WESTERN MAGNESIUM CORPORATION

C0NDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended April 30, 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 April 30, 2021 and the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss, Cash Flows, and Changes in Shareholders' Equity (Deficiency) for the six months ended April 30, 2021, 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 April 30, 2021 and October 31, 2020
Unaudited – expressed in Canadian dollars

	Note	April 30, 2021 $	October 31, 2020 $
ASSETS			
Current assets			
Cash and cash equivalents		**86,443**	52,701
Amounts receivable		**77,880**	6,098
Prepaid expenses and deposits		**169,667**	153,303
Due from related parties	**8[a]**	**279,793**	–
		613,783	212,102
Non-current assets			
Property, plant and equipment	**4**	**601,203**	105,793
Right-of-use assets	**5**	**385,625**	498,075
Exploration and evaluation assets	**7**	**1,395,938**	1,513,317
Reclamation deposit		**3,500**	3,500
Deferred financing costs	**17[d]**	**32,048**	–
TOTAL ASSETS		**3,032,097**	2,332,787
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Accounts payable and accrued liabilities		**2,901,972**	1,557,961
Due to related parties	**8[b]**	**1,498,381**	1,124,025
Lease obligations – current	**6**	**157,381**	191,392
Promissory note	**10**	–	80,662
Provision for flow through share issuances	**11**	**288,900**	288,900
Convertible debenture	**12**	**226,749**	128,276
Derivative liability	**12**	**32,200**	26,800
		5,105,583	3,398,016
Non-current liabilities			
Lease obligations – non-current	**6**	**236,972**	315,927
Total liabilities		**5,342,555**	3,713,943
Shareholders' deficit			
Share capital	**13**	**29,199,801**	26,068,905
Obligations to issue shares	**13**	**55,830**	747,392
Reserves	**13**	**5,168,448**	5,168,448
Accumulated other comprehensive income		**368,790**	486,204
Deficit		**(37,103,327)**	(33,852,105)
Total shareholders' deficit		**(2,310,458)**	(1,381,156)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**3,032,097**	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

WESTERN MAGNESIUM CORPORATION
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended April 30, 2021 and 2020
Unaudited – expressed in Canadian dollars

	Notes	Three Months Ended April 30, 2021 $	Three Months Ended April 30, 2020 $	Six Months Ended April 30, 2021 $	Six Months Ended April 30, 2020 $
Expenses (recoveries)					
Bank charges		4,536	4,129	7,833	8,605
Computer system and software		14,055	13,986	91,369	23,394
Consulting and management		345,090	291,939	431,426	401,692
Depreciation	**5, 6**	57,414	26,465	123,454	51,887
Due diligence expenses		2,500	7,799	2,500	27,905
Engineering expense		152,429	72,595	70,582	72,595
Foreign exchange loss (gain)		(174,025)	(34,815)	(109,795)	(34,899)
Interest and accretion	**6, 10**	22,348	13,025	46,247	18,670
Investor relations		23,541	70,125	90,288	188,025
Legal and professional fees		335,493	83,499	366,044	108,340
Office and general		27,684	70,852	75,874	137,191
Facilities and rent		89,130	22,054	108,539	35,692
Salaries and benefits		793,320	610,402	1,739,854	1,184,849
Share-based payments	**13**	(1,349,700)	587,000	–	819,653
Shareholder communications		109,760	21,750	109,760	43,500
Subsidies and recoveries		(52,500)	–	(52,500)	–
Transfer agent and regulatory fees		18,647	28,402	30,077	45,061
Travel expenses		139,794	47,863	140,870	94,872
		559,516	**1,937,070**	**3,272,422**	**3,227,032**
Other items					
Change in fair value of derivative liability	**12**	39,900	–	21,200	–
Gain on sale of assets previously written off		–	49,999	–	49,999
		39,900	**49,999**	**21,200**	**49,999**
Net loss for the period		**(519,616)**	**(1,887,071)**	**(3,251,222)**	**(3,177,033)**
Other comprehensive income (loss)					
Foreign currency translation		(36,214)	89,834	(117,414)	99,500
Comprehensive loss for the period		**(555,830)**	**(1,797,237)**	**(3,368,636)**	**(3,077,533)**
Basic and diluted loss per share		**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding – basic and diluted		**344,627,567**	**317,970,363**	**330,018,463**	**301,361,596**

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

WESTERN MAGNESIUM CORPORATION
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the six months ended April 30, 2021 and 2020
Unaudited – expressed in Canadian dollars

	Common shares		Share-based payments and other reserves	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[b]]*	40,336,661	40,336,661	–	–	–	–	1,237,753
Share subscriptions *[note 13[f]]*	–	–	–	–	–	–	236,147
Share-based payments *[note 13[d]]*	–	–	819,653	–	–	–	232,653
Foreign currency translation	–	–	–	–	99,500	–	9,666
Net loss for the period	–	–	-	–	–	(3,177,033)	(1,289,962)
Balance, April 30, 2020	**322,919,527**	**322,919,527**	**322,919,527**	**–**	**553,043**	**(30,739,625)**	**948,907**
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]]*	25,787,255	3,352,343	–	(747,392)	–	–	2,604,951
Shares issued on warrants exercised *[note 13[b]]*	400,000	20,000	–	–	–	–	20,000
Shares issued on options exercised *[note 13[b]]*	100,000	5,000	–	–	–	–	5,000
Share subscriptions *[note 13[f]]*	–		–	55,830	–	–	55,830
Share issue costs *[note 13[b]]*	–	(246,447)	–	–	–	–	(246,447)
Foreign currency translation	–	–	–	–	(117,414)	–	(117,414)
Net loss for the period	–	–	–	–	–	(3,251,222)	(3,251,222)
Balance, April 30, 2021	**349,706,782**	**29,199,801**	**5,168,448**	**55,830**	**368,790**	**(37,103,327)**	**(2,310,458)**

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

Unaudited – expressed in Canadian dollars

	Six Months Ended April 30, 2021 $	2020 $
OPERATING ACTIVITIES		
Net loss for the period	(3,251,222)	(3,177,033)
Add (subtract) items not affecting cash:		
Accrued interest and accretion	27,134	15,607
Change in fair value of derivative liability	(21,200)	–
Depreciation of property, plant and equipment	11,004	14,213
Depreciation of right-of-use assets	112,450	37,674
Foreign exchange gain (loss)	89	14,602
Gain on sale of assets previously written off	–	(49,999)
Interest expense on lease obligations	13,772	2,665
Share-based payments	–	819,653
Changes in non-cash working capital items relating to operations:		
Amounts receivable	(71,782)	(14,072)
Prepaid expenses and deposits	(16,364)	(20,389)
Due from related parties	(279,793)	–
Accounts payable and accrued liabilities	1,266,618	(36,214)
Due to related parties	451,889	(149,908)
Cash used in operating activities	**(1,757,407)**	**(2,543,201)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(506,414)	(18,226)
Proceeds from sale of exploration and evaluation assets	–	50,000
Cash provided by (used in) investing activities	**(506,414)**	**31,774**
FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of share issuance costs	2,383,504	3,544,316
Proceeds from share subscriptions	55,830	–
Deferred financing costs	(32,048)	–
Proceeds from convertible debenture	100,000	–
Payments of promissory note	(82,724)	(76,000)
Payments of lease obligations	(126,738)	(39,439)
Cash provided by financing activities	**2,297,824**	**3,428,877**
Change in cash for the period	34,003	917,450
Cash and cash equivalents, beginning of the period	52,701	44,282
Effect of foreign exchange on cash	(261)	906
Cash and cash equivalents, end of the period	**86,443**	**962,638**

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", the OTCQB market under the symbol "MLYF", and the Frankfurt Exchange under the symbol "M1V". The Company's goal is to be a low-cost producer of green, primary magnesium metal, a strategic commodity prized for its strength and light weight. The Company looks to use a continuous silicothermic process to produce magnesium, which significantly reduces labour and energy costs relative to current methods and processes, while being environmentally friendly. The Company focuses on plant operations and magnesium production and continues to move towards build-out of its first commercialized pilot plant.

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 unaudited 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 Corporation, incorporated in British Columbia of Canada.

As at April 30, 2021, the Company had an accumulated deficit of $37,103,326 (October 31, 2020 – $33,852,105) and working capital deficiency of $4,491,800 (October 31, 2020 – $3,185,914). For the period ended April 30, 2021, the Company reported a comprehensive loss of $3,368,635 (2020 – $3,077,533).

The Company is considered to be in the development stage. It has not yet achieved profitable operations and expects to incur further losses in the development of its business. The Company has financed its activities and operations through equity issuances and debt financing and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company and 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 its continuing ability to raise financing through share and debt 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 Interim Financial Statements, 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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. In order to combat the spread of COVID-19, governments worldwide, including Canada, have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures 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 and site travel. 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 June 28, 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 the revaluation of certain financial assets and financial liabilities to fair value. Additionally, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. Results for the period ended April 30, 2021 and 2020 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. 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 a potential risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities, provisions for restoration and environmental obligations and contingent liabilities.

2. BASIS OF PRESENTATION (cont'd.)

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

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 $	Furnace & Plant 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	–	4,044	138,840	363,530	506,414
Balance, April 30, 2021	**43,041**	**55,872**	**148,975**	**401,371**	**649,259**
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	6,017	3,704	1,283	–	11,004
Balance, April 30, 2021	**25,564**	**14,793**	**7,699**	–	**48,056**
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, April 30, 2021	**17,477**	**41,079**	**141,276**	**401,371**	**601,203**

Unaudited – expressed in Canadian dollars

5. RIGHT-OF-USE ASSETS

As at April 30, 2021, the right-of-use assets are leases for the Company's office in Las Vegas, Nevada and its pilot plant located in Burnaby, British Columbia. These leases terminate on May 31, 2021 and September 30, 2023, respectively. The lease for the Company's corporate office in Vancouver, British Columbia ended on March 31, 2021 and was subsequently renewed with a lease term which expires on March 31, 2023.

	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, April 30, 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	23,385	9,613	79452	112,450
Balance, April 30, 2021	**79,510**	**28,838**	**92,694**	**201,042**
Net Book Value				
Balance, October 31, 2019	–	–	–	–
Balance, October 31, 2020	23,385	11,215	463,475	498,075
Balance, April 30, 2021	**–**	**1,602**	**384,023**	**385,625**

6. LEASE OBLIGATIONS

On adoption of IFRS 16, the Company recognized lease liability of $109,950 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.

During the year ended October 31, 2020, the Company entered into a new operating lease with respect to its pilot plant located in Burnaby, British Columbia and recognized lease liability of $476,717, which was measured by discounting lease payments using an incremental borrowing rate of approximately 6%.

As at April 30, 2021, the Company had total lease obligations of $394,353, of which $157,381 was current and $236,972 was non-current.

Unaudited – expressed in Canadian dollars

6. LEASE OBLIGATIONS (cont'd.)

	Vancouver Office $	Nevada Office $	Pilot Plant $	Total $
Balance, October 31, 2019	**–**	**–**	**–**	**–**
Initial recognition on adoption of IFRS 16	79,510	30,440	–	109,950
Additions	–	–	476,717	476,717
Lease payments	(58,707)	(20,171)	(14,575)	(93,453)
Interest expenses	3,333	1,352	4,779	9,464
Foreign exchange effect		4,641		
Balance, October 31, 2020	**24,136**	**16,262**	**466,921**	**507,319**
Additions	–	–	–	–
Lease payments	(24,561)	(10,085)	(87,451)	(122,097)
Interest expenses	425	264	13,083	13,772
Prior period adjustment	–	(4,641)	–	(4,641)
Balance, April 30, 2021	–	**1,800**	**392,553**	**394,353**
Which consist of:				
Current lease obligation	–	1,800	155,581	157,381
Non-current lease obligation	–	–	236,972	236,972
Balance, April 30, 2021	–	**1,800**	**392,553**	**394,353**

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	–	–	(117,379)	(117,379)
Balance, April 30, 2021	**–**	**1**	**1,395,937**	**1,395,938**

[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.

7. EXPLORATION AND EVALUATION ASSETS (cont'd.)

[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

[a] Due from related parties

During the period ended April 30, 2021, the Company provided advances to directors, officers and related companies with directors in common. The advances were expected for payments of the Company's commercialized pilot plant and other administrative expenses. As at April 30, 2021, balances on account from related parties were $279,793 (October 31, 2020 – $nil).

[b] Due to related parties

As at April 30, 2021, balances owing to related parties were $1,498,381 (October 31, 2020 – $1,124,025). They were unsecured and non-interest bearing, and had no stated terms of repayment. Of the amount, $439,189 was wages payable and $327,614 was vacation payable owing officers of the Company.

[b] Key management compensation

As at April 30, 2021, the Company had nine executives including Executive Chairman, Executive President and Chief Executive Officer, Chief Financial Officer, Chief Process Engineer, Senior Vice President of Business Development and Government Affairs, Senior Vice President of Corporate Affairs, Senior Vice President of Strategy, Senior Vice President of Operations and Corporate Secretary. Their aggregate annualized compensation is approximately $2,470,000.

During the period ended April 30, 2021, the Company incurred salaries, management and consulting fees totaling $1,131,842 (2020 – $1,914,042) to directors, officers and related companies with directors in common. During the same period, the Company incurred share-based payments of $nil (2020 – $455,603) for options granted to directors and officers of the Company.

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 current periods. 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 the current period end, 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 April 30, 2021, the Company had made aggregate payments of $51,401 (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. 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 has been renewed under the same terms subsequently. The Company has agreed to compensate Lodestar in the amount of $2,500 per month by either cash or 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 April 30, 2021.

[ii] The Company had a sublease agreement for office space in Canada with a lease term from April 1, 2019 to March 31, 2021. Monthly rent was $9,345. The sublease agreement was subsequently renewed with a lease term which expires on March 31, 2023. 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 $20,100 during the period ended April 30, 2020, and $nil during the period ended April 30, 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 April 30, 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 April 30, 2021, the Company accrued interest expense of $2,061 (2020 – $15,607) and made repayments of the entire balance of principal and interest totaling $82,724 (2020 – $136,000). As at April 30, 2021, the outstanding balance was $nil (October 31, 2020 – $80,662).

11. PROVISION FOR FLOW THROUGH SHARE ISSUANCES

The Company has recorded a provision in the amount of $288,900 (October 31, 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 "July 2020 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. No finder's fees were paid in connection with this private placement.

Unaudited – expressed in Canadian dollars

12. CONVERTIBLE DEBENTURE (cont'd.)

On April 22, 2021, the Company closed a non-brokered private placement of an unsecured convertible note in the principal amount of $100,000 (the "April 2021 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 $0.12 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. No finder's fees were paid in connection with this private placement.

Both the July 2020 Convertible Debenture and the April 2021 Convertible Debenture were determined to be hybrid financial instruments comprised of a 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 notes may vary.

The Company uses 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. On issuance date of the July 2020 Convertible Debenture, the fair value of its debt host liability was determined to be $116,500 and the respective embedded derivative liability was valued at $33,500. On issuance date of the April 2021 Convertible Debenture, the fair value of its debt host liability was determined to be $73,400 and the respective embedded derivative liability was valued at $26,600. 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 April 30, 2021, the fair value of the July 2020 Convertible Debenture's debt host liability was $153,349 (October 31, 2020 – $128,276) and the respective embedded derivative liability was $5,600 (October 31, 2020 – $26,800), resulting in a combined fair value of $158,949 (October 31, 2020 – $155,076). No fair value adjustment was made to the April 2021 Convertible Debenture.

	July 2020 Convertible Debenture $	April 2021 Convertible Debenture $	Total $
Debt Host Liability			
Fair value of debt host liability recognized	116,500	–	116,500
Accretion and interest expense	11,776	–	11,776
Balance, October 31, 2020	**128,276**	–	**128,276**
Fair value of debt host liability recognized	–	73,400	73,400
Accretion and interest expense	20,573	–	20,573
Balance, April 30, 2021	**153,349**	**73,400**	**226,749**
Embedded Derivative Liability			
Fair value of embedded derivative liability recognized	33,500	–	33,500
Fair value adjustment	(6,700)	–	(6,700)
Balance, October 31, 2020	**26,800**	–	**26,800**
Fair value of embedded derivative liability recognized	–	26,600	26,600
Fair value adjustment	(21,200)	–	(21,200)
Balance, April 30, 2021	**5,600**	**26,600**	**32,200**
Combined Fair Value of Convertible Debenture			
Balance, October 31, 2020	155,076	–	155,076
Balance, April 30, 2021	**158,949**	**100,000**	**258,949**

Unaudited – expressed in Canadian dollars

12. CONVERTIBLE DEBENTURE (cont'd.)

The inputs used in the Convertible Debenture pricing model are as follows:

	April 30, 2021	April 22, 2021	October 31, 2020
Risk free rate of interest	0.30%	0.31%	0.26%
Expected life in years	0.25 year	1 year	0.74 year
Conversion exercise price	$0.15	$0.12	$0.15
Underlying share price of the Company	$0.12	$0.12	$0.13
Expected volatility	69.54%	74.67%	82.54%
Expected dividend rate	Nil	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 is 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.

13. SHARE CAPITAL (cont'd.)

[b] Common shares issued

Fiscal 2021

[v] In connection with the non-brokered private placement announced on September 10, 2020:

On November 20, 2020, the Company closed the first tranche of a non-brokered private placement, 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 7,400,214 units at a price of $0.13 per unit for gross proceeds of $962,029, 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.

On March 24, 2021, the Company closed the fourth tranche of the non-brokered private placement consisting of 6,554,172 units at a price of $0.13 per unit for gross proceeds of $852,042.

On April 27, 2021, the Company closed the fifth and final tranche of the non-brokered private placement consisting of 851,395 units at a price of $0.13 per unit for gross proceeds of $110,681.

The Company closed an aggregate 25,787,255 units at a price of $0.13 per unit for aggregate gross proceeds of $3,352,343. Each unit issued 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. The Company incurred aggregate share issue costs of $246,447. Proceeds from the share issuance are for general working capital use and for completion of the Company's commercialized pilot plant.

[vi] On March 12, 2021, the Company issued a total of 100,000 common shares on the exercise of stock options for gross proceeds of $5,000.

[vii] On April 26, 2021, the Company issued a total of 400,000 common shares on the exercise of common share purchase warrants for gross proceeds of $20,000.

Unaudited – expressed in Canadian dollars

[c] Common share purchase warrants

A summary of the changes in the Company's common share purchase warrants during the period ended April 30, 2021 are as follows:

Expiry Date	Exercise Price ($)	Weighted Average Life (Years)	October 31, 2020	Granted	Exercised	Exercised	April 30, 2021
August 31, 2021*	0.21	0.34	3,643,791	-	–	–	3,643,791
November 20, 2021	0.19	0.56	–	5,599,171	–	–	5,599,171
January 15, 2022	0.19	0.71	–	7,400,214	–	–	7,400,214
January 29, 2022	0.19	0.75	–	5,382,303	–	–	5,382,303
February 21, 2022	0.05	0.81	1,505,200	–	–	–	1,505,200
March 24, 2022	0.19	0.90	–	6,554,172	–	–	6,554,172
March 27, 2022	0.05	0.91	1,482,025	–	–	–	1,482,025
April 27, 2022	0.19	0.99	–	851,395	–	–	851,395
May 9, 2022	0.05	1.02	2,368,626	–	–	–	2,368,626
August 14, 2022	0.05	1.29	1,110,000	–	(400,000)	–	710,000
Total			**10,109,642**	**25,787,255**	**(400,000)**	**–**	**35,496,897**
Weighted average exercise price			**$0.11**	**$0.19**	**$0.05**	$–	**$0.05**

* During the period ended April 30, 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 April 30, 2020 are as follows:

Expiry Date	Exercise Price ($)	Weighted Average Life (Years)	October 31, 2019	Granted	Exercised	Expired/ Cancelled	April 30, 2020
January 22, 2021	0.21	–	–	3,643,791	–	–	3,643,791
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	–	(3,000,000)	(100,000)	–
October 4, 2020*	0.08	0.93	5,016,000	–	(3,425,000)	(1,591,000)	–
November 30, 2020*	0.08	1.08	6,169,926	–	(3,091,383)	(3,078,543)	–
January 23, 2021*	0.08	1.23	6,388,435	–	(3,409,160)	(2,979,275)	–
March 29, 2021*	0.08	1.41	8,188,046	–	(4,496,710)	(3,691,336)	–
May 13, 2021*	0.08	1.53	31,404,739	–	(18,050,408)	(13,354,331)	–
Total			**71,596,997**	**3,643,791**	**(40,336,661)**	**(24,794,485)**	**10,109,642**
Weighted average exercise price			**$0.07**	**$0.21**	**$0.08**	**$0.08**	**$0.11**

* 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.

Unaudited – expressed in Canadian dollars

13. SHARE CAPITAL (cont'd.)

[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 April 30, 2021 are as follows:

Expiry Date	Exercise Price $	Weighted Average Life (Years)	October 31, 2020	Granted	Exercised	Expired/ Cancelled	April 30, 2021
February 11, 2021	0.05	–	800,000	–	–	(800,000)	–
August 16, 2021	0.05	0.30	600,000	–	–	–	600,000
March 27, 2022	0.05	0.91	1,750,000	–	–	–	1,750,000
August 26, 2022	0.13	–	500,000	–	–	(500,000)	–
December 30, 2022	0.13	–	–	6,150,000	–	(6,150,000)	–
April 19, 2023	0.05	1.97	800,000	–	–	–	800,000
August 12, 2023	0.05	2.28	3,120,000	–	100,000	–	3,020,000
December 5, 2023	0.05	2.60	7,000,000	–	–	–	7,000,000
May 22, 2024	0.12	3.06	7,950,000	–	–	–	7,950,000
November 4, 2024	0.15	3.52	700,000	–	–	–	700,000
November 25, 2024	0.16	3.58	900,000	–	–	–	900,000
March 27, 2025	0.11	3.91	300,000	–	–	–	300,000
April 24, 2025	0.12	3.99	4,000,000	–	–	(300,000)	3,700,000
December 30, 2025	0.13	–	–	9,500,000	–	(9,500,000)	–
Total			**28,420,000**	**15,650,000**	**(100,000)**	**(17,250,000)**	**26,720,000**
Weighted average exercise price			**$0.09**	**$0.13**	**$0.05**	**$0.13**	**$0.09**

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 period ended April 30, 2020 are as follows:

Expiry Date	Exercise Price $	Weighted Average Life (Years)	October 31, 2019	Granted	Exercised	Expired/ Cancelled	April 30, 2020
May 8, 2020	0.08	0.08	400,000	–	–	–	400,000
June 3, 2020	0.05	0.09	550,000	–	–	–	550,000
February 11, 2021	0.05	0.79	1,300,000	–	–	–	1,300,000
August 16, 2021	0.05	1.29	1,200,000	–	–	(300,000)	900,000
March 27, 2022	0.05	1.90	2,000,000	–	–	(250,000)	1,750,000
April 19, 2023	0.05	2.97	800,000	–	–	–	800,000
August 12, 2023	0.05	3.28	3,780,000	–	–	–	3,780,000
December 5, 2023	0.05	3.60	9,600,000	–	–	(300,000)	9,300,000
May 22, 2024	0.12	4.06	10,000,000	–	–	–	10,000,000
November 4, 2024	0.15	4.52	-	700,000	–	–	700,000
November 25, 2024	0.16	4.58	-	900,000	–	–	900,000
March 27, 2025	0.11	4.91		300,000	–	–	–
April 27, 2025	0.12	4.99		4,200,000	–	–	–
Total			**29,630,000**	**6,100,000**	–	**(850,000)**	**34,880,000**
Weighted average exercise price			**$0.07**	**$0.13**	$–	**$0.05**	**$0.07**

During the period ended April 30, 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. These options were subsequently nullified as they exceeded the maximum allowed under the Company's stock option plan. Subsequent to April 30, 2021, on June 11, 2021, these options were reinstated as the Company received shareholders' approval on the amendment to the Company's stock option plan to increase the number of common shares reserved for issuance under such plan. During the period ended April 30, 2021, the Company recognized and reversed the same share-based payments totaling $1,349,700, resulting in $nil (2020 – $819,653) expenses in relation to the grant of its stock options.

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 April 30, 2021, the Company issued 5,749,169 units in connection with advance share subscriptions in the amount of $747,392 received during the prior fiscal year ended October 31, 2020 in respect of a non-brokered private placement *[note 13[b]]*. During the same period, the company received advance share subscriptions in the amount of $55,830 in respect of a non-brokered private placement announced and closed subsequent to April 30, 2021 *[note 17[a]]*.

14. CAPITAL MANAGEMENT

The Company classifies the components of shareholders' equity as capital, which at April 30, 2021, was a deficiency of $2,30,457 (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 its business and technology development. 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 Company's goal is to be a low-cost producer of green, primary magnesium metal, a strategic commodity prized for its strength and light weight. The Company looks to use a continuous silicothermic process to produce magnesium, which significantly reduces labour and energy costs relative to current methods and processes, while being environmentally friendly. The Company focuses on plant operations and magnesium production and continues to move towards build-out of its first commercialized pilot plant. The Company is considered to be in the development stage and is dependent upon external financing to fund its activities. In order to carry out its business development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 April 30, 2021 ($)
Cash and cash equivalents	FVTPL	Credit and currency	86,443
Amounts receivable	Amortized cost	Credit and concentration	77,880
Due from related parties	Amortized cost	Credit and currency	279,793
Accounts payable and accrued liabilities	Amortized cost	Currency	2,901,972
Due to related parties	Amortized cost	Currency	1,498,381
Convertible debenture	Amortized cost	Credit and currency	258,949

[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.

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).

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.

As at April 30, 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 April 30, 2021 and 2020.

[i] Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest rate risk on its cash on deposits with banks and, from time to time, on its holdings of short-term investments. As of April 30, 2021, the Company had $86,443 (October 31, 2020 – $52,701) of cash on deposits with banks. The Company had no short-term investment as at April 30, 2021 and October 31 2020. Given the level of cash and cash equivalents held by the Company, fluctuations in the market interest rates had no significant impact on its interest income during the period April 30, 2021.

[ii] Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts payable and accrued liabilities, and due from/to related parties that are denominated in US dollars. The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows.

	April 30, 2021 US$
Cash and cash equivalents	30,739
Accounts payable and accrued liabilities	(1,088,728)
Due from/to related parties	(557,535)
Total	**(1,615,524)**

Based on the Company net exposures as at April 30, 2021, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the US dollar would result in an increase or decrease of $274,461 in the Company's net income (loss) and comprehensive income (loss).

Unaudited – expressed in Canadian dollars

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

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

[iii] Commodity price risk

The value of the Company's magnesium production business and its 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. Amounts receivable consist primarily of GST due from the Federal Government of Canada and other government subsidy receivable. 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 deposited 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, as well as debt financing, will provide sufficient financial resources to carry out its operations through the current fiscal year. 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 focuses on plant operations and magnesium production and continues to move towards build-out of its first commercialized pilot plant. The Company also operates in the exploration for and development of mineral property interests. Geographic information for the Company's assets is as follows:

	April 30, 2021 $	October 31, 2020 $
Canada – property, plant and equipment	601,203	105,793
United States – exploration and evaluation assets	1,395,938	1,513,317
Total	**1,997,141**	**1,619,110**

17. SUBSEQUENT EVENTS

[a] On May 5, 2021, the Company announced a non-brokered private placement priced at $0.13 per unit to raise gross proceeds of up to $3,000,000. As at April 30, 2021, the Company had received advance share subscriptions of $55,830. On May 28, 2021, the Company closed the first tranche of the non-brokered private placement issuing 5,223,420 units at a price of $0.13 per unit for gross proceeds of $679,044. On June 17, 2021, the Company closed the second and final tranche of the non-brokered private placement consisting of 17,853,506 units at a price of $0.13 per unit for gross proceeds of $2,320,956. The Company closed at its maximum offering and issued aggregate 23,076,923 units at a price of $0.13 per unit for aggregate gross proceeds of $3,000,000. Each unit issued 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. Finder's fees and commissions may be paid in connection with the offering. Proceeds from the share issuance are for general working capital use and for completion of the Company's commercialized pilot plant.

[b] On June 2, 2021, the Company announced, in conjunction with developments at its commercialized pilot plant, the development, buildout and completion of its magnesium furnace reactor. As a result, the Company has accelerated its internal timeline for the production of magnesium metal for the purposes of testing, certification and distribution. This magnesium furnace reactor will be the first of its kind, and a major step towards being able to operate a silicothermic reactor system from open atmosphere to a sealed vacuum space on a continuous basis. With the Company's proprietary continuous condenser, it allows for maximum continuous production from pit or stockpile to magnesium metal, to the end-user in timely matter.

[c] On June 7, 2021, the Company announced it has received final approval from the TSX-V for an agreement with Industrial Surplus Supplies Ltd. ("ISL"), pursuant to which ISL will build a prototype internally heated testing lab furnace for the testing of a magnesium production process. The consideration is $200,000 payable in cash or shares, up to a maximum of 1,538,461 shares.

[d] On June 15, 2021, the Company closed a non-brokered private placement of an unsecured convertible note in the principal amount of US$1,500,000 (the "June 2021 Convertible Debenture"). The June 2021 Convertible Debenture bears interest at 12% per annum and is matured on December 10, 2022. The June 2021 Convertible Debenture is convertible into common shares of the Company (the "Conversion Shares") at the price of US$0.10 prior to its maturity. For every Conversion Share issued, the following shall also be issued thereunder: (i) one-half of one Class A common stock purchase warrant, with each whole warrant being exercisable at a price of US$0.13 until June 10, 2026, and (ii) one-half of one Class B common stock purchase warrant, with each whole warrant being exercisable at a price of US$0.19 until June 10, 2026.