WESTERN MAGNESIUM CORPORATION

(Formerly Nevada Clean Magnesium Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Western Magnesium Corporation (Formerly Nevada Clean Magnesium Inc.)

Opinion

We have audited the consolidated financial statements of Western Magnesium Corporation (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
February 28, 2020

WESTERN MAGNESIUM CORPORATION
Consolidated Statements of Financial Position
As at October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents		$ 44,282	$ 239,807
Accounts receivable		26,425	9,392
Prepaid expenses		105,007	12,991
		175,714	262,190
Non-current assets			
Equipment	5	109,426	6,069
Exploration and evaluation assets	6	1,475,497	1,453,680
Reclamation deposit		3,500	3,500
TOTAL ASSETS		$ 1,764,137	$ 1,725,439
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 816,944	$ 17,715
Due to related parties	7	841,571	795,711
Promissory note	9	134,250	-
Provision for flow through share issuances	10	288,900	288,900
Total liabilities		2,081,665	1,102,326
Shareholders' equity (deficit)			
Share capital	11	22,461,089	18,374,126
Reserves	11	4,277,510	2,759,189
Obligations to issue shares	17	52,922	-
Accumulated other comprehensive income		453,543	453,026
Deficit		(27,562,592)	(20,963,228)
Total Shareholders' equity (deficit)		(317,528)	623,113
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 1,764,137	$ 1,725,439

Nature of operations and going concern	1
Contingencies	8
Commitments	7, 12
Subsequent events	17

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

Approved on behalf of the directors on February 28, 2020

"Edward Lee" Director *"Sam Ataya"* Director & CEO

WESTERN MAGNESIUM CORPORATION

Consolidated Statements of Comprehensive Loss

For the Years Ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Note	2019	2018
Expenses			
Bank charges		**$ 10,258**	$ 1,453
Depreciation	**5**	**10,267**	2,601
Property investigation	**12**	**515,518**	-
Consulting and management fees	**7**	**676,904**	442,121
Exploration expense		**-**	5,223
Foreign exchange loss (gain)		**10,334**	20,540
Investor relations		**173,112**	-
Interest and accretion	**9**	**2,123**	74,609
Office and general		**315,150**	89,955
Professional fees		**723,598**	74,937
Salaries	**7**	**1,792,287**	62,940
Shareholder communications		**518,535**	96,559
Stock-based compensation	**11**	**1,553,933**	152,347
Transfer agent and filing fees		**98,845**	30,035
Travel		**193,732**	30,541
Loss from operations		**(6,594,596)**	(1,083,861)
Write off of equipment		**(4,768)**	-
Impairment of assets	**5**	**-**	(106,468)
Net loss for the year		**(6,599,364)**	(1,190,329)
Other comprehensive income (loss)			
Foreign currency gain on translation of subsidiary		**517**	26,743
Total comprehensive loss for the year		**$ (6,598,847)**	$ (1,163,586)
Basic and diluted loss per share		**$ (0.03)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		**241,051,823**	182,172,768

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

WESTERN MAGNESIUM CORPORATION
Consolidated Statement of Changes in Equity (Deficit)
For the Years Ended October 31, 2019 and 2018
(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, 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 (Note 9)	9,201,150	499,224	(39,167)	-	-	-	460,057
Shares issued for options exercised (Note 11)	13,000	650	-	-	-	-	650
Share issuance costs (Note 11)	-	(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**
Private placements (Note 11)	61,472,502	3,074,208	-	-	-	-	3,074,208
Shares issued for services (Note 11)	150,000	7,500	-	-	-	-	7,500
Shares issued on warrants exercised (Note 11)	15,055,344	1,100,771	-	-	-	-	1,100,771
Shares issued on debt settlement (Note 11)	328,571	57,500	-	-	-	-	57,500
Shares issued on options exercised (Note 11)	1,100,000	91,749	(36,750)	-	-	-	54,999
Share issued costs	-	(244,765)	1,138	-	-	-	(243,628)
Share subscription (Note 17)	-	-	-	52,922	-	-	52,922
Options granted (Note 11)	-	-	1,553,933	-	-	-	1,553,933
Comprehensive income (loss) for the year	-	-	-	-	(6,599,364)	517	(6,598,847)
Balance, October 31, 2019	**278,939,075**	**$ 22,461,089**	**$ 4,277,510**	**$ 52,922**	**$ (27,562,592)**	**$ 453,543**	**$ (317,528)**

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

WESTERN MAGNESIUM CORPORATION
Consolidated Statements of Cash Flows
For the Year Ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Cash provided by (used in):		
Operating activities		
Net loss for the year	**$ (6,599,364)**	$ (1,190,329)
Items not affecting cash:		
Accrued interest and accretion	**2,250**	74,609
Depreciation	**10,267**	2,601
Impairment of assets	**-**	106,468
Write off of equipment	**4,768**	-
Shares issued for services	**7,500**	25,000
Stock-based compensation	**1,553,933**	152,347
Foreign exchange	**(1,284)**	(831)
Changes in non-cash working capital items:		
Accounts receivable	**(17,033)**	(3,383)
Prepaid expenses	**(92,016)**	77,586
Accounts payable and accrued liabilities	**856,729**	3,249
Due to related parties	**45,860**	71,891
Net cash used in operating activities	**(4,228,390)**	(680,792)
Investing activities		
Equipment	**(118,393)**	(6,773)
Exploration and evaluation of assets	**(20,015)**	(18,439)
Net cash used in investing activities	**(138,408)**	(25,212)
Financing activities		
Proceeds from issuance of shares, net of share issuance costs	**3,986,351**	564,850
Proceeds from share subscription	**52,922**	-
Promissory note	**132,000**	-
Net cash provided by financing activities	**4,171,273**	564,850
Decrease in cash	**(195,525)**	(141,154)
Cash and cash equivalents, beginning of the year	**239,807**	380,961
Cash and cash equivalents, end of the year	**$ 44,282**	$ 239,807
Other non-cash transactions		
Shares issued for conversion of debt	$ 57,500	$ 499,225
Fair value of exercised options	$ 36,750	$.
Cash and cash equivalents consist of:		
Cash	$ 24,136	$ 239,807
Guaranteed investment certificate	$ 20,146	$.
	$ 44,282	$ 239,807

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

1. Nature of operations and going concern

Western Magnesium Corporation (the "Company", or "WMC", formerly "Nevada Clean Magnesium Inc.") was incorporated under the laws of British Columbia on March 24, 1966. On May 14, 2019, the Company discontinued from the jurisdiction of the Business Corporations Act (British Columbia) and domesticated under the General Corporation Law of the State of Delaware under the name "Western Magnesium Corporation". WMC is a publicly traded company with its shares listed on the TSX Venture Exchange ("TSX-V") under the symbol "WMG.V", OTCQB market under the symbol "MLYF" 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 Canada and the USA. To date, the Company has not generated any revenues and is considered to be in the exploration and development stage.

The address of the Company's corporate office and principal place of business is #900 – 580 Hornby street, Vancouver, British Columbia, V6C 3B6. The Company's USA office address is 3733 Howard Hughes Parkway, Suite 249, Las Vegas, Nevada, 89169.

These consolidated financial statements comprise the financial statements of Western Magnesium Corporation and its wholly owned subsidiaries, Western Magnesium Corp. (formerly "Nevada Clean Magnesium USA, Inc.", name change on December 19, 2018), incorporated in the state of Nevada, USA and Western Magnesium Canada Corp. incorporated on May 3, 2019 in British Columbia, Canada.

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, 2019, the Company had working capital deficiency of $1,905,951 (2018 – $840,136), has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended October 31, 2019, the Company reported a comprehensive loss of $6,598,847 (2018 – $1,163,586). As at October 31, 2019, the Company had an accumulated deficit of $27,562,592 (2018– $20,963,228).

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 potential 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 todeficit.

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

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, due to related parties and promissory note.

The Company completed a detailed assessment of its financial assets and liabilities as at November 1, 2018. Upon adoption of IFRS 9 – Financial Instruments ("IFRS 9"), the Company's classification of its financial instruments is as follows:

Asset or Liability	Original - IAS 39 Classification	New – IFRS 9 Classification
Cash and cash equivalents	FVTPL*	FVTPL
Accounts receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related party	Other liabilities	Amortized cost
Promissory note	Other liabilities	Amortized cost

* Fair value through profit and loss (“FVTPL”)

Classification

On initial recognition, the Company classifies its financial instruments in the following categories: at (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost.

- A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVTOCI. This election is made on an investment-by-investment basis.

All financial assets not classified or measured at amortized cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost - Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost - The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets - The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities - The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Changes in Accounting Standards

New Accounting Standards Adopted During the Period

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard was adopted on November 1, 2018 and there was no impact on the Company's opening accumulated deficit nor to the opening balance of accumulated comprehensive loss.

(Expressed in Canadian Dollars)

New Accounting Standards Not Yet Adopted

New standards, amendments to standards and interpretations that may have a significant effect on the consolidated financial statements of the Company are as follows:

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.

On transition, the Company will elect to apply the practical expedient to grandfather the determination of which contract is or contains a lease and will apply IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, lease liabilities will be measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at November 1, 2019. Right-of-use assets and lease liabilities will be recognized on the statement of financial position with the cumulative difference recognized in deficit.

At transition, lease liabilities of approximately $182,000 will be recognized on the statement of financial position. Management is still analyzing the assumptions and inputs for the transition, so the final impact may be materially different from this estimate.

5. Equipment

Cost	**Computer equipment**	**Office Furniture**	**Office improvement**	**Pilot Furnace**	**Total**
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
Additions during the year	29,784	44,196	7,699	36,713	118,392
Write off of equipment	(9,095)	-	-	-	(9,095)
As at October 31, 2019	**$ 29,784**	**$ 44,196**	**$ 7,699**	**$ 36,713**	**$ 118,392**
Accumulated depreciation					
As at October 31, 2017	$ 425	$ -	$ -	$ -	$ 425
Additions during the year	2,601	-	-	-	2,601
As at October 31, 2018	3,026	-	-	-	3,026
Write off of equipment	(4,327)	-	-	-	(4,327)
Additions during the year	5,491	2,210	2,566	-	10,267
As at October 31, 2019	**$ 4,190**	**$ 2,210**	$ 2,566	**$ -**	**$ 8,966**
Net book value					
As at October 31, 2018	$ 6,069	$ -	**$ -**	**$ -**	$ 6,069
As at October 31, 2019	**$ 25,594**	**$ 41,986**	**$ 5,133**	**$ 36,713**	**$ 109,426**

(Expressed in Canadian Dollars)

6. Exploration and evaluation assets

	Beaverdell Property	Silverado Property	Tami Mosi Property	Total
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**
Foreign currency translation	-	-	1,802	1,802
License	-	-	20,015	20,015
Balance, October 31, 2019	**$ 1**	**$ 1**	**$ 1,475,494**	**$ 1,475,497**

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 leases, is 100% owned by the Company, and is subject to a 2% net smelter royalty in favor of the originating vendors.

7. Related party transactions

During the year ended October 31, 2019, the Company hired, under 5 year contracts, seven executives, being President & Chief Operating Officer, Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Affairs, Executive Chairman and Chief Permitting Officer, with the total annualized salary being $1,909,600 per year.

During the year ended October 31, 2019, the Company incurred salaries, management and consulting fees totaling $2,003,227 (2018 - $412,586) to directors, officers and the companies owned by those individuals. In addition, $36,285 was paid to a director for purchase of office furniture.

During the year ended October 31, 2019, the Company recorded share-based payments of $1,231,087 (2018 – $75,123) for options granted to directors and officers of the Company.

The remuneration of the key management personnel for the year ended October 31, 2019 and 2018 was as follows:

	Short-term employee benefits	Share-based payments	Total
Year ended October 31, 2019			
Directors and officers	$ 2,003,227	$ 1,231,087	$ 3,234,314
Year ended October 31, 2018			
Directors and officers	$ 412,586	$ 75,123	$ 487,709

On September 6, 2019, the Company settled the debt of $57,500 to a former officer and director through the issuance of 328,571 common shares at a fair value of $0.175 per share.

As at October 31, 2019, the balance owing to related parties is $841,571 (2018- $795,711) and is unsecured, non-interest bearing, with no stated terms of repayment.

8. 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. No royalties were paid during the years ended October 31, 2019 or 2018.

9. Convertible and promissory 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 bore interest at 10% per annum and was due on the date that was one year following the closing date. The note was 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 bore interest at 7.5% per annum and was due on the date that was one year following the closing date. The note was 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 of accretion expense on these convertible debentures.

During the year ended October 31, 2019, the Company received a loan of $150,000 from a related party. The loan is unsecured, bears interest at 18% and is due on demand. During the year ended October 31, 2019, the Company accrued interest expense of $2,250 and $18,000 was paid against the principal.

10. Provision for flow through share issuances

The Company has recorded a provision in the amount of $288,900 (October 31, 2018 - $288,900) for tax and related obligations relating to flow through share issuances from prior years.

11. Share capital

i) Authorized capital

The authorized share capital consists of 1,000,000,000 common voting shares at par value of $0.001.

ii) Issued shares

<u>During the year ended October 31, 2018, the Company issued the following:</u>

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 this 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 9). 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 Management Group, LLC. ("Lodestar) for the services provided (Note 11).

<u>During the year ended October 31, 2019, the Company issued the following:</u>

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 Company paid a finder's fees of $24,071 in cash and issued 145,960 shares at a price of $0.05 in connection with the second tranche.

During the year ended October 31, 2019, the Company issued a total of 150,000 shares to Lodestar at a price of $0.05 for the services provided (Note 12).

On January 23, 2019, the Company closed a non-brokered private placement for gross proceeds of $317,422 comprised of 6,348,435 units at a price of $0.05. Each unit consists 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. 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 Company paid finders fees totaling $7,381 in cash, issued 597,001 shares at a price of $0.05 and 40,000 broker warrants fair valued at $1,138 under the same terms as the financing warrants in connection to this closing.

(Expressed in Canadian Dollars)

On March 29, 2019, the Company closed a non-brokered private placement for gross proceeds up to $587,523 comprising of 11,750,464 units at a price of $0.05 per unit. 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 Company paid finders fees totaling $37,767 in cash, and issued 218,287 shares at a price of $0.05 in connection to this closing.

On May 13, 2019, the Company closed a non-brokered private placement for gross proceeds of $1,735,730 comprised of 34,712,595 units at a price of $0.05 per unit. 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. In connection with this financing the Company paid a finder's fees of $126,900 in cash.

On September 6, 2019, the TSX-V approved the debt settlement of $57,500 to a non-arm's length party through the issuance of 328,571 common shares at a price of $0.175.

During the year ended October 31, 2019, 1,100,000 options at a price of $0.05 and 15,055,344 warrants at an average price of $0.07 were exercised.

iii) Warrants

A summary of the changes in the Company's share purchase warrants during the year ended October 31, 2019 are as follows:

Expiry date	Exercise price	Weighted Average Life (years)	October 31, 2018	Granted	Exercised	Expired/ Cancelled	October 31, 2019
December 22, 2018	$ 0.05	-	1,640,000	-	-	(1,640,000)	-
February 21, 2022	$ 0.05	2.31	2,005,200	-	(500,000)	-	1,505,200
March 27, 2022	$ 0.05	2.41	4,205,000	-	(778,975)	-	3,426,025
May 9, 2022	$ 0.05	2.52	7,104,886	-	(2,016,260)	-	5,088,626
August 14, 2022	$ 0.05	2.79	1,470,000	-	(160,000)	-	1,310,000
May 7, 2020*	$ 0.07	0.52	3,100,000	-	-	-	3,100,000
October 4, 2020*	$ 0.08	0.93	8,216,000	-	(3,200,000)	-	5,016,000
November 30, 2020*	$ 0.08	1.08	-	7,699,760	(1,529,834)	-	6,169,926
January 23, 2021*	$ 0.08	1.23	-	6,388,435	-	-	6,388,435
March 29, 2021*	$ 0.08	1.41	-	11,750,464	(3,562,418)	-	8,188,046
May 13, 2021*	$ 0.08	1.53	-	34,712,595	(3,307,857)	-	31,404,739
TOTAL			**27,741,086**	**60,551,254**	**(15,055,344)**	**(1,640,000)**	**71,596,997**

(Expressed in Canadian Dollars)

Weighted average exercise price	**$ 0.06**	**$ 0.08**	**$ 0.07**	**$ 0.05**	**$ 0.07**

* Subsequently, the expiration date was amended to February 19, 2020 (Note 17)

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**

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

	2019	2018
Risk free rate of interest	1.82%	2.33%
Expected life of warrants	2 years	2 years
Exercise price of warrants	$0.08	$0.08
Expected annualized volatility	187%	182%
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, 2019 are as follows:

Expiry date	Exercise Price $	Weighted Average Life (years)	Number of options October 31, 2018	Granted	Exercised	Expired/ Cancelled	Number of options October 31, 2019
January 9, 2019	0.11	-	5,700,000	-	-	(5,700,000)	-
May 24, 2019	0.05	-	300,000	-	-	(300,000)	-
May 29, 2019	0.08	-	800,000	-	-	(800,000)	-
June 3, 2020	0.05	0.84	2,250,000	-	(200,000)	(1,500,000)	550,000
February 11, 2021	0.05	1.54	1,600,000	-	(300,000)	-	1,300,000
August 16, 2021	0.05	2.04	2,000,000	-	(300,000)	(500,000)	1,200,000
March 27, 2022	0.05	2.66	3,487,000	-	-	(1,487,000)	2,000,000
May 1, 2022	0.05	2.75	1,100,000	-	(300,000)	(800,000)	-
August 12, 2023	0.05	4.04	4,010,000	-	-	(230,000)	3,780,000
April 19, 2023	0.05	3.72	1,100,000	-	-	(300,000)	800,000
December 5, 2023	0.05	4.35	-	9,600,000	-	-	9,600,000
May 8, 2024	0.08	-	400,000	-	-		400,000
May 22, 2024	0.12	4.81	-	10,000,000	-	-	10,000,000
TOTAL			**22,747,000**	**19,600,000**	**(1,100,000)**	**(11,617,000)**	**29,630,000**
Weighted average exercise price			**$ 0.07**	**$0.09**	**$ 0.05**	**$ 0.08**	**$ 0.07**

During the year ended October 31, 2019, the Company granted a total of 19,600,000 stock options to directors, officers and consultants of the Company at weighted average exercisable price at $0.09 per share, vesting immediately, and extended the life of 400,000 stock options at a price $0.05 per share for another 5 years. A stock-based compensation expense of $1,553,933 (2018 - $152,347) was recorded during the year ended October 31, 2019. 1,100,000 options at a price of $0.05 were exercised and 11,617,000 options at weighted average price of $0.08 expired during the year ended October 31, 2019. $36,750 of fair value was reallocated from reserves to share capital on the exercise of options.

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**

(Expressed in Canadian Dollars)

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

	2019	2018
Risk free rate of interest	1.46% - 2.18%	2.18 %
Expected life of options	5 years	5 years
Exercise price of options	$ 0.05 - $0.12	$ 0.05
Expected annualized volatility	188.57% - 245.97%	214.74%
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, 2019, potentially dilutive common shares (relating to warrants and options outstanding) totaling 101,276,997 (2018 – 50,488,086) were not included in the computation of loss per share as the effect would be anti-dilutive.

12. 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 provides 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 1,050,000 shares at a price of $0.05 as of October 31, 2018 and 150,000 shares at a price of $0.05 during the year ended October 31, 2019 (Note 10).

The Company has a sublease agreement for office space in Canada. The lease term is from April 1, 2019 to March 31, 2021 and monthly rent is $9,345. In addition, the Company has an office lease in the USA. The lease term is from May 15, 2019 to May 31, 2021, and monthly rent is $1,293 USD.

In 2019, the Company signed a letter of intent for the potential purchase of a former smelter site in the state of Washington, USA. The Company was granted access to the site to perform certain due diligence activities in furtherance of the proposed acquisition. The acquisition did not complete and the Company is renegotiating the letter of intent. During the year ended October 31, 2019, the Company incurred $515,518 in connection with this investigation.

13. Financial instruments and financial risk management

Financial instruments	Measurement Method	Associated Risk	Fair Value at October 31, 2019 ($)
Cash and cash equivalents	FVTPL	Credit and currency	44,282
Accounts receivables	Amortized cost	Credit and concentration	26,425
Accounts payable and accrued liabilities	Amortized cost	Currency	816,944
Due to related party	Amortized cost	Currency	841,571
Promissory note	Amortized cost	Credit and currency	134,250

a. 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. 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.

b. 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.

c. 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 dollars were nominal. 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 2020 fiscal year, and also allow the Company to continue its exploration and evaluation program; however, additional funding will be required. Liquidity risk has been assessed as high.

(Expressed in Canadian Dollars)

14. Capital management

The Company classifies the components of shareholders' equity and cash as capital, which at October 31, 2019, totaled a deficit of $273,246 (October 31, 2018 - $862,920). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent upon external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

15. 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:

	2019	2018
Canada	$ 1	$ 1
United States	1,475,496	1,453,679
Balance	$ 1,475,497	$ 1,453,680

16. Income tax

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

	2019	2018
Loss for the year	$ (6,599,364)	$ (1,190,329)
Effective statutory rate	30.48%	27.02%
Expected income tax recovery at statutory rate	(2,011,541)	(321,598)
Net adjustment for deductible and non-deductible amounts	949,636	41,746
Change in tax rates	-	(143,118)
Other including prior year true-ups	-	231,169
Loss of tax assets on domestication to the USA	4,923,476	-
Valuation allowance	(3,861,571)	191,801
Deferred income tax provision (recovery)	$ -	$ -

(Expressed in Canadian Dollars)

The Company's deferred tax assets and liabilities are as follows:

	2019	2018
Non-capital loss carry-forwards	939,089	$ 3,318,637
Share issuance costs	-	4,316
Exploration and evaluation assets - Canada and US	-	1,466,097
Property and equipment	-	11,611
Valuation allowance	(939,089)	(4,839,958)
Deferred income tax asset (liability)	$ -	$ -

The Company has approximately $2,762,000 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 2039.

17. Subsequent events

On November 5, 2019, the Company granted 800,000 stock options pursuant to its Stock Option Plan to its directors, officers, advisors and consultants. The options are exercisable at a price of $0.15 per share for a five-year term.

On November 26, 2019, the Company granted 900,000 incentive stock options pursuant to its Stock Option Plan to its directors, officers, advisors and consultants. The options are exercisable at a price of $0.16 per share for a five-year term.

On November 19, 2019, the Company signed a three-year capital commitment with New York-based GEM Global Yield LLC SCS. The deal will make available $210 million (US$150 million) for the Company to use at its discretion, subject to terms, in its pursuit to commercialize production of high-grade magnesium metal. The Company will pay 2% fees in cash or shares and issue 33 million warrants with an exercise price of $0.26 in connection with this Share Subscription Facility. Any funding is subject to TSX-V approval.

On December 20, 2019, the Company exercised its right and called of all outstanding common share purchase warrants set to expire between May 7, 2020 and May 13, 2021 to expiry on January 19, 2020, and then extended the expiration date to February 19, 2020. Any unexercised warrants were voided and of no value after February 19, 2020.

Subsequent to October 31, 2019, 17,295,909 warrants at an average price of $0.07 were exercised.

On January 17, 2020, the Company closed a non-brokered private placement consisting of 3,643,792 units at a price of $0.15 per unit for gross proceeds of $546,569, of which $52,922 was recorded in share subscription for the funds received prior to October 31, 2019. Each unit consists of one common stock in the capital of the Company and one common stock purchase warrant. Each warrant will be exercisable into one common stock for a period of one year at a price of $0.21. The warrants are subject to an acceleration clause which gives the Company 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 exceeds $0.30 per stock for at least ten consecutive trading days at any time prior to the date of the notice.