WESTERN MAGNESIUM CORPORATION

C0NDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2021 and 2020

(Unaudited – expressed in Canadian Dollars)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of Western Magnesium Corporation consisting of the Condensed Consolidated Interim Statements of Financial Position as at January 31, 2021 and the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss, Cash Flows, Changes in Shareholders' Equity (Deficiency), and notes thereto for the three months ended January 31, 2021 and 2020 and the related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

WESTERN MAGNESIUM CORPORATION
Condensed Consolidated Interim Statements of Financial Position
As at January 31, 2021
Unaudited – expressed in Canadian dollars

	Note	January 31 2021 $	October 31, 2020 $
ASSETS			
Current assets			
Cash and cash equivalents		**81,012**	52,701
Accounts receivable		**23,718**	6,098
Prepaid expenses and deposits		**169,231**	153,303
		273,961	212,102
Non-current assets			
Property, plant and equipment	4	**316,187**	105,793
Right-of-use assets	5	**437,232**	498,075
Exploration and evaluation assets	7	**1,452,186**	1,513,317
Reclamation deposit		**3,500**	3,500
TOTAL ASSETS		**2,483,066**	2,332,787
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities		**1,582,661**	1,557,961
Due to related parties	8	**1,125,257**	1,124,025
Promissory note	10	**47,724**	80,662
Provision for flow through share issuances	11	**288,900**	288,900
Lease obligations – current	6	**141,315**	191,392
Convertible debenture	12	**185,615**	155,076
		3,371,472	3,398,016
Non-current liabilities			
Lease obligations – non-current	6	**315,352**	315,927
Total liabilities		**3,686,824**	3,713,943
Shareholders' deficit			
Share capital	13	**28,456,801**	26,068,905
Reserves	13	**6,518,148**	5,168,448
Obligations to issue shares	13	**–**	747,392
Accumulated other comprehensive income		**405,004**	486,204
Deficit		**(36,583,711)**	(33,852,105)
Total shareholders' deficit		**(1,203,758)**	(1,381,156)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**2,483,066**	2,332,787

Nature of operations and going concern *[note 1]*
Contingent liabilities and commitments *[note 9]*
Subsequent events *[note 17]*

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

Approved on behalf of the Board:

"Edward Lee" Director *"Sam Ataya"* Director

Unaudited – expressed in Canadian dollars

	Notes	Three Months Ended January 31, 2021 $	2020 $
Expenses			
Bank charges		3,297	4,476
Depreciation	**5, 6**	66,040	25,422
Due diligence expenses		(81,847)	20,106
Consulting and management	**8**	86,336	109,753
Foreign exchange loss (gain)		64,230	(84)
Investor relations		66,747	117,900
Interest and accretion	**6, 10**	23,899	5,645
Office and general		144,913	89,385
Professional fees		30,551	24,841
Salaries	**8**	946,534	574,447
Shareholder communications		–	21,750
Stock-based compensation	**8, 13**	1,349,700	232,653
Transfer agent and filing fees		11,430	16,659
Travel		1,076	47,009
		2,712,906	**1,289,962**
Other items			
Change in fair value of derivative liability	**10**	(18,700)	–
		(18,700)	**–**
Net loss for the period		**(2,731,606)**	**(1,289,962)**
Other comprehensive income (loss)			
Foreign currency translation		(81,200)	9,666
Comprehensive loss for the period		**(2,812,806)**	**(1,280,296)**
Basic and diluted loss per share		**(0.01)**	**(0.00)**
Weighted average number of common shares outstanding – basic and diluted		**329,203,182**	**284,870,064**

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

Unaudited – expressed in Canadian dollars

	Common shares		Share-based payments and other reserve	Obligation to issue shares	Accumulated other comprehensive income (loss)	Accumulated deficit	Shareholders' equity (deficiency)
	Number	$	$	$	$	$	$
Balance, October 31, 2019	278,939,075	22,461,089	4,277,510	52,922	453,543	(27,562,592)	(317,528)
Shares issued pursuant to private placements *[note 13[b]]*	3,643,791	546,569	–	(52,922)	–	–	493,647
Shares issued on warrants exercised *[note 13[c]]*	17,295,909	1,237,753	–	–	–	–	1,237,753
Share subscriptions *[note 13[f]]*	–	–	–	236,147	–	–	236,147
Share-based payments *[note 13[d]]*	–	–	232,653	–	–	–	232,653
Foreign currency translation	–	–	–	–	9,666		9,666
Net loss for the period	–	–	-	–	–	(1,289,962)	(1,289,962)
Balance, January 31, 2020	**299,878,775**	**24,245,411**	**4,510,163**	**236,147**	**463,209**	**(28,852,554)**	**602,376**
Balance, October 31, 2020	323,419,527	26,068,905	5,168,448	747,392	486,204	(33,852,105)	(1,381,156)
Shares issued pursuant to private placements *[note 13[b]]*	18,368,430	2,387,896	–	(747,392)	–	–	16,40,504
Share-based payments *[note 13[d]]*	–	-	1,349,700	–	–	–	1,349,700
Foreign currency translation	–	–	–	–	(81,200)	–	(81,200)
Net loss for the period	–	-	-	–	–	(2,731,606)	(2,731,606)
Balance, January 31, 2021	**341,787,957**	**28,456,801**	**6,518,148**	**–**	**405,004**	**(36,583,711)**	**(1,203,758)**

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

Unaudited – expressed in Canadian dollars

	Three Months Ended January 31, 2021 $	2020 $
OPERATING ACTIVITIES		
Net loss for the period	**(2,731,606)**	(1,289,962)
Add (subtract) items not affecting cash:		
Accretion on lease obligations	–	(18,549)
Accrued interest and accretion	**13,900**	3,971
Change in fair value of derivative liability	**18,700**	–
Depreciation	**66,040**	25,422
Foreign exchange gain (loss)	**(19,955)**	1,484
Stock-based payments	**1,349,700**	232,653
Changes in non-cash working capital items relating to operations:		
Accounts receivable	**(17,620)**	(3,928)
Prepaid expenses and deposits	**(15,928)**	34,874
Accounts payable and accrued liabilities	**89,374**	(100,792)
Due to related parties	**(63,442)**	(29,700)
Cash used in operating activities	**(1,310,837)**	(1,144,527)
INVESTING ACTIVITIES		
Purchase of equipment	**(104,464)**	(3,043)
Leasehold improvement	**(111,127)**	–
Cash provided by (used in) investing activities	**(215,591)**	(3,043)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of share issuance costs	**2,387,896**	1,731,400
Proceeds from share subscription	**(747,392)**	236,147
Promissory note payments	**(35,000)**	(46,000)
Lease payments	**(50,652)**	–
Cash provided by financing activities	**1,554,852**	1,921,547
Change in cash for the period	**28,424**	(773,977)
Cash and cash equivalents, beginning of the period	52,701	44,282
Effect of foreign exchange on cash	(113)	–
Cash and cash equivalents, end of the period	**81,012**	818,259
Cash and cash equivalents consist of:		
Cash	81,012	798,113
Guaranteed investment certificate	–	20,146
	81,012	**818,259**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Western Magnesium Corporation (the "Company", or "WMC") 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 the Frankfurt exchange under the symbol "M1V". The Company is principally engaged in the acquisition, exploration and development of interests in mineral resource projects in 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 Canadian office and principal place of business is Suite 900, 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company's USA office address is located at Suite 249, 3733 Howard Hughes Parkway, Las Vegas, Nevada, United States, 89169. The Company's pilot plant is located at Unit 102, 5140 North Fraser Way, Burnaby, British Columbia, Canada, V5J 0J4.

These condensed consolidated interim financial statements (the "Interim Financial Statements") comprise the financial statements of Western Magnesium Corporation and its wholly owned subsidiaries, Western Magnesium Corp., incorporated in the state of Nevada in the United States and Western Magnesium Canada Corp., incorporated on May 3, 2019 in British Columbia of 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 January 31, 2021, the Company had an accumulated deficit of $36,583,711 (October 31, 2020 – $33,852,105) and working capital deficiency of $3,097,511 (October 31, 2020 – $3,185,914). For the period ended January 31, 2021, the Company reported a comprehensive loss of $2,812,806 (2020 – $1,280,296). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business.

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 Interim 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 Interim 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd.)

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and the related adverse public health developments have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant but could affect the Company's ability to raise financings in the future or restrict access to travel to its exploration properties. Management continues to monitor the situation.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2020 (the "2020 Annual Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These Interim Financial Statements were approved by the Board of Directors on April 1, 2021, and are based on IFRS issued and outstanding on that date. Any subsequent changes to IFRS that are given effect in these Interim Financial Statements could result in restatement of these unaudited condensed consolidated interim financial statements.

[b] Basis of measurement

These Interim Financial Statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. Results for the current interim period are not necessarily indicative of the results for the full fiscal year.

[c] Functional and presentation currency

These Interim Financial Statements are presented in Canadian dollars. The functional currency of each entity of the Company is as follows:

Entity	Functional Currency
Western Magnesium Corporation	Canadian dollar
Western Magnesium Canada Corporation	Canadian dollar
Western Magnesium Corporation (United States)	United States dollar ("USD")

[d] Critical accounting estimates and judgments

Significant estimates and assumptions

The preparation of these Interim 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.

2. BASIS OF PRESENTATION (cont'd.)

[d] Critical accounting estimates and judgments (cont'd.)

Significant estimates and assumptions (cont'd.)

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 these Interim 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 Interim 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.

[e] Principles of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly owned and controlled subsidiaries 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 subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

[f] Foreign currency translation

In preparing financial statements of the individual entities consolidated with the Company, transactions in currencies other than the entity's functional currency are recognized at the prevailing exchange rates on the dates of transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the exchange rates prevailing on the dates of transactions. Revenue items are translated using the average monthly exchange rates unless there are significant fluctuations in the exchange rates, in which case the rates at the dates of the transactions are used. Expense items, except for amortization, are translated at the exchange rates on the dates of the transactions. Amortization is converted using the rates prevailing on the dates of acquisition. Gains and losses from foreign currency translation are included in the consolidated statements of loss and comprehensive loss.

On consolidation, foreign operations are translated from their functional currencies into the Company's presentation currency (Canadian dollars) by applying (i) the exchange rate prevailing at the end of the reporting period for assets and liabilities and (ii) the average exchange rates for revenue and expenses. Exchange differences arising on the translation to the presentation currency are recognized in other comprehensive loss and accumulated in the consolidated statements of changes in shareholders' equity (deficiency).

Unaudited – expressed in Canadian dollars

3. RECENT ACCOUNTING PRONOUNCEMENTS

New Standards Not Yet Adopted

The following is an overview of a new accounting standard that the Company will be required to adopt in future years. The Company does not expect to adopt this standard before its effective date. The Company continues to evaluate the impact of this standard on its Interim Financial Statements.

- IFRS 17 – Insurance Contracts. This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is effective for annual periods beginning on or after January 1, 2021.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment $	Office Furniture $	Leasehold Improvement $	Pilot Furnace & Equipment $	Total $
Cost					
Balance, October 31, 2019	29,784	44,196	7,699	36,713	118,392
Additions	13,257	7,632	2,436	1,128	24,453
Balance, October 31, 2020	43,041	51,828	10,135	37,841	142,845
Additions	–	1,466	111,127	102,998	215,591
Balance, January 31, 2021	**43,041**	**53,294**	**121,262**	**140,839**	**358,436**
Accumulated Depreciation					
Balance, October 31, 2019	4,190	2,210	2,566	–	8,966
Depreciation expense	15,357	8,879	3,850	–	28,086
Balance, October 31, 2020	19,547	11,089	6,416	–	37,052
Depreciation expense	3,089	1,788	321	–	5,197
Balance, January 31, 2021	**22,636**	**12,877**	**6,737**	–	**42,249**
Net Book Value					
Balance, October 31, 2019	25,594	41,986	5,133	36,713	109,426
Balance, October 31, 2020	23,494	40,739	3,719	37,841	105,793
Balance, January 31, 2021	**20,405**	**40,417**	**114525**	**140,839**	**316,187**

Unaudited – expressed in Canadian dollars

5. RIGHT-OF-USE ASSETS

As at January 31, 2021, the right-of-use assets are leases for the Company's corporate offices in Vancouver, British Columbia and Las Vegas, Nevada, and its pilot plant located in Burnaby, British Columbia. These leases terminate on March 31, 2021, May 31, 2021 and September 30, 2023, respectively.

	Vancouver Office $	Nevada Office $	Pilot Plant $	Total $
Cost				
Balance, October 31, 2019	–	–	–	–
Initial adoption of IFRS 16	79,510	30,440		109,950
Additions	–	–	476,717	476,717
Balance, October 31, 2020	79,510	30,440	476,717	586,667
Additions	–	–	–	–
Balance, January 31, 2021	**79,510**	**30,440**	**476,717**	**586,667**
Accumulated Depreciation				
Balance, October 31, 2019	–	–	–	–
Depreciation expense	56,125	19,225	13,242	88,592
Balance, October 31, 2020	56,125	19,225	13,242	88,592
Depreciation expense	14,031	4,806	42,006	60,843
Balance, January 31, 2021	**70,156**	**24,031**	**55,248**	**149,435**
Net Book Value				
Balance, October 31, 2019	–	–	–	–
Balance, October 31, 2020	23,385	11,215	463,475	498,075
Balance, January 31, 2021	**9,354**	**6,409**	**421,469**	**437,232**

6. LEASE LIABILITIES

On adoption of IFRS 16, the Company recognized lease liability which had previously been classified as operating leases under IAS 17. The lease liability was measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate of approximately 7% at November 1, 2019.

As at January 31, 2021, the Company had total lease obligations of $456,667, of which $141, 315 was current and $315,352 was non-current.

Unaudited – expressed in Canadian dollars

7. EXPLORATION AND EVALUATION ASSETS

	Beaverdell Property $	Silverado Property $	Tami Mosi Property $	Total $
Balance, October 31, 2019	1	1	1,475,495	1,475,497
Foreign currency translation	–	–	17,501	17,501
License	–	–	20,320	20,320
Sale of mineral property	(1)	–	–	(1)
Balance, October 31, 2020	–	**1**	**1,513,316**	**1,513,317**
Foreign currency translation	–	–	(61,131)	(61,131)
Balance, January 31, 2021	–	1	**1,452,185**	**1,452,186**

[a] Beaverdell Property, Greenwood Mining Division, British Columbia, Canada

The Beaverdell property is located 3 kilometers southeast of Beaverdell, British Columbia, and was 100% owned by the Company until last fiscal year. During the year ended October 31, 2020, the Company sold its 100% interest in and to the mineral property for aggregate proceeds of $50,000 to be paid in two equal tranches: (i) upon signing of the sale agreement (received); and (ii) on or before April 7, 2020 (received). As a result, the Company recognized a gain on sale of $49,999. The carrying value of the property was $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 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, and is 100% owned by the Company, and is subject to a 2% net smelter royalty in favor of the originating vendors.

8. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2021, the Company had seven executives, with an aggregate annualized salary of approximately $1,897,000 per year, as follows: Executive Chairman, Executive President & Chief Executive Officer, Chief Financial Officer, Senior Vice President of Corporate Affairs, Senior Vice President of Strategy, Senior Vice President of Operations and Corporate Secretary.

During the period ended January 31, 2021, the Company incurred salaries, management and consulting fees totaling $913,396 (2020 – $721,916) to directors, officers and related companies with directors in common.

During the period ended January 31, 2021, the Company recorded share-based payments of $1,349,700 (2020 – $35,003) for options granted to directors and officers of the Company.

As at January 31, 2021, balances owing to related parties were $1,125,257 (October 31, 2020 – $1,124,025) and were unsecured and non-interest bearing. A total of $1,047,057 had no stated terms of repayment, with the remainder of $78,200 (October 31, 2020 – $102,001) subject to a payment schedule, as set out in *note 9[a][iii]* below. In addition, the Company owes a director and officer an amount of $47,724 (October 31, 2020 – $80,662) by way of a promissory note, as set out in *note 10* below.

9. CONTINGENT LIABILITIES AND COMMITMENTS

[a] Contingent liabilities

[i] On January 13, 2015, the Company 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 was to pay to Mr. Sever a royalty in the amount of US$0.003 per pound (US$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 was renewable. No royalties were paid during the periods ended January 31, 2021 or 2020. During the year ended October 31, 2020, the Company had a Notice of Civil Claim filed against it in the Supreme Court of British Columbia by Mr. Sever, alleging constructive dismissal and that outstanding amounts are owed to him. The Company believes that the claim has no merit and will vigorously defend against it. No provision has been recognized in respect to the claim as there is no present obligation and the probability of settlement cannot be determined.

[ii] On December 22, 2020, the Company received notice from GEM Global Yield LLC SCS (“GEM”) of its intention to arbitrate a three-year capital commitment agreement entered into with the Company on November 19, 2019 *[note 9[b][iv]]*. GEM claims that the Company has breached the agreement and is demanding the payment of $4,200,000. As at January 31, 2021, the Company had not received regulatory approval of this agreement and not drawn-down any funds under the credit facility. The Company believes that the claim has no merit and will vigorously defend against it. No provision has been recognized in respect to the claim as there is no present obligation and the probability of settlement cannot be determined.

[iii] On December 30, 2020, the Company entered into a settlement agreement with Frank Halliday, a former director and officer of the Company, whereby the Company has agreed to pay Mr. Halliday termination pay in the amount of $102,001 via installment payments commencing in January 2021 until October 2021. At October 31, 2020, the Company had recorded a provision for the settlement amount. For the period ended January 31, 2021, the Company had made aggregate payments of $23,801 (2020 – $Nil) to Mr. Halliday, reducing the provision accordingly.

[b] Commitments

[i] On January 1, 2016, the Company signed a service agreement with Lodestar, a US corporate logistics company, which was extended on January 1, 2017 and 2018 under 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 common 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 1,200,000 shares at a price of $0.05 during the year ended October 31, 2019. There were no shares issued to Lodestar during the period ended January 31, 2021.

[ii] The Company has a sublease agreement for office space in Canada with a lease term from April 1, 2019 to March 31, 2021. Monthly rent is $9,345. In addition, the Company has an office lease in the United States with a lease term from May 15, 2019 to May 31, 2021. Monthly rent is US$1,293. During the year ended October 31, 2020, the Company entered into a lease agreement for a commercial pilot plant space in Canada with a lease term from October 1, 2020 to September 30, 2023 at a monthly rent of $20,715 *[notes 5 and 6]*.

9. CONTINGENT LIAILITIES AND COMMITMENTS (cont'd.)

[b] Commitments (cont'd.)

[iii] During the year ended October 31, 2019, the Company signed a letter of intent for the potential purchase of a former smelter site in the state of Washington in the United States. 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. The Company incurred another $20,106 during the period ended January 31, 2020, and $nil during the period ended January 31, 2021.

[iv] On November 19, 2019, the Company signed a three-year capital commitment with New York-based GEM Global Yield LLC SCS ("GEM") whereby GEM will make available $210 million (US$150 million) for the Company to use at its discretion, subject to certain terms, in its pursuit to commercialize production of high-grade magnesium metal. The Company will pay fees of 2% in cash or shares and issue 33 million warrants with an exercise price of $0.26 in connection with this share subscription facility. Any draw down on such funding is subject to regulatory approval. As at January 31, 2021, the Company had not received regulatory approval of this agreement and no funds had been drawn-down. On December 22, 2020, the Company received notice from GEM of its intention to arbitrate the agreement *[note 9[a][ii]].*

10. PROMISSORY NOTE

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, 2020, the loan was increased by an additional $60,000, to $210,000 on the same term. During the period ended January 31, 2021, the Company accrued interest expense of $2,061 (2020 – $3,971) and made repayments of principal and interest totaling $35,000 (October 31, 2020 – $154,000). As of January 31, 2021, the outstanding balance was $47,724 (October 31, 2020 – $80,662).

11. PROVISION FOR FLOW THROUGH SHARE ISSUANCES

The Company has recorded a provision in the amount of $288,900 (2020 - $288,900) for tax and related obligations relating to flow through share issuances from prior years.

12. CONVERTIBLE DEBENTURE

On July 27, 2020, the Company closed a non-brokered private placement of an unsecured convertible note in the principal amount of $150,000 (the "Convertible Debenture"). The note bears interest at 12% 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 the price which is the greater of $0.15 and the market price on the date of the conversion notice. Any accrued but unpaid interest will be payable on the earlier of the maturity date and the date of conversion in cash or common shares.

The Convertible Debenture was determined to be a hybrid financial instrument comprised of the debt host liability and an embedded derivative liability, as under the conversion feature the number of shares that will or may be issued to settle the note may vary.

Unaudited – expressed in Canadian dollars

12. CONVERTIBLE DEBENTURE (cont'd.)

On issuance date of the Convertible Debenture, the fair value of the debt host liability was determined to be $116,500 and the embedded derivative liability was valued at $33,500, using a convertible bond pricing model based on a system of two coupled Black-Scholes equations where the debt and equity components are separately valued based on different default risks and assumptions. The debt host liability of the convertible note will be amortized at cost, with the embedded derivative liability measured at fair value through profit and loss.

As at January 31, 2021, the fair value of the debt host liability was $140, 114 (October 31, 2020 – $128, 276) and the fair value of the embedded derivative liability was $45,500 (October 31, 2020 – $26,800), resulting in a combined fair value of the Convertible Debenture of $185,615 (October 31, 2020 – $155,076).

	Amount $
Debt Host Liability	
Fair value of debt host liability	116,500
Accretion and interest expense in Fiscal 2020	11,776
Balance, October 31, 2020	**128,276**
Accretion and interest expense in current period	11,838
Balance, January 31, 2021	**140,114**
Embedded Derivative Liability	
Fair value of embedded derivative liability	33,500
Fair value adjustment of embedded derivative liability in Fiscal 2020	(6,700)
Balance, October 31, 2020	**26,800**
Fair value adjustment of embedded derivative liability in current period	18,700
Balance, January 31, 2021	**45,500**
Combined Fair Value of Convertible Debenture	
Balance, October 31, 2020	155,076
Balance, January 31, 2021	**185,615**

The inputs used in the Convertible Debenture pricing model at January 31, 2021 and October 31, 2020 are as follows:

	January 31 2021	October 31 2020
Risk free rate of interest	0.15%	0.26%
Expected life in years	0.48 year	0.74 year
Conversion exercise price	$0.15	$0.15
Underlying share price of the Company	$0.13	$0.13
Expected volatility	78.74%	82.54%
Expected dividend rate	Nil	Nil

13. SHARE CAPITAL

[a] Authorized capital

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

[b] Common shares issued

Fiscal 2020

[i] On December 20, 2019, the Company exercised its right to call, subject to acceleration provisions, all outstanding common share purchase warrants set to expire between May 7, 2020 and May 13, 2021. The expiry was amended to January 19, 2020. This expiry date was then extended to February 19, 2020. As of February 19, 2020, any unexercised warrants were extinguished. In all, 35,472,661 warrants at an average price of $0.08 per common share were exercised and 24,794,484 expired unexercised. A further 4,864,000 warrants were also exercised during the year at $0.05 per common share.

[ii] 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 as advance share subscriptions received prior to October 31, 2019. Each unit consisted of one common share and one common share purchase warrant exercisable at a price of $0.21 per common share for a period of one year. The share purchase warrants were subject to an expiry acceleration provision, upon thirty days' written notice, should the price of the Company's common shares exceed $0.30 for at least ten consecutive trading days. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Finder's fees of $54,136 were paid or accrued in connection with the placement.

[iii] On May 26, 2020, the Company issued a total of 500,000 common shares on the exercise of stock options for gross proceeds of $37,000 and re-classified $27,715 from equity reserves to share capital.

[iv] On September 10, 2020, the Company announced a non-brokered private placement of up to 53,846,154 units priced at $0.13 per unit to raise gross proceeds of up to $7,000,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at $0.19 per common share for a period of one year. Finder's fees and commissions may be paid in connection with the offering. At October 31, 2020, the Company had received advance share subscriptions of $747,392.

Fiscal 2020

On November 20, 2020, the Company closed the first tranche of a non-brokered private placement announced on September 10, 2020, issuing 5,599,171 units at a price of $0.13 per unit for gross proceeds of $727,892, which had been received prior to October 31, 2020 and recorded as advance share subscriptions.

On January 15, 2021, the Company closed the second tranche of the non-brokered private placement consisting of 7,386,956 units at a price of $0.13 per unit for gross proceeds of $960,304, of which $19,500 was recorded as advance share subscriptions received prior to October 31, 2020.

On January 29, 2021, the Company closed the third tranche of the non-brokered private placement consisting of 5,382,303 units at a price of $0.13 per unit for gross proceeds of $699,699.

Each unit issued in the three tranches consists of one common share and one common share purchase warrant entitling the holder thereof to acquire a further common share at a price of $0.19 for a period of one year from the date of closing of the respective financing tranche.

Unaudited – expressed in Canadian dollars

13. SHARE CAPITAL (cont'd.)

[c] Common share purchase warrants

A summary of the changes in the Company's common share purchase warrants during the period ended January 31, 2021 are as follows:

Expiry Date	Exercise Price ($)	Weighted Average Life (Years)	October 31, 2020	Granted	Exercised	January 31, 2021
August 31, 2021*	0.21	0.58	3,643,791	-	–	3,643,791
November 20, 2021	0.19	0.80	–	5,599,171	–	5,599,171
January 15, 2022	0.19	0.96	–	7,386,956	–	7,386,956
January 29, 2022	0.19	0.99	–	5,382,303	–	5,382,303
February 21, 2022	0.05	1.06	1,505,200	–	–	1,505,200
March 27, 2022	0.05	1.15	1,482,025	–	–	1,482,025
May 9, 2022	0.05	1.27	2,368,626	–	–	2,368,626
August 14, 2022	0.05	1.53	1,110,000	–	–	1,110,000
Total			**10,109,642**	**18,368,430**	–	**28,478,072**
Weighted average exercise price			**$0.11**	**$0.19**	–	**$0.16**

* During the period ended January 31, 2021, the Company amended the expiry date of 3,643,791 warrants, extending the expiry date from January 22, 2021 to August 31, 2021, subject to acceleration if the closing price of the Company's shares exceeds $0.30 per common share for at least 10 consecutive trading days.

A summary of the changes in the Company's common share purchase warrants during the period ended January 31, 2020 are as follows:

Expiry Date	Exercise Price ($)	Weighted Average Life (Years)	October 31, 2019	Granted	Exercised	January 31, 2020
February 21, 2022	0.05	2.31	1,505,200	–	–	1,505,200
March 27, 2022	0.05	2.41	3,426,025	–	1,944,000	1,482,025
May 9, 2022	0.05	2.52	5,088,626	–	2,720,000	2,368,626
August 14, 2022	0.05	2.79	1,310,000	–	200,000	1,110,000
May 7, 2020*	0.07	0.52	3,100,000	–	–	3,100,000
October 4, 2020*	0.08	0.93	5,016,000	–	2,000,000	3,016,000
November 30, 2020*	0.08	1.08	6,169,926	–	2,649,555	3,520,371
January 23, 2021*	0.08	1.23	6,388,435	–	700,000	5,688,435
March 29, 2021*	0.08	1.41	8,188,046	–	960,955	7,227,091
May 13, 2021*	0.08	1.53	31,404,739	–	6,121,398	25,283,341
January 22, 2021	0.21	–	–	3,643,791	–	3,643,791
Total			**71,596,997**	**3,643,791**	**(17,295,908)**	**57,944,880**
Weighted average exercise price			**$0.07**	**$0.21**	**$0.07**	**$$0.08**

Unaudited – expressed in Canadian dollars

13. SHARE CAPITAL (cont'd.)

[c] Common share purchase warrants (cont'd.)

* On December 20, 2019, the Company exercised its right to call, subject to acceleration provisions, all outstanding warrants set to expire between May 7, 2020 and May 13, 2021. The expiry was amended to January 19, 2020. This expiry date was then extended to February 19, 2020. Any unexercised warrants were voided and of no value after February 19, 2020.

[d] Stock options

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. 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. Stock options granted are subject to a maximum term of 5 years. All options granted shall vest immediately, except for those options granted to persons performing investor relations activities for the Company. Pursuant to the policies of the TSX-V, shares issued upon the exercise of options are restricted from trading during the 4-month period subsequent to the exercise of options.

A summary of the changes in the Company's stock options during the period ended January 31, 2021 are as follows:

Expiry Date	Exercise Price $	Weighted Average Life (Years)	October 31, 2020	Granted	Expired/ Cancelled	January 31, 2021
February 11, 2021	0.05	0.03	800,000	–	–	800,000
August 16, 2021	0.05	0.54	600,000	–	–	600,000
March 27, 2022	0.05	1.15	1,750,000	–	–	1,750,000
August 26, 2022	0.13	–	500,000	–	(500,000)	–
December 30, 2022	0.13	1.91	–	6,150,000	–	6,150,000
April 19, 2023	0.05	2.21	800,000	–	–	800,000
August 12, 2023	0.05	2.53	3,120,000	–	–	3,120,000
December 5, 2023	0.05	2.84	7,000,000	–	–	7,000,000
May 22, 2024	0.12	3.31	7,950,000	–	–	7,950,000
November 4, 2024	0.15	3.76	700,000	–	–	700,000
November 25, 2024	0.16	3.82	900,000	–	–	900,000
March 27, 2025	0.11	4.15	300,000	–	–	300,000
April 24, 2025	0.12	4.23	4,000,000	–	(300,000)	3,700,000
December 30, 2025	0.13	4.92	–	9,500,000	–	9,500,000
Total			**28,420,000**	**15,650,000**	**(800,000)**	**43,270,000**
Weighted average exercise price			**$0.09**	**$0.13**	**$0.13**	**$0.10**

Unaudited – expressed in Canadian dollars

13. SHARE CAPITAL (cont'd.)

[d] Stock options (cont'd.)

A summary of the changes in the Company's stock options during the year ended January 31, 2020 are as follows:

Expiry Date	Exercise Price $	Weighted Average Life (Years)	October 31, 2019	Granted	Expired/ Cancelled	January 31, 2020
June 3, 2020	0.05	0.34	550,000	–	–	550,000
February 11, 2021	0.05	1.03	1,300,000	–	–	1,300,000
August 16, 2021	0.05	1.54	1,200,000	–	–	1,200,000
March 27, 2022	0.05	2.15	2,000,000	–	–	2,000,000
August 12, 2023	0.05	3.53	3,780,000	–	–	3,780,000
April 19, 2023	0.05	3.22	800,000	–	–	800,000
December 5, 2023	0.05	3.85	9,600,000	–	–	9,600,000
May 8, 2020	0.08	0.33	400,000	–	–	400,000
May 22, 2024	0.12	4.31	10,000,000	–	–	10,000,000
November 4, 2024	0.15	4.76	-	700,000	–	700,000
November 25, 2024	0.16	4.82	-	900,000	–	900,000
Total			**29,630,000**	**1,600,000**	–	**31,230,000**
Weighted average exercise price			**$0.07**	**$0.16**	–	**$0.08**

During the period ended January 31, 2021, the Company granted an aggregate 15,650,000 stock options to directors, officers, employees and consultants at a price of $0.13 per share, of which 9,500,000 were exercisable for a period of five years and 6,150,000 were exercisable for a period of two years. All options granted vested immediately. The Company recorded share-based payments totaling $1,349,700 (2020 – $232,653) in relation to the grant of these stock options, which was expensed in operations.

The fair value of stock options was estimated on the measurement date using the Black-Scholes Option Pricing Model. The assumptions used to calculate the fair value were as follows:

	2021	2020
Risk free rate of interest	0.20% – 0.39%	0.43% – 1.51%
Expected life of options	2 to 5 years	5 years
Exercise price of options	$0.13	$0.11 - $0.16
Expected annualized volatility	130.88% – 147.28%	120.13% – 188.46%
Expected dividend rate	Nil	Nil

13. SHARE CAPITAL (cont'd.)

[e] Share-based payments reserve

The share-based payments reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share-based payments reserve is credited to share capital. Warrants attached to units as part of a unit placement are assigned a nil value.

The residual method is used to calculate the fair value of the warrant component of units issued, whereby the residual of the private placement proceeds less the fair value of the share component is assigned as the fair value of the warrants.

[f] Obligations to issue shares

During the period ended January 31, 2021, the Company issued 5,749,169 units in connection with advance share subscriptions in the amount of $747,392 (2020 – $236,147) received during the prior fiscal year ended October 31, 2020 in respect of a non-brokered private placement *[note 13[b]]*.

[g] Dilutive common shares

For the period ended January 31, 2021, potentially dilutive common shares (relating to warrants and options outstanding) totaling 71,748,072 (2020 – 89,174,880) were not included in the computation of loss per share as the effect would be anti-dilutive.

14. CAPITAL MANAGEMENT

The Company classifies the components of shareholders' equity as capital, which at January 31, 2021, was a deficiency of $1,203,758 (October 31, 2020 – $1,381,156). When managing capital, the Company's objective is to ensure the entity continues as a going concern and advance stakeholders' interests. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Company's 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.

Unaudited – expressed in Canadian dollars

15. FINANCIAL INSTRUCMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments	Measurement Method	Associated Risk	Fair Value at January 31, 2021 ($)
Cash and cash equivalents	FVTPL	Credit and currency	81,012
Accounts receivable	Amortized cost	Credit and concentration	23,718
Accounts payable and accrued liabilities	Amortized cost	Currency	1,582,661
Due to related parties	Amortized cost	Currency	1,125,257
Promissory note	Amortized cost	Credit and currency	47,724
Convertible debenture	Amortized cost	Credit and currency	185,615

[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).

As at January 31, 2021, the fair value of cash and cash equivalents held by the Company was based on Level 1 of the fair value hierarchy. There were no transfers between levels 1 and 2 during the period.

[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.

15. FINANCIAL INSTRUCMENTS AND FINANCIAL RISK MANAGEMENT (cont'd.)

[c] Financial risk management (cont'd.)

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 period ended January 31, 2021 and 2020.

[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.

Unaudited – expressed in Canadian dollars

15. FINANCIAL INSTRUCMENTS AND FINANCIAL RISK MANAGEMENT (cont'd.)

[c] Financial risk management (cont'd.)

[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. 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 equivalents. Liquidity requirements are managed based on expected cash flows 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. The Company anticipates 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 current fiscal year, including the continued exploration of its mineral assets. However, additional funding will be required. There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Liquidity risk has been assessed as high.

16. SEGMENTED INFORMATION

The Company operates in one segment – the exploration for and development of mineral property interests. Geographic information for the Company's exploration and evaluation assets is as follows:

	January 31 2021 $	October 31 2020 $
Canada	1	-
United States	1,483,680	1,513,317
	1,483,681	1,513,317

17. SUBSEQUENT EVENTS

Subsequent to January 31, 2021, the Company closed the fourth tranche of a non-brokered private placement previously announced on September 10, 2020, and issued 6,554,172 units at a price of $0.13 per unit for gross proceeds of $852,042. Each unit consists of one common share and one common share purchase warrant entitling the holder thereof to acquire a further common share at a price of $0.19 for a period of one year from the date of closing. Proceeds from the share issuance are for general working capital use and for completion of the Company's commercialized pilot plant.