CLEAN AIR METALS INC.

Condensed Consolidated Interim Financial Statements

Nine Month Period Ended October 31, 2021 and 2020

(Unaudited)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor

Clean Air Metals Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

		As at October 31, 2021		As at January 31, 2021
ASSETS				
Current Assets				
Cash	$	4,597,966	$	6,678,356
Prepaid expenses (Note 3)		415,093		345,680
GST recoverable		484,099		561,908
		5,497,158		7,585,944
Non-Current Assets				
Right-of-use asset (Note 14)		48,844		14,224
Equipment (Note 4)		53,703		36,171
Exploration and evaluation assets (Note 6)		31,113,977		19,510,545
Total Assets	$	**36,713,683**	$	**27,146,884**
LIABILITIES				
Current Liabilities				
Trade and other payables (Note 7, 8 and 10)	$	496,787	$	230,805
Notes payable (Note 8)		1,948,208		1,686,754
Lease liability – current (Note 14)		20,890		6,045
Flow-through liability (Note 9)		1,121,930		-
		3,587,815		1,923,604
Non-Current Liabilities				
Lease liability – long term (Note 14)		28,435		9,525
Notes payable – long term (Note 8)		1,990,223		1,990,223
Total Liabilities		5,606,473		3,923,352
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		99,127,529		93,255,123
Reserves (Note 9)		9,593,252		6,696,021
Deficit		(77,613,571)		(76,727,612)
		31,107,210		23,223,532
Total Liabilities and Shareholders' Equity	$	**36,713,683**	$	**27,146,884**

Nature of operations and going concern (Note 1)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 20, 2021.

They are signed on the Company's behalf by:

"Abraham Drost" — Abraham Drost, Director

"Dean Chambers" — Dean Chambers, Director

Clean Air Metals Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

	Three months ended October 31,		Nine months ended October 31,	
	2021	2020	**2021**	2020
Operating Expenses				
Accretion interest (Note 8)	$ **196,885**	$ 57,674	$ **261,454**	$ 106,571
Consulting fees (Note 10)	**24,000**	29,000	**72,000**	96,900
Depreciation (Note 4)	**4,098**	2,613	**10,565**	4,639
Geological consulting	**-**	-	**-**	10,985
Insurance	**(3,149)**	-	**20,059**	19,620
Investor relations and marketing	**135,887**	175,920	**475,789**	461,356
Office, admin and rent	**23,649**	5,356	**54,424**	81,912
Professional fees	**195,999**	4,675	**291,792**	94,062
Share-based compensation (Note 9)	**15,539**	8,974	**688,718**	1,340,496
Shareholder relations	**-**	1,274	**4,050**	13,208
Transfer agent and filing fees	**27,543**	34,772	**42,505**	130,275
Travel and entertainment	**5,535**	11,609	**9,806**	42,708
Wages and benefits (Note 10)	**430,929**	288,924	**1,114,626**	742,157
	(1,056,915)	(620,791)	**(3,045,788)**	(3,144,889)
Other Income (Expenses)				
Flow through share premium (Note 9)	**1,002,710**	-	**2,120,371**	2,211,000
Sponsorship income (Note 15)	**3,985**	-	**3,985**	-
Interest income	**9,753**	15,608	**44,822**	45,038
Interest expense	**(3,150)**	(3,151)	**(9,349)**	(9,384)
Net profit (loss) and comprehensive income (loss) for the period	**(43,617)**	(608,334)	**(885,959)**	(898,235)
Earning (loss) per share – basic and diluted	$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**163,751,924**	139,746,766	**167,265,951**	95,034,514

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

Clean Air Metals Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended October 31
(Unaudited - expressed in Canadian dollars)

		2021		2020
Operating Activities				
Loss and comprehensive income (loss) for the period	**$**	**(885,959)**	$	(898,235)
Items not affecting cash from operations:				
Accretion interest		**261,454**		106,571
Depreciation		**10,565**		4,520
Flow-through share premium		**(2,120,371)**		(2,211,000)
Share-based compensation		**688,718**		1,340,496
Interest on note payable		**(9,349)**		9,384
Changes in non-cash working capital:				
Loan receivable		**-**		(27,567)
Tax recoverable		**77,809**		(247,658)
Prepaid expenses		**(69,413)**		78,485
Trade and other payables		**(150,931)**		62,911
Cash Flows Used in Operating Activities		**(2,197,477)**		(1,782,093)
Investing Activities				
Equipment purchase		**(28,097)**		(36,145)
Mineral property acquisition		**(2,500,000)**		(6,038,587)
Mineral property exploration		**(8,677,170)**		(4,021,119)
Cash Flows Used in Investing Activities		**(11,206,132)**		(10,095,851)
Financing Activities				
Exercise of warrants for common shares		**665,588**		153,500
Proceeds from private placement		**11,566,579**		21,465,300
Share issue costs		**(908,947)**		(1,716,222)
Cash Flows Provided by Financing Activities		**11,323,219**		19,902,578
Change in Cash for the Period		**(2,080,390)**		8,024,634
Cash, Beginning of Period		**6,678,356**		1,547,073
Cash, End of Period	**$**	**4,597,966**	$	9,571,707

Supplemental cash flow information:

There were no amounts of cash paid for interest or income taxes for the periods presented.

Clean Air Metals Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital					
	Number of shares	Share $	Share subscription received $	Reserves $	Deficit $	Total $
January 31, 2020	**25,483,382**	**73,585,313**	**234,700**	**2,902,457**	**(75,454,087)**	**1,268,383**
Private placements	88,400,000	21,700,000	-	-	-	21,700,000
Share subscriptions received	-	-	(234,700)	-	-	(234,700)
Share issuance costs	-	(1,716,222)	-	174,409	-	(1,541,813)
Share-based payments	-	-	-	1,497,894	-	1,497,894
Shares issued for mineral properties	24,615,684	3,200,066	-	-	-	3,200,066
Flow-through share premium	-	(2,211,000)	-	-	-	(2,211,000)
Shares issued for option exercise	1,247,500	(28,522)	-	(149,785)	-	(178,307)
Loss for the period	-	-	-	-	(898,235)	(898,235)
October 31, 2020	**139,746,766**	**94,529,635**	**-**	**4,424,975**	**(76,352,322)**	**(22,602,288)**
January 31, 2021	**140,404,031**	**93,255,123**	**-**	**6,696,021**	**(76,727,612)**	**23,223,532**
Private placements	24,649,900	9,651,579	-	1,915,000	-	11,566,579
Share issuance costs - options	-	(358,000)	-	358,000	-	-
Share issuance costs – cash	-	(906,361)		-	-	(906,361)
Flow-through share premium	-	(3,242,301)	-	-	-	(3,242,301)
Shares issued for option and warrant exercise	2,215,063	727,489	-	(64,487)	-	663,002
Share-based payments	-	-	-	688,718	-	688,718
Loss for the period	-	-	-	-	(885,959)	(885,959)
October 31, 2021	**167,268,994**	**99,127,529**	**-**	**9,593,252**	**(77,613,571)**	**31,107,210**

1. Nature of Operations and Going Concern

Clean Air Metals Inc. (the "Company") is a publicly traded company incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange ("TSXV") and traded under the stock symbol "AIR". The corporate address of the Company is 1004 Alloy Drive, Thunder Bay, ON, P7B 6A5. The Company is engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets. The consolidated financial statements of the Company as at and for the period ended October 31, 2021, comprise the Company and its wholly-owned subsidiaries: Silvio USA Inc. and Panoramic PGMs (Canada) Ltd.

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company has incurred ongoing losses and has an accumulated deficit. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to raise additional financing and carry out its proposed exploration programs. The pandemic outbreak of COVID-19 could cause delays in the exploration program and continue to have a negative impact on the stock markets, affecting trading prices of the Company's shares and its ability to raise new capital. Accordingly, these factors give rise to a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Significant Accounting Policies and Basis of Presentation

a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting.

b) Basis of preparation and consolidation

The unaudited condensed consolidated interim financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. Since the unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's annual consolidated financial statements for the year ended January 31, 2021.

c) Functional and presentation currency

The presentation currency of the Company is the Canadian dollar.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiary is the Canadian dollar.

2. Significant Accounting Policies *(continued)*

d) Use of estimates and judgments *(continued)*

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Share-based payment transactions</u>
Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

<u>Recovery of deferred tax assets</u>
Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

<u>Going concern</u>
The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

<u>Business combinations</u>
Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a

2. Significant Accounting Policies *(continued)*

d) Use of estimates and judgments *(continued)*

business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Impairment of exploration and evaluation assets
Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

e) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. 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. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Panoramic PGMs (Canada) Ltd.	Canada	100%	Exploration
Silvio USA Inc.[1]	State of Nevada	100%	Dormant

[1] During the year ended January 31, 2021, the Company formally liquidated and filed for dissolution of Silvio USA Inc., pursuant to a plan of liquidation and dissolution and the provisions of Section 332 of the Internal Revenue Code of 1986.

f) Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year. The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar, as this is the principal currency of the economic environment in which they operate.

2. Significant Accounting Policies *(continued)*

g) Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss, net of recoveries. Development expenditures incurred subsequent to a development decision, and to increase or extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts.

h) Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized decommissioning liabilities are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no decommissioning liabilities for the years presented.

i) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's

2. Significant Accounting Policies *(continued)*

i) Impairment *(continued)*

carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss. During the period ended October 31, 2021, there were no impairment losses recognized.

j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

k) Financial instruments – classification and fair value

(i) Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the financial assets are impaired, determined by reference to external credit ratings and other relevant indicators, the financial assets are measured at the present value of estimated future cash flows. Any changes to the carrying amount of the financial asset, including impairment losses, are recognized through profit or loss. There are no assets classified in this category.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

Financial assets carried at FVTOCI are financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit. The Company does not have any financial assets classified as FVTOCI.

(iii) Financial assets at fair value through profit or loss (“FVTPL”)

By default, all other financial assets are measured subsequently at FVTPL. Assets at FVTPL include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

2. Significant Accounting Policies *(continued)*

k) Financial instruments – classification and fair value *(continued)*

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end using expected credit loss ("ECL") model. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

(v) De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

l) Financial liabilities and equity – classification and fair value

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or measured at amortized cost.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has no financial liabilities classified through FVTPL and has classified trade and other payables, lease liability and notes payable as financial liabilities measured at amortized cost.

m) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

2. Significant Accounting Policies *(continued)*

n) Flow-through shares

Current Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as deferred flow-through liability in the consolidated statements of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share. Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a recovery on the statement of comprehensive loss and reduces the deferred flow-through liability.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

o) Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding stock options and share purchase warrants on loss per share would be anti-dilutive.

p) Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. In situations where equity instruments are issued to individuals who are not considered to be employees and the fair value of the services received cannot be reliably measured, it will be measured at the fair value of the share-based compensation. Otherwise, the share-based compensation is measured at the fair value of the services rendered. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

2. Significant Accounting Policies *(continued)*

q) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Depreciation is calculated using a straight-line method over 5 years.

r) Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option. Lease payments for short-term leases with a term of 12 months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in cost of sales or selling, general and administrative expenses on a straight-line or other systematic basis.

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease.

Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

s) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(Expressed in Canadian dollars)

2. Significant Accounting Policies *(continued)*

s) Income taxes *(continued)*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

u) New standards, interpretations and amendments issued but not yet adopted

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2021, or later periods. The new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Prepaid Expenses

		October 31, 2021		January 31, 2021
Drilling deposit	**$**	**200,000**	$	200,000
Exploration expenditures		**134,297**		114,873
Rent and office		**5,747**		4,700
Investor relations and marketing		**75,049**		-
Payroll advance		**-**		8,370
Employee relocation benefits		**-**		17,737
Total	**$**	**415,093**	$	345,680

(Expressed in Canadian dollars)

4. Equipment

Cost:		**Equipment**
At January 31, 2020	$	-
Additions		45,214
At January 31, 2021	$	45,214
Additions		28,097
At October 31, 2021	$	73,311
Accumulated depreciation:		
At January 31, 2020	$	-
Charge for the year		9,043
At January 31, 2021	$	9,043
Charge for the period		10,565
At October 31, 2021	$	19,608
Net book value:		
At January 31, 2021	$	36,171
At October 31, 2021	**$**	**53,703**

5. Acquisition of Panoramic PGMs (Canada) Ltd.

Closing of Acquisition

On May 14, 2020 (the "Closing Date") the Company completed the acquisition under its option agreement (the "Option Agreement") to acquire a 100% right, title and interest in and to the Escape Lake Property (the "Escape Lake Property"), which forms a part of Thunder Bay North property, subject to a 1% net smelter return royalty to be retained by Rio Tinto Exploration Canada Inc. ("RTEC"), pursuant to the terms of a definitive option agreement (the "Option Agreement") entered into with Benton Resources Inc. ("BEX") on January 6, 2020 and as amended on January 27, 2020.

Concurrently, and pursuant to the terms of a definitive share purchase agreement (the "PAN Agreement") entered into with Magma Metals Pty Ltd. ("Magma"), dated January 6, 2020, the Company also completed the acquisition of 100% of Panoramic Resources Limited's indirect subsidiary, Panoramic PGMs (Canada) Ltd. ("PGMs"), which owns the Thunder Bay North Project (the "TBN Project"). The Option Agreement was conditional on BEX exercising its pre-existing option to acquire the Escape Lake Property from RTEC. In addition, BEX also assigned to the Company its rights under a letter of intent previously entered into with Panoramic Resources Ltd. ("PAN") pursuant to which BEX acquired the right to acquire 100% of PGMs which owns the TBN Project.

Pursuant to the terms of the Option Agreement, the Company issued to BEX an aggregate of 24,615,884 common shares (the "Consideration Shares") in the capital of the Company, and issued a cash payment of $4,250,000 to PAN pursuant to the terms of the PAN Agreement on the Closing Date.

(Expressed in Canadian dollars)

5. Acquisition of Panoramic PGMs (Canada) Ltd. *(continued)*

Purchase Price Allocation

Consideration paid to acquire PGMs shares:	$
Cash	4,500,000
Note payable (Note 8)	3,261,409
Closing costs	489,208
	8,250,617
Allocated as follows to PGMs assets and liabilities:	
Cash	38,239
Other receivables	17,923
Prepaid expenses	13,070
Exploration and evaluation asset	8,271,703
Accounts payable and accrued liabilities	(90,318)
Net assets acquired	8,250,617

Background of Acquisition

On January 6, 2020, and as amended January 27, 2020, the Company entered into a definitive option agreement with BEX whereby the Company acquired an option to acquire a 100% right, title and interest in the Escape Lake property, subject to a 1% net smelter return royalty to be retained by RTEC, from BEX with such option to be conditional on BEX exercising its pre-existing option to acquire the Escape Lake property from RTEC. In addition, BEX also assigned to the Company its rights under a letter of intent previously entered into with PAN pursuant to which BEX acquired the right to acquire 100% of PAN's subsidiary, Panoramic PGMs (Canada) Ltd., which owns the TBN.

Option Agreement

Under the Option Agreement in order to acquire a 100% interest in the Escape Lake Property from BEX (subject to BEX exercising its pre-existing option with RTEC) and BEX's rights to acquire a 100% right, title and interest in the TBN Project, the Company must complete the following:

i) enter into a definitive share purchase agreement (the "PAN Agreement") with Magma Metals Pty Ltd ("Magma"), a wholly-owned subsidiary of PAN, and make an initial $250,000 payment. These requirements have both been completed on January 6, 2020;

ii) issue to BEX an aggregate of 24,615,884 common shares (the "Consideration Shares") in the capital of the Company. The value of the shares was estimated to be $3,200,065 and the shares were issued on May 14, 2020;

iii) fulfill all the remaining payments to RTEC under the terms of an option agreement (the "RTEC Agreement") dated October 9, 2019, between RTEC and BEX required in order for BEX to exercise BEX's option to earn a 100% interest in the Escape Lake Property. These payments are set out under the RTEC Agreement paragraph below;

iv) fulfill all the remaining payments under the terms of the PAN Agreement. These payments are set out under the PAN Agreement paragraph below; and

5. Acquisition of Panoramic PGMs (Canada) Ltd. *(continued)*

Option Agreement *(continued)*

v) grant to BEX a 0.5% net smelter return royalty from production on the Escape Lake Property and a 0.5% net smelter return royalty from production on any mineral claims comprising the TBN Project over which a net smelter royalty has not previously been granted.

The RTEC Agreement

Under the RTEC Agreement, BEX was granted an option to acquire a 100% ownership interest in Escape Lake Property, subject to a 1% net smelter return royalty to be retained by RTEC, in exchange for payment of $6 million by BEX to RTEC over a three-year period, as follows:

i) $3 million due on signing, immediately following receipt of regulatory approval (this amount has been paid by BEX resulting in the issuance of the Consideration Shares to BEX);
ii) $1 million on or before October 9, 2020 (paid);
iii) $1 million on or before October 9, 2021 (paid); and
iv) $1 million on or before October 9, 2022.

The Company has assumed and is bound and shall perform the obligations of BEX under the RTEC Agreement.

The PAN Agreement

Under the PAN Agreement, the Company has the right to acquire a 100% ownership interest in the Panoramic PGMs (Canada) Ltd., the subsidiary of Magma that holds the TBN Project, in exchange for payment of $9 million by the Company to PAN over a three-year period, as follows:

i) $4.5 million due on closing of the acquisition of the TBN Project. (This amount was paid on May 14, 2020;
ii) $1.5 million on the first anniversary of the closing of the acquisition of the TBN Project (paid);
iii) $1.5 million on the second anniversary of the closing of the acquisition of the TBN Project; and
iv) $1.5 million on the third anniversary of the closing of the acquisition of the TBN Project.

The Company made an initial payment of $250,000 to PAN which was credited to the purchase price, and extended the proposed closing of the acquisition and the initial payment of $4.5 million, by 60 days. On May 14, 2020, the Company made the first payment of $4.25 million to PAN, net of the initial payment of $250,000 made by a third-party, with the balance due as a note owing to PAN (Note 8). Pursuant to the terms of the PAN Agreement, the Company paid an additional $115,000 to PAN on closing of the transaction for reimbursement of costs incurred from the date of the PAN Agreement to closing.

In addition, the Company had the ability to get up to three additional 30-day extensions by making a $10,000 payment for each extension. Prior to closing, the Company made three extension payments totaling $30,000 in exchange for a 90-day extension. The Consideration Shares issued by the Company to BEX shall not exceed 19.68% of the issued share capital of the Company and are subject to a four-month and one day “hold period” from the date of issuance. In May 2021, the Company made the first anniversary payment of $1,500,000 under the PAN Agreement.

(Expressed in Canadian dollars)

6. Exploration and Evaluation Assets

Exploration and evaluation assets comprise the following accumulated expenditures:

		Thunder Bay North Property
Balance at January 31, 2020	**$**	**-**
Acquisition Costs:		
Thunder Bay North: Acquisition cost of PGMs, cash payments and others		9,300,634
Escape Lake: Common shares issued		3,200,065
Exploration Expenditures:		
Advance royalty payments		50,000
Assays and samples		331,664
Community relations		1,149,485
Drilling		2,725,484
Field and camp costs		1,714,375
Geological		391,308
Geochemical		55,491
Survey		592,039
Balance at January 31, 2021	**$**	**19,510,545**
Acquisition Costs:		
Cash payments		2,500,000
Exploration Expenditures:		
Advance royalty payments		50,000
Assays and samples		400,074
Community relations		920
Drilling		5,062,462
Engineering		622,237
Field and camp costs		1,229,911
Geological		1,077,769
Geochemical		221,852
Survey		438,208
Balance at October 31, 2021	**$**	**31,113,977**

7. Trade and Other Payables

		October 31, 2021		January 31, 2021
Trade and other payables	$	496,787	**$**	230,805
Total	$	496,787	$	230,805

8. Notes Payable

Blueberry Cobalt Project Note Payable

The Company has notes payable to Blueberry Cobalt Project Corp. totaling $250,000 (January 31, 2021 - $250,000), which are due on demand, unsecured, bear interest at a rate of 5% per annum, with no fixed terms of repayment. Interest expense in the amount of $9,349 was accrued for the period ended October 31, 2021 (2020 - $9,384). As at October 31, 2021, accrued interest totaling $24,281 is included in trade and other payables.

Magma Note Payable

On May 14, 2020, the Company issued a note payable for the remaining balance of $4,500,000 owed to Magma for the PAN Agreement (terms described in Note 5). The fair market value of the note was estimated to be $3,261,409 on May 14, 2020 resulting in a discount of $1,238,591. The discount on the loan is amortized using the effective interest method over the term of the loan. The Company accretes the carrying value of the loan each quarter by recognizing an accretion expense in the statement of loss and comprehensive loss and a credit to note payable. For the period ended October 31, 2021, $261,454 (2020 - $106,571) of accretion expense from the debt discount was recorded by the Company.

Other Notes Payable

The Company has notes payable to shareholders totaling $1,323 (January 31, 2021 - $1,323), which are due on demand, unsecured, bear interest of 12% per annum, with no fixed term of repayment.

9. Share Capital and Reserves

a) *Authorized share capital*

An unlimited number of common shares without par value.

b) *Issued share capital*

Period ended October 31, 2021

i) On February 23, 2021, the Company closed a bought deal private placement for total proceeds of approximately $11.5-million, consisting of: (i) 11,904,800 flow-through shares at a price of $0.42 per flow-through share; and (ii) 12,745,100 flow-through units at a price of $0.51 per flow-through unit, including the exercise of the underwriters' option.

Each flow-through unit consists of one common share of the Company and one-half of one common share purchase warrant that each qualifies as a flow-through share (within the meaning of Subsection 66(15) of the Income Tax Act (Canada)). Each warrant will entitle the holder thereof to acquire one common share of the company at a price of $0.55 until February 23, 2023.

As consideration for the services provided by the underwriters in connection with the offering, the underwriters received: (a) a cash commission of $660,000, which is equal to 6% of the gross proceeds of the offering (other than in respect of sales to those persons on the president list on which the cash commission was 3 per cent); and (b) an aggregate of 1,172,970 compensation options, which is equal to 5% of the number of securities sold under the offering (and reduced to 2.5% with respect to certain subscribers on the president list). Each compensation option is exercisable to acquire one common share of the Company, issued on a non-flow-through basis at a price of $0.42 per compensation option share until February 23, 2023.

9. Share Capital and Reserves *(continued)*

The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded an initial flow-through liability of $2,558,175. During the nine month period ended October 31, 2021, the Company spent approximately 65% of the required flow-through expenditures under the issuance and $2,120,371 was recognized to comprehensive loss as other income. As of October 31, 2021, $1,121,930 remained as flow-through liability.

Expenditures related to the use of flow-through share proceeds are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. The Company is required to incur these expenditures before December 31, 2023 under the general rule and before December 31, 2022 under the look-back rule.

ii) The Company issued an aggregate of 2,215,063 common shares through the exercise of incentive stock options and warrants with exercise prices between $0.20 and $0.395, for gross proceeds of $663,000.

<u>Year ended January 31, 2021</u>

i) On February 11, 2020, the Company issued an aggregate of 75,000,000 subscription receipts at a price of $0.20 per unit for gross proceeds of $15,000,000. On May 12, 2020, the subscription units were converted into units of the Company following the satisfaction of applicable escrow release conditions. Each unit consists of one common share and one-half common share purchase warrant exercisable at $0.30 until February 11, 2022, subject to adjustments in certain events. Under the relative fair value method, the Company has allocated $1,429,441 to the warrants issued in connection with the private placement.

As consideration for the services provided by the agents in connection with the offering, the Company paid a cash commission of $1,034,500, incurred other costs of $97,860 and issued an aggregate of 4,312,500 compensation options. The compensation options were issued with an exercise price of $0.20 per unit, a term of 24 months and immediate vesting. Each compensation option will allow the holder to purchase one unit of the Company which consists of one common share and one-half common share purchase warrant exercisable at $0.30 per share for a period of 24 months.

ii) On June 16, 2020, the Company issued 13,400,000 flow-through common shares of the Company at a price of $0.50 per flow-through share, for aggregate gross proceeds of $6,700,000.

For the purposes of calculating the effect of any premium related to the issuance of the flow-through shares, the Company reviewed the fair market value of the common shares on the date of private placement and compared it to determine if there was a premium paid on the shares. As a result of the review, the Company recognized a premium of $2,211,000 on the flow-through shares issued.

Expenditures related to the use of flow-through share proceeds are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. The Company is required to incur these expenditures before December 31, 2022 under the general rule and before December 31, 2021 under the look-back rule. The Government of Canada has announced that it may extend the look-back rule by one year which would mean the Company has until December 31, 2022 to incur these expenditures. During the year ended January 31, 2021, the Company renounced a total of $6,700,000 in eligible exploration and evaluation expenditures.

9. Share Capital and Reserves *(continued)*

As consideration for the services provided by the agents in connection with the offering, the agents received a cash commission of $387,000, incurred other costs of $196,862 and issued 774,000 compensation options. Each compensation option is exercisable to acquire one common share of the Company, issued on a non-flow through basis at a price of $0.50 per compensation option share, for a period of 24 months after the closing date.

iii) The Company issued an aggregate of 1,904,765 common shares through the exercise of incentive stock options and warrants with exercise prices between $0.12 and $0.30 per common shares for gross proceeds of $342,180.

iv) The Company issued an aggregate of 24,615,884 common shares in the capital of the Company to BEX as consideration for a 100% interest in the Escape Lake property. The fair value of the shares was estimated to be $3,200,065 as described in Note 5.

c) *Equity Incentive Compensation Plan*

The Board of Directors adopted a new Equity Incentive Compensation Plan (the “Plan”), which has been approved by the Company’s shareholders and the TSXV. The Plan covers incentive stock options, restricted and performance share units, and deferred share unit awards (collectively, the “Awards”).

Awards may be granted to the Company’s directors, senior officers, employees, consultants and consultant’s companies. The Plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to Awards granted may not exceed 15% of the issued common shares; and (iii) contains other provisions to ensure the Plan is compliant with stock exchange regulations. Vesting terms are determined by the Board of Directors.

On May 4, 2021, the Company issued 1,033,226 restricted share unit awards and 187,500 deferred share unit awards to certain directors, officers and employees of the Company. During the period ending October 31, 2021, 131,252 unvested restricted share units were cancelled due to a participant no longer being eligible.

On September 15, 2021, the Company issued 300,000 incentive stock options to employees of the Company with an exercise price of $0.245 for a period of 5 years. The Company also granted 100,000 incentive stock options to a consultant of the Company with an exercise price of $0.245 for a period of 2 years.

On April 6, 2021, the Company issued an aggregate of 200,000 incentive stock options to employees of the Company with an exercise price of $0.395 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.92%, a forfeiture and dividend rate of Nil, and a volatility rate of 245%.

On January 26, 2021, the Company issued an aggregate of 200,000 incentive stock options to an employee of the Company with an exercise price of $0.40 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date.

9. Share Capital and Reserves *(continued)*

c) Equity Incentive Compensation Plan (continued)

The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.47%, a forfeiture and dividend rate of Nil, and a volatility rate of 216%.

On December 8, 2020, the Company issued an aggregate of 65,000 incentive stock options to an employee of the Company with an exercise price of $0.345 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.47%, a forfeiture and dividend rate of Nil, and a volatility rate of 251%.

On December 1, 2020, the Company issued an aggregate of 60,000 incentive stock options to an employee of the Company with an exercise price of $0.30 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.45%, a forfeiture and dividend rate of Nil, and a volatility rate of 251%.

On September 23, 2020, the Company issued an aggregate of 100,000 incentive stock options to certain directors, officers, employees and consultants with an exercise price of $0.30 for a period of 5 years. The options are subject to vesting provisions as follows: 33.33% of the options vest on the grant date; 33.33% of the options vest 6 months after the grant date; and 33.33% of the options vest 9 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.35%, a forfeiture and dividend rate of Nil, and a volatility rate of 267%.

On June 25, 2020, the Company issued an aggregate of 750,000 incentive stock options to certain directors, officers, employees and consultants with an exercise price of $0.32 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.36%, a forfeiture and dividend rate of Nil, and a volatility of 240%.

On May 14, 2020, the Company issued an aggregate of 7,565,000 incentive stock options to certain directors, officers, employees and consultants with an exercise price of $0.20 for a period of 5 years. The options are subject to vesting provisions as follows: 25% of the options vest on the grant date; 25% of the options vest 6 months after the grant date; and 50% of the options vest 12 months after the grant date. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.36%, a forfeiture and dividend rate of Nil, and a volatility of 235%.

(Expressed in Canadian dollars)

9. Share Capital and Reserves *(continued)*

c) *Equity Incentive Compensation Plan (continued)*

The continuity of stock options is as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance - January 31, 2020	**1,275,000**	**$ 0.12**
Granted	8,740,000	0.21
Exercised	(1,332,500)	0.13
Expired	(175,000)	0.20
Balance – January 31, 2021	**8,507,500**	**$ 0.21**
Granted	600,000	0.30
Exercised	(25,063)	0.24
Balance – October 31, 2021	**9,082,437**	**$ 0.21**

As at October 31, 2021, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life
			($)	**(years)**
September 15, 2023	100,000	50,000	0.003	0.01
September 30, 2024	75,000	75,000	0.001	0.02
May 14, 2025	7,237,500	7,237,500	0.159	2.82
June 25, 2025	750,000	750,000	0.017	0.30
September 23, 2025	100,000	66,667	0.003	0.04
December 1, 2025	60,000	30,000	0.002	0.03
December 8, 2025	65,000	32,500	0.002	0.03
January 26, 2026	200,000	100,000	0.009	0.09
April 6, 2026	194,937	44,937	0.008	0.10
September 15, 2023	100,000	50,000	0.003	0.01
September 15, 2026	300,000	50,000	0.008	0.16
	9,082,437	**8,436,604**	**0.21**	**3.60**

During the period ended October 31, 2021, the Company recognized $688,718 (2020 - $1,340,496) in share-based compensation related to the vesting of incentive stock options.

(Expressed in Canadian dollars)

9. Share Capital and Reserves *(continued)*

d) Warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – January 31, 2020	**-**	**-**
Granted	40,500,000	0.30
Exercised	(572,265)	0.30
Balance – January 31, 2021	**39,927,735**	**0.30**
Granted	6,372,550	0.55
Exercised	(2,190,000)	0.30
Balance – October 31, 2021	**44,110,285**	**0.34**

As of October 31, 2021, the Company had the following share purchase warrants issued and outstanding:

Expiry Date	Warrants Outstanding	Exercise Price	Remaining Life
		($)	**(years)**
February 11, 2022	34,737,735	0.30	0.28
February 23, 2023	6,372,550	0.55	1.32
January 8, 2026	3,000,000	0.40	4.19
	44,110,285	**0.34**	**0.51**

On February 23, 2021, the Company issued an aggregate of 6,372,550 warrants related to the bought deal private placement with an exercise price of $0.55 for a period of 2 years. The warrants were valued using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 0.23%, a forfeiture and dividend rate of Nil, and a volatility rate of 247%.

On January 26, 2021, the Company issued an aggregate of 3,000,000 warrants to certain First Nations groups with an exercise price of $0.40 for a period of 5 years. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 0.47%, a forfeiture and dividend rate of Nil, and a volatility rate of 248%.

On February 11, 2020, the Company issued subscription receipts pursuant to a private placement for 75,000,000 units at $0.20 per unit for aggregate gross proceeds of $15,000,000 which were ultimately converted to Units of the Company. As part of the unit offering, 37,500,000 attached share purchase warrants were issued to investors. The attached share purchase warrants were valued using the Black-Scholes option pricing model at $1,429,441 assuming a life expectancy of two years, a risk-free interest rate of 1.47%, a forfeiture and dividend rate of Nil, and a volatility of 79%. The value of the share purchase warrants is included in share capital.

(Expressed in Canadian dollars)

9. Share Capital and Reserves *(continued)*

e) Compensation Options

On February 23, 2021, the Company issued 1,172,970 compensation options as consideration for services provided by the agents in connection with the bought deal private placement which closed on the same day. The compensation options have an exercise price of $0.42 per unit, a term of two years and vest immediately. Each compensation option is exercisable to acquire one common share of the Company, issued on a non-flow through basis. The compensation options were valued using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 0.24%, a forfeiture and dividend rate of Nil, and a volatility of 246%. The Company recognized $358,000 as a reduction of share capital in connection with the issuance of the compensation options.

On February 11, 2020, the Company issued 4,312,500 compensation options as consideration for services provided by the agents in connection with a private placement of subscription receipts which closed in February 2020. The compensation options have an exercise price of $0.20 per unit, a term of 24 months and immediate vesting. Each compensation option will allow the holder to purchase one unit of the Company which consists of one common share and one-half common share purchase warrant exercisable at $0.30 per share for a period of 24 months. The compensation options were valued using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 1.47%, a forfeiture and dividend rate of Nil, and a volatility of 79%. The Company recognized $174,409 as a reduction of share capital in connection with the issuance of the compensation options.

On June 16, 2020, the Company issued 774,000 compensation options as consideration for services provided by the agents in connection with a private placement of subscription receipts which closed in June 2020. The compensation options have an exercise price of $0.50 per unit, a term of 24 months and immediate vesting. Each compensation option is exercisable to acquire one common share of the Company, issued on a non-flow through basis. The compensation options were valued using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 0.29%, a forfeiture and dividend rate of Nil, and a volatility of 138%. The Company recognized $157,398 as a reduction of share capital in connection with the issuance of the compensation options.

A continuity schedule of outstanding compensation options is as follows:

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – January 31, 2020	**-**	**-**
Granted	5,086,500	0.25
Balance – January 31, 2021	**5,086,500**	**0.25**
Granted	1,172,970	0.42
Balance – October 31, 2021	**6,259,470**	**0.28**

(Expressed in Canadian dollars)

9. Share Capital and Reserves *(continued)*

e) Compensation Options (continued)

As at October 31, 2021, the Company had compensation options issued and outstanding as follows:

Expiry Date	Compensation Options Outstanding	Compensation Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life
			($)	(years)
February 11, 2022	4,312,500	4,312,500	0.14	0.20
June 16, 2022	774,000	774,000	0.06	0.08
February 23, 2023	1,172,970	1,172,970	0.08	0.25
	6,259,470	**6,259,470**	**0.28**	**0.52**

f) Share Unit Awards

On May 4, 2021, the Company issued 1,033,226 restricted share unit awards (“RSU”) to certain directors, officers and employees of the Company, and 187,500 deferred share unit awards (“DSU”) to certain independent directors of the Company under the new Equity Incentive Compensation Plan. The restricted share unit awards are subject to vesting whereby 1/3 of the total RSUs shall vest on the first anniversary of the grant date, 1/3 shall vest on the second anniversary of the grant date, and 1/3 shall vest on the third anniversary of the grant date. The deferred share unit awards will vest 100% upon the independent director’s resignation. During the period ended October 31, 2021, 131,252 unvested RSUs were cancelled due to a participant ceasing to be eligible.

A continuity schedule of outstanding share unit awards is as follows:

	Restricted Share Units	Deferred Share Units
Balance, January 31, 2021	-	-
Granted	1,033,226	187,500
Cancelled	(131,252)	-
Balance, October 31, 2021	**901,974**	**187,500**

10. Related Party Transactions and Balances

The Company’s related parties consist of directors and companies with directors and executive officers in common and companies owned in whole or in part by executive officers and directors.

Trade and other payables as at October 31, 2021 include $Nil (January 31, 2021 - $259) owing to directors, officers, or companies they control. The amounts are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian dollars)

10. Related Party Transactions and Balances

Compensation of key management personnel:

The remuneration of directors and other key management personnel during the nine month period ended October 31, 2021 and 2020:

		October 31, 2021		October 31, 2020
Consulting fees, former CEO	$	-	$	7,500
Consulting fees, CFO		72,000		72,000
Wages, CEO		165,000		137,800
Wages, Executive Chair		93,750		68,083
Wages, Directors		110,833		88,333
Share-based compensation		530,428		245,278
Total	$	900,011	$	618,994

During the nine month period ended October 31, 2021, $530,428 (2020 - $245,278) was recognized in share based compensation related to the vesting of stock options granted to directors and officers of the Company.

11. Segmented Information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation. All of the Company's significant assets are held in Canada.

12. Management of Financial Risk

Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category		October 31, 2021		January 31, 2021
Cash	FVTPL	$	4,597,966	$	6,678,356
Trade and other payables	Amortized cost		496,787		230,805
Lease liability	Amortized cost		49,325		15,570
Notes payable	Amortized cost		3,261,409		3,676,977

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

12. Management of Financial Risk *(continued)*

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy.

Risk management

The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized as follows:

Credit Risk
Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits the exposure to credit risk in its cash by only holding its cash with high-credit quality financial institutions in business and/or savings accounts or other high-credit financial instruments.

Liquidity Risk
Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next ninety days. The Company is exposed to liquidity risk.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: Management has determined that the Company is not exposed to any significant interest rate risks.

(b) Foreign Currency Risk: The Company has identified its functional currency as the Canadian dollar. Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk.

(c) Commodity Price Risk: Management has determined that the Company is not exposed to any significant commodity price risks. The Company does not have any hedging or other commodity based risks in respect to its operational activities.

The Company manages its equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of exploration and evaluation assets, pursue its exploration activities, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

(Expressed in Canadian dollars)

12. Management of Financial Risk *(continued)*

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account, where possible.

There have been no changes to the Company's approach to capital management during the period ended October 31, 2021. The Company is not subject to externally imposed capital requirements.

13. Legal Proceedings

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believe that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

14. Right-of-Use Asset

The Company entered into a vehicle lease subject to fixed lease payments starting July 27, 2020 for a thirty-six-month term, a second vehicle lease on February 26, 2021 for a thirty-six month term, and a third vehicle lease on October 19, 2021 for a 36 month term. The lease commitments are based on the current lease term. Below is a summary of the activity related to right-of-use lease asset for the period ended October 31, 2021:

	Right of Use Asset
	$
Balance, January 31, 2020	-
Fair market value - addition	17,657
Depreciation	(3,433)
Balance, January 31, 2021	14,224
Fair market value - addition	44,712
Depreciation	(10,092)
Balance October 31, 2021	48,844

Below is a summary of the activity related to lease liability for the period ended October 31, 2021:

	Right of Use Lease
	$
Balance, January 31, 2020	-
Lease liability – addition	17,657
Lease payments	(2,087)
Balance, January 31, 2021	15,570
Lease liability – addition	44,712
Lease payments	(10,957)
Balance, October 31, 2021	49,325

Current portion of lease liability	20,890
Non-current lease liability	28,435
Balance, October 31, 2021	49,325

15. Sponsorship Income

During the nine-month period ended October 31, 2021, the Company hosted a charity golf tournament, generating $3,985 in sponsorship income, and donated $4,800 to various charity organizations in the same period, which is included in office, admin and rent.

16. Subsequent Events

Subsequent to October 31, 2021, the Company accelerated the final payment of $1 million to Rio Tinto Exploration Canada Inc., on behalf of Benton Resources Inc. for the Escape Lake option. The final payment of $1-million, not due under the terms of the Escape Lake option agreement until Oct. 9, 2022, was accelerated at the company's option. Clean Air Metals has now fulfilled all of Benton's payment obligations under the Escape Lake option agreement, earning Benton a 100-per-cent right, title and interest in and to the Escape Lake property, subject to a 1.0-per-cent net smelter return royalty to be retained by RTEC and subject to Clean Air Metals' right to acquire 100 per cent of Benton's interest in and to the Escape Lake property pursuant to the terms of the option agreement.

Clean Air Metals will be entitled to exercise the option to acquire 100 per cent of Benton's interest in the Escape Lake property, subject to a 0.5-per-cent net smelter return royalty from production on the Escape Lake property to be retained by Benton, upon completion of the two remaining payments under the share purchase agreement between Clean Air Metals and Magma Metals Pty. Ltd. ($1.5-million is due by May 13, 2022, and a further $1.5-million is due by May 13, 2023, provided that both payments can be accelerated at the discretion of Clean Air Metals). Upon exercise of its option, Clean Air Metals will also assume the obligations of the payer in respect of the RTEC royalty.