

CLEAN AIR METALS INC.
(Formerly Regency Gold Corp.)

Condensed Consolidated Interim Financial Statements

Nine Month Period Ended October 31, 2020 and 2019

(Unaudited)
(Expressed in Canadian dollars)

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

	October 31, 2020	January 31, 2020
ASSETS		
Current Assets		
Cash	\$ 9,571,707	\$ 1,547,073
Prepaid expenses (Note 3)	295,967	346,885
Tax recoverable	315,197	67,539
	10,182,871	1,961,497
Non-Current Assets		
Right of use asset (Note 15)	15,696	-
Equipment (Note 4)	31,625	-
Exploration and evaluation assets (Note 6)	16,521,054	-
Total Assets	\$ 26,751,246	\$ 1,961,497
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 7, 8 and 10)	\$ 514,086	\$ 441,791
Notes payable (Note 8)	1,629,080	251,323
Lease liability – current (Note 15)	6,103	-
	2,149,269	693,114
Non-Current Liabilities		
Lease liability – long term (Note 15)	9,466	-
Note payable – long term (Note 8)	1,990,223	-
Total Liabilities	4,148,958	693,114
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	94,529,635	73,585,313
Share subscription received (Note 9)	-	234,700
Reserves (Note 9)	4,424,975	2,902,457
Deficit	(76,352,322)	(75,454,087)
	22,602,288	1,268,383
Total Liabilities and Shareholders' Equity	\$ 26,751,246	\$ 1,961,497

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 18, 2020.

They are signed on the Company's behalf by:

"Abraham Drost"

Abraham Drost, Director

"Dean Chambers"

Dean Chambers, Director

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

	Three months ended October 31,		Nine months ended October 31,	
	2020	2019	2020	2019
Operating Expenses				
Accretion interest (Note 8)	\$ 57,674	\$ -	\$ 106,571	\$ -
Consulting fees (Note 10)	29,000	13,500	96,900	35,500
Depreciation (Note 4)	2,613	-	4,639	-
Geological consulting	-	281,000	10,985	281,000
Insurance	-	-	19,620	-
Investor relations and marketing	175,920	-	461,356	-
Legal settlement (Note 14)	-	250,000	-	250,000
Office, admin and rent	5,356	3,118	81,912	9,569
Professional fees	4,675	25,235	94,062	88,449
Share-based compensation (Note 9)	8,974	152,560	1,340,496	152,560
Shareholder relations	1,274	-	13,208	7,160
Transfer agent and filing fees	34,772	5,094	130,275	30,025
Travel and entertainment	11,609	-	42,708	95
Wages and benefits (Note 10)	288,924	-	742,157	-
	(620,791)	(730,507)	(3,144,889)	(854,358)
Other Income (Expenses)				
Flow through share premium	-	-	2,211,000	-
Interest income	15,608	-	45,038	-
Interest expense	(3,151)	-	(9,384)	-
Loan receivable write-off (Note 14)	-	(150,000)	-	(150,000)
Net profit (loss) and comprehensive income (loss) for the period	(608,334)	(880,507)	(898,235)	(1,004,358)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.05)
Weighted average number of common shares outstanding	139,746,766	25,483,382	95,034,514	21,738,978

Clean Air Metals Inc.
(Formerly Regency Gold Corp.)
Condensed Consolidated Interim Statements of Cash Flows
For the nine month period ended October 31
(Unaudited - expressed in Canadian dollars)

	2020	2019
Operating Activities		
Loss and comprehensive loss for the period	\$ (898,235)	\$ (1,004,358)
Items not affecting cash from operations:		
Accretion interest	106,571	-
Depreciation	4,520	-
Flow through share premium	(2,211,000)	-
Share-based compensation	1,340,496	152,560
Interest on notes payable	9,384	-
Loan receivable write-off	-	150,000
Changes in non-cash working capital:		
Loan receivable	(27,567)	-
Tax recoverable	(247,658)	(33,957)
Prepaid expenses	78,485	(27,500)
Trade and other payables	62,911	567,502
Cash Flows Used in Operating Activities	(1,782,093)	(195,753)
Investing Activities		
Equipment purchase	(36,145)	-
Loan receivable	-	(150,000)
Mineral property acquisition	(6,038,587)	-
Mineral property exploration	(4,021,119)	-
Cash Flows Used in Investing Activities	(10,095,851)	(150,000)
Financing Activities		
Exercise of warrants for common shares	153,500	1,333,333
Proceeds from private placement	21,465,300	-
Share issue costs	(1,716,222)	-
Cash Flows Provided by Financing Activities	19,902,578	1,333,333
Change in Cash for the Period	8,024,634	987,580
Cash, Beginning of Period	1,547,073	704,747
Cash, End of Period	\$ 9,571,707	\$ 1,692,237

Supplemental cash flow information:

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

Clean Air Metals Inc.
(Formerly Regency Gold Corp.)
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital		Share subscription received	Reserves	Deficit	Total
	Number of shares	Share \$				
January 31, 2019	14,372,270	72,251,980	-	2,749,897	(74,318,268)	683,609
Exercise of warrants	11,111,112	1,333,333	-	-	-	1,333,333
Share-based payments	-	-	-	152,560	-	152,560
Loss for the period	-	-	-	-	(1,004,358)	(1,004,358)
October 31, 2019	25,483,382	73,585,313	-	2,902,457	(75,322,626)	1,165,144
January 31, 2020	25,483,382	73,585,313	234,700	2,902,457	(75,454,087)	1,268,383
Private placement, net	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)
Shares issued for mineral properties	24,615,684	3,200,066	-	-	-	3,200,066
Flow through share premium	-	(2,211,000)	-	-	-	(2,211,000)
Share issued for option exercise	1,247,500	(28,522)	-	(149,785)	-	(178,307)
Share-based payments	-	-	-	1,497,894	-	1,497,894
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

1. Nature of Operations and Going Concern

Clean Air Metals Inc. (formerly Regency Gold Corp.) (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 nine months period ended October 31, 2020, comprise the Company and its wholly-owned subsidiaries: Silvio USA Inc. & Panoramic PGMs (Canada) Ltd.

These consolidated 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, 2020.

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

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:

Share-based payment transactions

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:

Recovery of deferred tax assets

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.

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). Significant changes to those underlying factors could cause a change to the functional currency.

2. Significant Accounting Policies *(continued)*

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

Going concern

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.

Useful Lives of Property, Plant and Equipment

The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation or amortization on a prospective basis, if needed. Changes in technology or the intended use of assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change. The estimated useful lives of property, plant and equipment are determined by internal asset life analysis, which takes into account actual and expected future usage, physical wear and tear, replacement history and assumptions about technology evolution. When factors indicate that assets' useful lives are different from the prior assessment, the Company depreciates or amortizes the remaining carrying value prospectively over the adjusted estimated useful lives.

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.	State of Nevada	100%	Dormant

During the period ended October 31, 2020, 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.

2. Significant Accounting Policies *(continued)*

i) Impairment *(continued)*

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 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, 2020, 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.

2. Significant Accounting Policies *(continued)*

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

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

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.

(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.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of a trade or other receivable is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(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.

2. Significant Accounting Policies *(continued)*

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.

l) Financial liabilities and equity – classification and fair value *(continued)*

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 and notes payable as financial liabilities measured at amortized cost.

m) Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

n) 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.

o) 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.

2. Significant Accounting Policies *(continued)*

o) Share-based compensation *(continued)*

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.

p) 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 to write off the cost of the assets. The depreciation rates applicable to each category of equipment are as follows:

Asset	Useful Life
Computers and equipment	5 Years

q) 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.

2. Significant Accounting Policies *(continued)*

q) Leases *(continued)*

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.

r) 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.

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.

s) 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.

2. Significant Accounting Policies *(continued)*

t) New standards, interpretations and amendments *(continued)*

IFRS 16 Leases - IFRS 16 supersedes IAS 17 Leases and governs how leases will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value.

On adoption of IFRS 16, the Company used the following additional practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on February 1, 2019. Accordingly, the comparative information presented for the prior period has not been restated and is presented as previously reported under IAS 17 and related interpretations. As at February 1, 2019, all of the Company's leases were short-term leases with a term of 12 months or less and recorded as operating leases. As such there was no effect of initial application recognized in retained earnings at February 1, 2019.

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, 2020, 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, 2020	January 31, 2020
Share purchase agreement (Note 5)	\$ -	\$ 250,000
Investor relations and marketing expenses	15,000	-
Acquisition-related costs (Note 5)	-	81,464
Management consulting fee (Note 9)	-	7,500
Drilling deposit	200,000	-
Exploration expenditures	40,330	-
Rent	4,700	-
Legal fees	-	5,421
Consulting fees	-	2,500
Payroll advance and other	8,370	-
Employee relocation benefits	27,567	-
Total	\$ 295,967	\$ 346,885

4. Equipment

Cost:	Computers and Equipment	
At January 31, 2020	\$	-
Additions		36,264
At October 31, 2020	\$	36,264
Accumulated depreciation:		
At January 31, 2020	\$	-
Charge for the period		4,639
At October 31, 2020	\$	4,639
Net book value:		
At January 31, 2020	\$	-
At October 31, 2020	\$	31,625

5. Acquisition of Panoramic PGMSs (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. ("Pan Subsidiary"), 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 the PAN Subsidiary 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. See note 5 for the detailed terms of each agreement. Following final approval of the TSX Venture Exchange and completion of the above outlined transactions, the Company's shares resumed trading on May 22, 2020 under the symbol 'AIR' and the Company was classified as a Tier 2 mining issuer.

5. Acquisition of Panoramic PGMSs (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
		<u>8,250,617</u>
Allocated as follows to PGMS assets and liabilities:		
Cash		38,239
Other receivables		17,923
Prepaid expenses		13,070
Exploration and evaluation		8,271,703
Accounts payable and accrued liabilities		<u>(90,318)</u>
Net assets acquired		<u>8,250,617</u>

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;
- 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 PGMSs (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 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; 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;
- 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 the initial payment of \$250,000 to PAN by a third-party deposit 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 issued 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. During the nine-month period ended October 31, 2020, the Company made two 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.

On May 14, 2020, the Company acquired 100% interest in the Escape Lake Project and the Thunder Bay North Project as described in Note 5.

Clean Air Metals Inc.
(Formerly Regency Gold Corp.)
Notes to the Consolidated Interim Financial Statements
For the nine-month period ended October 31, 2020
(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, 2019	
Balance at January 31, 2020	-
Acquisition Costs	
Thunder Bay North: Cash payments	\$ 5,500,000
Escape Lake: Common shares issued	3,200,065
Transaction closing costs	489,208
Thunder Bay North: Tenements	1,194,294
Fair value increase on acquisition	2,116,495
Exploration Expenditures	
Advance royalty payments	50,000
Assays and samples	215,683
Community relations	16,001
Drilling	2,283,125
Field and camp costs	755,368
Geological	209,811
Geochemical	32,800
Survey	458,204
Balance at October 31, 2020	\$ 16,521,054

7. Trade and Other Payables

	October 31, 2020	January 31, 2020
Trade and other payables	\$ 509,857	\$ 47,135
Liabilities to related parties (Note 10)	4,229	128
Legal settlement payable (Note 13)	-	250,000
Accrued liabilities	-	144,528
Total	\$ 514,086	\$ 441,791

8. Notes Payable

Blueberry Cobalt Project Note Payable

The Company has notes payable to Blueberry Cobalt Project Corp totaling \$250,000 (January 31, 2020 - \$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 \$9,384 was accrued for the period ended October 31, 2020 (2019 - \$Nil). As at October 31, 2020, accrued interest totaling \$11,781 is included in trade and other payables.

8. Notes Payable *(continued)*

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 nine months period ended October 31, 2020, \$106,571 (2019 - \$Nil) 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, 2020 - \$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

Nine-month period ended October 31, 2020

Private Placement of Units

On February 11, 2020, the Company issued subscription receipts pursuant to a private placement (the "Private Placement") for 75,000,000 units at \$0.20 per unit for aggregate gross proceeds of \$15,000,000. The subscription receipts were convertible into units upon satisfaction of certain conditions, as outlined below. Each unit consists of one common share and one-half common share purchase warrant of the Company exercisable at \$0.30 per share for a period of 24 months.

The escrow release conditions are as follows:

- i) The receipt of all required corporate, shareholder and regulatory approvals in connection with the offering, the Benton transaction and the TSX Venture Exchange listing, including, but without limitation to, the conditional approval of the TSX-V for the listing of the unit shares and warrant shares and any relevant listing documents having been accepted for filing with the TSX-V;
- ii) The completion or the satisfaction of all conditions precedent to the transaction, substantially in accordance with the definitive agreements relating to the transaction (other than the payment of the cash purchase price due in connection with the acquisition of the Thunder Bay North project), to the satisfaction of the agents; and
- iii) the Company and the agents having delivered a joint notice to the escrow agent confirming that the conditions set forth above have been met or waived.

9. Share Capital and Reserves (continued)

As consideration for the services provided by the agents in connection with the offering: (i) the agents received an aggregate cash commission of \$859,500, being equal to 6% of the gross proceeds of the offering (and reduced to 3 per cent with respect to certain subscribers on the president's list); and (ii) an aggregate of 4,312,500 compensation options were issued as consideration for services provided by the agents in connection with the Private Placement 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.

On May 13, 2020, an aggregate of 75,000,000 subscription receipts, initially issued on February 11, 2020 pursuant to a private placement at \$0.20, were converted into units of the Company following the satisfaction of applicable escrow release conditions as described above. 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.

Private Placement of Flow-Through Shares

On June 16, 2020, the Company closed a private placement through the issuance of 13,400,000 common shares of the Company that will qualify as flow-through shares (within the meaning of Subsection 66 (15) of the Income Tax Act (Canada)), at a price of \$0.50 per flow-through share, for aggregate gross proceeds of \$6,700,000.

The gross proceeds from the offering will be used by the Company to incur eligible Canadian exploration expenses that will qualify as flow-through mining expenditures as such terms are defined in the Income Tax Act (Canada) related to the Company's projects in Canada. All qualifying expenditures will be renounced in favour of the subscribers of the flow-through shares, effective December 31, 2020.

As consideration for the services provided by the agents in connection with the offering, (a) the agents received a cash commission equal to 6 per cent of the gross proceeds of the offering (and reduced to 3 per cent with respect to certain subscribers on the president's list) and (b) the agents received 774,000 compensation options, equal to 6 per cent of the number of flow-through shares issued under the offering (and reduced to 3 per cent with respect to certain subscribers on the president's list) on the closing date of the offering. 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.

Stock Option and Warrant Exercises

During the nine months ended October 31, 2020, an aggregate of 1,247,500 incentive stock options were exercised between \$0.12 and \$0.20 per share for gross proceeds of \$153,500.

Consideration Shares for Escape Lake Property

Pursuant to the terms of the Option Agreement with Benton, the Company issued an aggregate of 24,615,884 common shares in the capital of the Company to Benton as consideration for a 100% interest in the Escape Lake property. The value of the shares was estimated to be \$3,200,065.

9. Share Capital and Reserves (continued)

Year ended January 31, 2020

During the year ended January 31, 2020, the Company issued an aggregate of 11,111,112 common shares pursuant to the exercise of 11,111,112 warrants for gross proceeds of \$1,333,333. There was no value previously allocated to the warrants exercised.

As of January 31, 2020, the Company had received \$270,500 in a share subscriptions.

c) Stock option compensation plan

The Board of Directors adopted a stock option incentive plan (the "Plan"), which has been approved by the Company's shareholders and the TSXV. Stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant's companies. The stock option 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 options granted may not exceed 10% of the issued common shares; and (iii) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations. Vesting terms are determined by the Board of Directors.

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 \$0.20 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 258%.

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 263%.

On September 30, 2019, the Company granted an aggregate of 1,275,000 stock options to the directors and officers of the Company with an exercisable price of \$0.12, a term of 5 years and which vested immediately. The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free interest rate of 1.4%, a forfeiture and dividend rate of Nil, and a volatility of 265%. The expiry date of 1,200,000 stock options was amended to May 12, 2020, being 90 days after resignation of the former directors of the Company.

Clean Air Metals Inc.
(Formerly Regency Gold Corp.)
Notes to the Consolidated Interim Financial Statements
For the nine-month period ended October 31, 2020
(Expressed in Canadian dollars)

9. Share Capital and Reserves (continued)

The continuity of stock options is as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance - January 31, 2019	-	-
Granted	1,275,000	\$0.12
Balance - January 31, 2020	1,275,000	\$0.12
Granted	8,415,000	\$0.20
Exercised	(1,247,500)	\$0.12
Balance – October 31, 2020	8,442,500	\$0.20

As at October 31, 2020, 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 30, 2024	75,000	75,000	0.12	3.92
May 14, 2025	7,517,500	1,879,375	0.20	4.54
June 25, 2025	750,000	187,500	0.20	4.65
September 23, 2025	100,000	33,333	0.30	4.90
	8,442,500	2,175,208	0.20	4.55

During the nine-month period ended October 31, 2020, the Company recognized \$1,340,496 (January 31, 2020 - \$152,560) in share-based compensation related to the grant of incentive stock options.

d) *Warrants*

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

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – January 31, 2019	11,111,112	0.12
Exercised	(11,111,112)	(0.12)
Balance – January 31, 2020	-	-
Granted	37,500,000	0.30
Balance – October 31, 2020	37,500,000	0.30

9. Share Capital and Reserves (continued)

d) Warrants (continued)

On February 11, 2020, the Company issued subscription receipts pursuant to a private placement (the "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 \$1,027,006 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.

e) 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 \$157,397 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, 2019	-	-
Balance – January 31, 2020	-	-
Granted	5,086,500	0.25
Balance – October 31, 2020	5,086,500	0.25

9. Share Capital and Reserves (continued)

e) Compensation Options (continued)

As at October 31, 2020, 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	0.20	1.28
June 16, 2022	774,000	774,000	0.50	1.62
	5,086,500	5,086,500	0.25	1.33

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 payable as at October 31, 2020 includes \$4,229 (January 31, 2020 - \$128) owing to directors, officers, or companies they control. The amounts are non-interest bearing, unsecured and due on demand.

Prepaid expenses as at October 31, 2020 includes a \$Nil advance (January 31, 2020- \$7,500) to directors, officers, or companies they control.

Compensation of key management personnel:

The remuneration of directors and other key management personnel during the nine-month period ended October 31, 2020 and 2019, was as follows:

	2020	2019
Consulting fees, former CEO ⁽¹⁾	\$ 7,500	\$ 17,500
Consulting fees, CFO ⁽²⁾	72,000	18,000
Wages, CEO	137,800	-
Wages, Executive Chairman	68,083	-
Wages, Directors	88,333	-
Share-based compensation	245,278	-
Total	\$ 618,994	\$ 35,500

(1) As at October 31, 2020, \$Nil (January 31, 2020 - \$7,500) is advanced to Bill Radvak, the former CEO, for consulting fees, which is included in prepaid expenses.

(2) As at October 31, 2020 \$4,229 (January 31, 2020 - \$128) remains payable to current directors and officers of the Company for expense reimbursement, which is included in trade and other payables.

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, 2020	January 31, 2020
Cash	FVTPL	\$ 9,571,707	\$ 1,547,073
Trade and other payables	Amortized cost	514,086	297,263
Lease liability	Amortized cost	15,569	-
Notes payable	Amortized cost	3,619,303	251,323

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.
- 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.

12. Management of Financial Risk *(continued)*

Risk management *(continued)*

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.

13. Management of Capital

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.

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 nine-month period ended October 31, 2020. The Company is not subject to externally imposed capital requirements.

14. Legal Proceedings

On February 8, 2019, the Company entered into a definitive agreement to acquire Vanadium North Resources Inc. (“Vanadium North”), pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares of Vanadium North. Vanadium North is a privately-owned Canadian mining company that holds the Valley of Vanadium project in the Northwest Territories. The 9,600-hectare project comprises wholly owned claims in addition to an option to acquire 100 per cent of mining claims owned by Strategic Metals Ltd. (“Strategic Metals”), previously known as the Van project. Strategic Metals and Vanadium North are arm’s-length parties to each other.

Strategic Metals will retain a 2-per-cent net smelter return royalty on any commercial production from the property, one-half of which may be purchased for a payment of \$1-million any time prior to the commencement of commercial production. Upon completion of the acquisition: (a) the Company will own 100 per cent of Vanadium North in consideration for the issuance to Vanadium North shareholders of an aggregate of 13,995,985 common shares in the capital of the Company; and (b) the Company will issue 7.5 million common shares to Strategic Metals.

On March 26, 2019, the Company issued an interest-free loan to Vanadium North in the amount of \$150,000 to be used to finance exploration and for general working capital purposes. The loan is secured by the assets of Vanadium North and is repayable in cash and on demand, subject to closing the Vanadium North acquisition, at which time the borrower shall have no further obligation to repay the loan.

On July 18, 2019, the Company terminated the definitive agreement with Vanadium North (the “Termination”) and provided notice to Vanadium North regarding the return of the loaned finances. On July 24, 2019, the Company was served with a notice of civil claim (the “Claim”) filed with the Supreme Court of British Columbia by Vanadium North naming the Company as a defendant. The Claim alleged that the Termination did not occur in accordance with the definitive agreement.

On November 1, 2019, the Company entered into a Mutual Release and Settlement Agreement with Vanadium North whereby the Company agreed to forgive the \$150,000 loan previously issued to Vanadium North and issue a payment of \$250,000 in cash by March 1, 2020. The Company accrued a liability of \$250,000 in relation to this matter and wrote off the loan receivable balance. During the nine month period ended October 31, 2020, the Company made the settlement payment of \$250,000 to Vanadium North and has no further obligations under the Mutual Release and Settlement Agreement.

15. Right of Use Asset

The Company entered into an vehicle lease subject to fixed lease payments starting July 27, 2020 for a thirty-six 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, 2020:

	Right of Use Lease
	\$
Balance, January 31, 2020	-
Fair market value - addition	17,657
Depreciation	(1,962)
Balance, October 31, 2020	15,695

15. Right of Use Asset *(continued)*

For the period ended October 31, 2020, right-of-use assets depreciation was recognized in the Thunder Bay North's exploration and evaluation expenditures under field costs.

Below is a summary of the activity related to lease liabilities for year ended October 31, 2020:

	Right of Use Lease
	\$
Balance, January 31, 2020	-
Lease liability – addition	17,657
Lease payments	(2,088)
Balance, October 31, 2020	15,569
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Current portion of lease liability	6,103
Non-current lease liability	9,466
Balance, October 31, 2020	15,569
