NEVADA CLEAN MAGNESIUM INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended October 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nevada Clean Magnesium Inc.

We have audited the accompanying consolidated financial statements of Nevada Clean Magnesium Inc., which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nevada Clean Magnesium Inc. as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 7, 2019

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

	Notes		2018		2017
ASSETS					
Current assets					
Cash		**$**	**239,807**	$	380,961
Accounts receivable			**9,392**		6,009
Prepaid expenses			**12,991**		90,577
			262,190		477,547
Non-current assets					
Equipment	**4**		**6,069**		108,365
Exploration and evaluation assets	**5**		**1,453,680**		1,407,667
Reclamation deposit			**3,500**		3,500
TOTAL ASSETS		**$**	**1,725,439**	$	1,997,079
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**17,715**	$	14,139
Due to related parties	**6**		**795,711**		723,820
Provision for flow through share issuances	**9**		**288,900**		288,900
			1,102,326		1,026,859
Non-current liabilities					
Convertible debentures	**8**		**-**		385,775
Total liabilities			**1,102,326**		1,412,634
Shareholders' equity					
Share capital	**10**		**18,374,126**		17,210,492
Reserves	**10**		**2,759,189**		2,645,569
Obligation to issue shares	**10,11**		**-**		75,000
Accumulated other comprehensive income			**453,026**		426,283
Deficit			**(20,963,228)**		(19,772,899)
Total Shareholders' equity			**623,113**		584,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**1,725,439**	$	1,997,079
Nature of operations and going concern	**1**				
Contingencies	**7**				
Commitments	**11**				
Subsequent events	**16**				

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

Approved on behalf of the directors on February 7, 2019

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

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Comprehensive Loss

For the Years Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Notes	2018	2017
Expenses			
Bank charges		**$ 1,453**	$ 1,500
Depreciation	**4**	**2,601**	425
Consulting and management fees	**6**	**442,121**	296,641
Exploration expense		**5,223**	3,790
Foreign exchange loss (gain)		**20,540**	(21,789)
Interest and accretion	8	**74,609**	39,373
Office and general		**89,955**	134,132
Professional fees		**74,937**	50,765
Salaries	**6**	**62,940**	84,156
Shareholder communications		**96,559**	65,928
Stock-based compensation	**10**	**152,347**	195,785
Transfer agent and filing fees		**30,035**	43,290
Travel		**30,541**	41,461
		(1,083,861)	(935,457)
Other income (loss)			
Gain on derecognition of liabilities		**-**	48,840
Impairment of assets	**4**	**(106,468)**	(1)
Net loss for the year		**(1,190,329)**	(886,618)
Other comprehensive income (loss)			
Foreign currency gain (loss) on translation of subsidiary		**26,743**	(56,016)
Total comprehensive loss for the year		**$ (1,163,586)**	$ (942,634)
Basic and diluted loss per share		**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		**182,172,768**	166,062,666

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

NEVADA CLEAN MAGNESIUM INC.
Consolidated Statement of Changes in Equity
For the Years Ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	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)**
Private placement	14,621,460	731,073	-	-	-	-	731,073
Shares issued for services	1,550,000	77,500	-	75,000	-	-	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 loss for the year	-	-	-	-	(886,618)	(56,016)	(942,634)
Balance, October 31, 2017	**178,318,508**	**17,210,492**	**2,645,569**	**75,000**	**(19,772,899)**	**426,283**	**584,445**
Private placement	11,300,000	565,000	-	-	-	-	565,000
Shares issued for services (Note 11)	2,000,000	100,000	-	(75,000)	-	-	25,000
Shares issued for convertible debenture	9,201,150	499,224	(39,167)	-	-	-	460,057
Shares issued for options exercised	13,000	650	-	-	-	-	650
Share issued costs	-	(1,240)	440	-	-	-	(800)
Options granted and extended	-	-	152,347	-	-	-	152,347
Comprehensive income (loss) for the year	-	-	-	-	(1,190,329)	26,743	(1,163,586)
Balance, October 31, 2018	**200,832,658**	**$ 18,374,126**	**$ 2,759,189**	**$ -**	**$ (20,963,228)**	**$ 453,026**	**$ 623,113**

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

NEVADA CLEAN MAGNESIUM INC.

Consolidated Statements of Cash Flows
For the Years Ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Cash provided by (used in):		
Operating activities		
Net loss for the year	**$ (1,190,329)**	$ (886,618)
Items not affecting cash:		
Accrued interest and accretion	**74,609**	32,097
Depreciation	**2,601**	425
Impairment of assets	**106,468**	1
Gain on derecognition of debts	**-**	(48,840)
Shares issued for services	**25,000**	124,375
Stock-based compensation	**152,347**	195,785
Foreign exchange	**(831)**	(14)
Changes in non-cash working capital items:		
Accounts receivable	**(3,383)**	19,295
Prepaid expenses	**77,586**	(54,779)
Accounts payable and accrued liabilities	**3,249**	(149,656)
Due to related parties	**71,891**	60,609
Net cash used in operating activities	**(680,792)**	(707,320)
Investing activities		
Exploration and evaluation assets	**(18,439)**	(18,934)
Equipment	**(6,773)**	(102,188)
Net cash used in investing activities	**(25,212)**	(121,122)
Financing activities		
Proceeds from issuance of shares, net of share issuance costs	**564,850**	710,999
Proceeds (repayment) from promissory note	**-**	(14,500)
Proceeds from convertible debenture	**-**	442,000
Net cash provided by financing activities	**564,850**	1,138,499
Change in cash	**(141,154)**	310,057
Cash, beginning of the year	**380,961**	70,904
Cash, end of the year	**$ 239,807**	$ 380,961
Other non-cash transactions		
Shares issued for conversion of debt	$ 499,225	$ 476,780

The accompanying notes are an integral part of these 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", OTCQB market under the symbol "MLYFF" and on Frankfurt exchange under the symbol "M1V". The Company is principally engaged in the acquisition, exploration and development of interests in mineral resource projects in British Columbia, Canada and Nevada, USA. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

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

These consolidated financial statements comprise the financial statements of Nevada Clean Magnesium Inc. and its wholly owned subsidiary, Nevada Clean Magnesium USA, Inc. (former "Nevada Moray Inc.", name change on May 16, 2018), incorporated in the state of Nevada, USA.

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

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

At October 31, 2018, the Company had working capital deficiency of $840,136 (2017 –$549,312), has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended October 31, 2018, the Company reported a comprehensive loss of $1,163,586(2017 – $942,634). As at October 31, 2018, the Company had an accumulated deficit of $20,963,228 (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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated 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. Significant accounting policies

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

a) 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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

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

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

c) Cash and cash equivalents

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

d) Reclamation deposit

The Company maintains cash deposits, as required by regulatory bodies, as assurance for the funding of decommissioning costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled and are therefore classified as long term assets.

e) Equipment

Equipment ("PPE") is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

f) Research and development

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

g) Exploration and evaluation assets

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

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

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

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

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

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

h) Impairment of non-financial assets

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

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

i) Income taxes

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

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

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

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

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

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

j) Loss per share

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

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

k) Share-based payments

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

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

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

l) Decommissioning liabilities

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

m) Share capital

The Company records proceeds from share issuances net of issuance costs. Shares issued for consideration other than cash are valued at the quoted price on the date the shares are issued.

n) Financial instruments

(i) Financial assets

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

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

Available-for-sale financial assets
Available-for-sale financial assets are financial assets that are designated as available for sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income and presented within equity in accumulated other comprehensive income (loss). When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has no financial assets classified as Available-for-sale.

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

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

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

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

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

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

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

(ii) Financial liabilities

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

(iii) Equity instruments

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

o) Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements. The Company also has not early adopted any of these standards in the consolidated financial statements.

IFRS 9, Financial Instruments
IFRS 9 as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is intended to reduce complexity in the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of this standard will have no material impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers
The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The adoption of this standard will have no material impact on the Company's financial statements.

IFRS 16, Leases
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The adoption of this standard will have no material impact on the Company's financial statements.

(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 year		-		6,773		6,773
Write off of equipment				(106,468)		(106,468)
As at October 31, 2018	$	9,095	$	-	$	9,095
Accumulated depreciation						
As at October 31, 2016	$	-	$	-	$	-
Additions during the year		425		-		425
As at October 31, 2017		425		-		425
Additions during the year		2,601		-		2,601
As at October 31, 2018	$	3,026	$	-	$	3,026
Net book value						
As at October 31, 2017	$	8,670	$	99,695	$	108,365
As at October 31, 2018	**$**	**6,069**	**$**	**-**	**$**	**6,069**

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	-	-	27,574	27,574
License	-	-	18,439	18,439
Balance, October 31, 2018	**$ 1**	**$ 1**	**$ 1,453,678**	**$ 1,453,680**

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 is $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 totaling approximately 120 hectares, and is a 100% owned by the Company. The carrying value of the property is $1.

c) Tami-Mosi Property Nevada, United States

The Tami-Mosi property is located approximately 8 miles southeast of Ely, Nevada, 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.

(Expressed in Canadian Dollars)

6. Related party transactions

Key management personnel comprise the President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President of Corporate Development and Directors of the Company. The remuneration of the key management personnel for the year ended October 31, 2018 and 2017 was as follows:

During the year ended October 31, 2018, the Company incurred salaries, management and consulting fees totaling $412,586 (2017 - $257,526) to directors, officers and the companies owned by them.

During the year ended October 31, 2018, the Company recorded share-based payments of $75,123 (2017 – $113,231) for options granted to directors and officers of the Company.

	Short-term employee benefits	Share-based payments	Total
Year ended October 31, 2018			
Directors and officers	$ 412,586	$ 75,123	$ 487,709
Year ended October 31, 2017			
Directors and officers	$ 257,526	$ 113,231	$ 370,757

As at October 31, 2018, the balance owing to related parties is $795,711 (2017 - $723,820).

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

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. On October 12, 2018, this convertible note and $25,797 of accrued interest was converted into 4,915,945 shares of the Company.

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. On October 12, 2018, this convertible note and $14,260 of accrued interest was converted into 4,285,205 shares of the Company.

In fiscal 2018, the Company recorded $37,167 (2017 - $Nil) of accretion expense on these convertible debentures.

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

<u>During the year ended October 31, 2017, the Company issued the following units and shares:</u>

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 to 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.

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.

On October 12, 2018, the Company converted $412,000 of its convertible debentures 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 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.

During the year ended October 31, 2018, the Company issued the following units and shares:

On February 5, 2018, the Company issued 1,500,000 shares at a price of $0.05 for the services provided to the Company. An obligation to issue those shares with a fair value of $75,000 was recorded at October 31, 2017.

On May 7, 2018, the Company closed a non-brokered private placement for gross proceeds of $155,000 comprising 3,100,000 units at a price of $0.05. 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 two years at a price of $0.07.

On October 4, 2018, the Company closed first tranche of a non-brokered private placement for gross proceeds of $410,000 comprising of 8,200,000 units at a price of $0.05. Each unit consists of one common share at a price of $0.05 and one common share purchase warrant exercisable into one common share for a period of two years at a price of $0.08. Finder's fees of $800 were paid and 16,000 broker's warrants exercisable for a period of two years at a price of $0.08 and fair valued at $440 were issued in connection with this private placement.

An acceleration clause is included with the warrants such that the Company has the right, on thirty days' written notice, to require a holder to exercise the warrants so long as the closing trading price of the Company's common shares on the Company's principal trading market exceeds $0.10 per share for at least ten consecutive trading days at any time prior to the date of the Call Notice. The warrants will terminate on the date that is thirty days from the date of the call notice in the event that the holder has not exercised the warrants in accordance with the terms of the Call Notice by such date.

During the year ended October 31, 2018, 13,000 options were exercised for the proceeds of $650.

On October 12, 2018, the Company issued a total of 9,201,150 shares to settle two convertible notes with a face value $420,000 and $40,057 of interest incurred on those notes (Note 8). Upon conversation, the equity component of $39,167 previously recorded in reserves was reclassified to share capital.

During the year ended October 31, 2018, the Company issued a total of 500,000 shares at a price of $0.05 per share to Lodestar for the services provided (Note 11).

(Expressed in Canadian Dollars)

iii) Warrants

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

Expiry date	Exercise price	Weighted Average Contractual life (years)	October 31, 2017	Granted	Exercised	Expired/ Cancelled	October 31, 2018
December 29, 2017	$ 0.05	-	1,280,000	-	-	1,280,000	-
February 17, 2018	$ 0.05	-	2,190,000	-	-	2,190,000	-
May 7, 2018	$ 0.05	-	1,340,000	-	-	1,340,000	-
October 28, 2018	$ 0.05	-	1,000,000	-	-	1,000,000	-
September 20, 2018	$ 0.05	-	400,000	-	-	400,000	
December 22, 2018*	$ 0.05	0.01	1,640,000	-	-	-	1,640,000
February 21, 2022	$ 0.05	0.24	2,005,200	-	-	-	2,005,200
March 27, 2022	$ 0.05	0.52	4,205,000	-	-	-	4,205,000
May 9, 2022	$ 0.05	0.90	7,104,886	-	-	-	7,104,886
August 14, 2022	$ 0.05	0.20	1,470,000	-	-	-	1,470,000
May 7, 2020	$ 0.07	0.17	-	3,100,000	-	-	3,100,000
October 4, 2020	$ 0.08	0.57	-	8,216,000	-	-	8,216,000
TOTAL			**22,635,086**	**11,316,000**	**-**	**6,210,000**	**27,741,086**
Weighted average exercise price			**$ 0.05**	**$ 0.08**		**$ 0.05**	**$ 0.06**

*Subsequently, these warrants expired.

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

	2018	2017
Risk free rate of interest	2.33%	0.94 - 1.16%
Expected life of warrants	2 years	5 years
Exercise price of warrants	$ 0.08	$ 0.05
Expected annualized volatility	182%	232 - 234%
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.

(Expressed in Canadian Dollars)

A summary of the changes in the Company's stock options during the year ended October 31, 2018 are as follows:

Expiry date	Exercise Price $	Weighted Average Contractual Life (years)	Number of options October 31, 2017	Granted	Exercised/ Expired/ Cancelled	Number of options October 31, 2018
August 12, 2023	0.05	0.84	4,010,000	-	-	4,010,000
January 9, 2019	0.11	0.05	5,700,000	-	-	5,700,000
May 9, 2019	0.08	0.01	400,000	-	-	400,000
May 29, 2019	0.08	0.02	1,100,000	-	(300,000)	800,000
June 3, 2020	0.05	0.16	2,250,000	-	-	2,250,000
February 11, 2021	0.05	0.13	1,600,000	-	-	1,600,000
August 16, 2021	0.05	0.16	2,000,000	-	-	2,000,000
March 27, 2022	0.05	0.52	3,500,000	-	(13,000)	3,487,000
May 1, 2022	0.05	0.17	1,100,000	-	-	1,100,000
May 24, 2019	0.05	0.01	300,000	-	-	300,000
April 19, 2023	0.05	5.97	-	1,100,000	-	1,100,000
TOTAL			**21,960,000**	**1,100,000**	**(313,000)**	**22,747,000**
Weighted average exercise price			**$ 0.07**	**$ 0.05**	**$ 0.08**	**$ 0.07**

During the year ended October 31, 2018, the Company granted 1,100,000 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 $38,707 (2017 - $195,785). The Company extended 4,010,000 options at a price of $0.05 per share to August 12, 2023 and recorded $113,640 of stock-based compensation expense on this extension.

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

	2018	**2017**
Risk free rate of interest	2.18 %	0.64 - 1.06%
Expected life of options	5 years	2 - 5 years
Exercise price of options	$ 0.05	$ 0.05
Expected annualized volatility	214.74%	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.

vi) Dilutive common shares

For the year ended October 31, 2018, potentially dilutive common shares (relating to warrants and options outstanding) totaling 50,488,086 (2017 –44,595,086) were not included in the computation of loss per share as the effect would be anti-dilutive.

11. Commitments

On January 1, 2016, the Company signed a service agreement with Lodestar Management Group, LLC. ("Lodestar"), a US corporate logistics company, which was extended on January 1, 2017 and 2018 with the same terms. 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 and is renewable. 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. The Company issued 550,000 at a price of $0.05 shares during the year ended October 31, 2017 and 500,000 shares at a price of $0.05 during the year ended October 31, 2018. Subsequently, the Company issued another 150,000 shares at a price $0.05 (Note 16).

On June 26, 2018, the Company signed the definitive agreements and entered into a Sublicense Agreement and a Joint Services Agreement, both with Big Blue Technologies LLC of Colorado ("BBT"). BBT has recently signed an exclusive license with the University of Colorado respecting certain patents and processes owned by the University relating to producing magnesium, primarily using the chemistry known as carbothermal reduction which BBT developed together with the University (the "BBT Process"). Under the Sublicense Agreement, NCMI and BBT will jointly develop the BBT Process and NCMI will have an exclusive sublicense to utilize the BBT Process so long as it pays license fees and meets certain other conditions.

Under the Joint Services Agreement, BBT and its scientific team will assist the Company in further developing and commercializing the Company's own process of producing magnesium, which unlike the BBT Process, uses either a silicothermic process or a proprietary reductant (the "NCM Process"). In payment for BBT's services for the joint development of the NCM Process, the Company will pay BBT in stock, issuing up to 22,876,717 common shares to BBT as against valid accounts for services rendered at a deemed price of $0.05 per share. As of October 31, 2018, 64,914 shares were accrued for these services. On December 5, 2018, the Company terminated the sublicensing and services agreements with Big Blue Technologies (Note 16).

On October 28, 2018, the Company signed an agreement with Industrial Surplus Supplies Ltd. ("ISS") located in Fort St. John, British Columbia, to build the newly designed continuous silico-thermic reduction furnace. ISS will be issued a total of 2,500,000 shares of the Company as compensation for the services rendered and expenses incurred in the construction of the furnace, at a price of $0.05 of which 1,250,000 shares will be issued at the time of completed procurement of materials and 1,250,000 at the time of total furnace construction with complete instrumentation. 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 have been recorded as an obligation to issue shares at October 31, 2017 with a fair value of $75,000 and issued on February 5, 2018. Subsequently, on November 13, 2018, ISS remuneration was increased to 8,000,000 shares of the Company at a price of $0.05.

On August 29, 2018, the Company signed a definitive agreement with The Stirling Group of Vancouver ("Stirling") for consulting services intended to position the Company for future expansion into production of magnesium metal. The terms of the contract are for 6 months and renewable with an initial payment of $25,000 USD followed by an additional $40,000 USD at the end of the fourth month after a successful money raise of up to $1,000,000 USD. Included in the term is a final money raise of $5,000,000 USD at the end of 6 months with a succession fee of 5% of the issued Class "B" shares (approx. 9,000,000 shares) as calculated on the date of signing the agreement. Both proposed financings under this agreement are also subject to a Finder's Fee of 8% in cash.

(Expressed in Canadian Dollars)

12. Financial instruments and financial risk management

As at October 31, 2018	Loans and receivables $	Assets/liabilities at fair value through profit and loss $	Other liabilities $	Total $
Cash	-	239,807	-	239,807
Reclamation bonds	3,500	-	-	3,500
Accounts payable	-	-	17,715	17,715
Due to related parties	-	-	795,711	795,711

As at October 31, 2017	Loans and receivables $	Assets/liabilities at fair value through profit and loss $	Other liabilities $	Total $
Cash	-	380,961	-	380,961
Reclamation bonds	3,500	-	-	3,500
Accounts payable	-	-	14,139	14,139
Due to related parties	-	-	723,819	723,819
Convertible debenture	-	-	385,775	385,775

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 2019 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 October 31, 2018, totaled $862,920 (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.

(Expressed in Canadian Dollars)

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:

	2018	2017
Canada	$ 1	$ 1
United States	1,453,679	1,407,666
Balance	$ 1,453,680	$ 1,407,667

15. Income tax

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

	October 31, 2018	October 31, 2017
Loss before other income	$ (1,190,330)	$ (886,618)
Effective statutory rate	27.02%	26.03%
Expected income tax recovery at statutory rate	(321,598)	(230,760)
Net adjustment for deductible and non-deductible amounts	41,748	38,959
Change in tax rates	118,859	-
Other including prior year true-ups	(134,331)	-
Valuation allowance	295,322	191,801
Deferred income tax provision (recovery)	$ -	$ -

The Companies deferred tax assets and liabilities are as follows:

	October 31, 2018	October 31, 2017
Non-capital loss carry-forwards	$ 3,357,935	$ 3,060,337
Share issuance costs	4,316	5,578
Exploration and evaluation assets - Canada and US	1,466,097	1,466,096
Property and equipment	11,611	12,622
Valuation allowance	(4,839,958)	(4,497,352)
Deferred income tax asset (liability)	$ -	$ -

The Company has approximately $8,967,000 of non-capital losses in Canada and $2,754,000 net operating losses in the US that, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire at various dates through 2038.

16. Subsequent events

a. On November 30, 2018, the Company closed the second tranche of non-brokered private placement, originally announced on September 14, 2018, comprising of 7,699,760 units for gross proceeds of $384,988. Each unit consists of one common share at a price of $0.05 and one common share purchase warrant exercisable into one common share for a period of two years at a price of $0.08. An acceleration clause is included with the warrants such that the Company has the right, on thirty days' written notice, to require a holder to exercise the warrants so long as the closing trading price of the Company's common shares on the Company's principal trading market exceeds $0.10 per share for at least ten consecutive trading days at any time prior to the date of the Call Notice. The warrants will terminate on the date that is thirty days from the date of the call notice in the event that the holder has not exercised the warrants in accordance with the terms of the Call Notice by such date.

   The Company paid a finder's fees of $24,001 in cash and 145,960 shares in connection with the second tranche.

b. Subsequent to October 31, 2018, the Company issued a total of 150,000 shares to Lodestar for the services provided (Note 11).

c. On December 5, 2018, the Company granted 9,600,000 stock options for its directors, officers, advisors and consultants. The options are exercisable at a price of $0.05 per share for a five-year term.

d. On December 5, 2018, the Company has ended its Assignment and Assumptions, Sublicense & Services, and Joint Services Agreements with Big Blue Technologies and has accepted the resignation of Dr. Aarron Palumbo and Dr. Boris Chubukov from the Board of Directors (Note 11).

e. On January 23, 2019, the Company closed the first tranche of non-brokered private placement for gross proceeds of $317,422 comprised of 6,348,435 units at a price of $0.05. Each unit will consist of one common share and one warrant. Each warrant is exercisable into one common share for a period of two years at a price of $0.08. The Company paid finders fees totaling $7,295 in cash, 530,077 shares and 40,000 broker warrants under the same terms as the financing in connection to this closing.

f. Subsequent to October 31, 2018, the Company has hired, under 5 year contracts, five additional executives, being President & COO, CFO, Corp Secretary, Environmental Director and Investor Relations Manager. The total annualized salary including contracts entered into in October, 2018 (Note 11) will be 1,500,000.