**-**	**-**	**1,280,000**	**21,355,086**
Weighted average price			**$ 0.05**	**$ -**	**$ -**	**$ 0.05**	**$ 0.05**

*Subsequently, these warrants expired.

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

	2017
Risk free rate of interest	0.94 - 1.16%
Expected life of warrants	5 years
Exercise price of warrants	$ 0.05
Expected annualized volatility	232 - 234%

(Expressed in Canadian Dollars)

Expected dividend rate	-

iv) 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 January 31, 2018 are as follows:

Expiry date	Exercise Price $	WARC Life (years)	Number of options October 31, 2017	Granted	Exercised Expired/ Cancelled	Number of options January 31, 2018
August 12, 2018	0.05	0.53	4,010,000	-	-	4,010,000
January 9, 2019	0.11	0.94	5,700,000	-	-	5,700,000
May 9, 2019	0.08	1.27	400,000	-	-	400,000
May 29, 2019	0.08	1.32	1,100,000	-	-	1,100,000
June 3, 2020	0.05	2.34	2,250,000	-	-	2,250,000
February 11, 2021	0.05	3.03	1,600,000	-	-	1,600,000
August 16, 2021	0.05	3.54	2,000,000	-	-	2,000,000
March 27, 2022	0.05	4.15	3,500,000	-	-	3,500,000
May 1, 2022	0.05	4.25	1,100,000	-	-	1,100,000
May 24, 2019	0.05	1.31	300,000	-	-	300,000
TOTAL			**21,960,000**	**-**	**-**	**21,960,000**
Weighted average price			**$ 0.07**	**$ -**	**$ -**	**$ 0.07**

During the year ended October 31, 2017, the Company granted 4,900,000 stock options to directors, officers and consultants of the Company, exercisable at $0.05 per share, vesting immediately, and recorded a stock-based compensation expense of $195,785. Included in this was 1,500,000 options granted to BBT (Note 5).

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

	2017
Risk free rate of interest	0.64 - 1.06%
Expected life of options	2 - 5 years
Exercise price of options	$ 0.05
Expected annualized volatility	200.44 - 323.84%
Expected dividend rate	-

v) Share-based payments reserve

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

(Expressed in Canadian Dollars)

vi) Dilutive common shares

For the period ended January 31, 2018, potentially dilutive common shares (relating to warrants and options outstanding) totalling 43,315,086 (2017 –33,560,000) were not included in the computation of loss per share as the effect would be anti-dilutive.

11. Commitments

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, which were subsequently issued (Note 15) and have been recorded as an obligation to issue shares at October 31, 2017 with a fair value of $75,000.

12. Financial instruments and financial risk management

As at January 31, 2018	Loans and receivables $	Assets/liabilities at fair value through profit and loss $	Other liabilities $	Total $
Cash	-	204,418	-	204,418
Accounts receivable	8,713	-	-	8,713
Reclamation bonds	3,500	-	-	3,500
Accounts payable	-	-	14,423	14,423
Due to related parties	-	-	731,020	731,020
Provision for flow through share	-	-	288,900	288,900
Convertible debenture	-	-	394,525	394,525

As at January 31, 2017	Loans and receivables $	Assets/liabilities at fair value through profit and loss $	Other liabilities $	Total $
Cash	-	39,636	-	39,636
Accounts receivable	3,644	-	-	3,644
Reclamation bonds	3,500	-	-	3,500
Accounts payable	-	-	182,407	182,407
Due to related parties	-	-	719,687	719,687
Promissory note	-	-	14,688	14,688
Convertible debentures	-	-	468,361	468,361
Provision for flow through share	-	-	288,900	288,900

i) 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. Receivables 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

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 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 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 2018 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 January 31, 2018, totaled

(Expressed in Canadian Dollars)

$510,448 (October 31, 2017 - $965,406). 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

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:

	January 31, 2018	October 31, 2017
Canada	$ 1	$ 1
United States	1,342,158	1,407,666
Balance	$ 1,342,159	$ 1,407,667

15. Subsequent events

On February 5, 2018, the Company issued 1,500,000 shares to Industrial Surplus Supplies Ltd. in connection to an operating and storage agreement (Note 11).