

**POWER METALS CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

**FEBRUARY 28, 2021**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed 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 financial statements in accordance with standards established by the Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**POWER METALS CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	February 28, 2021	November 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 21,965	\$ 9,480
Receivables	11,166	8,664
<b>Total current assets</b>	<b>33,131</b>	<b>18,144</b>
<b>Non-current assets</b>		
Advances	73,900	73,900
Exploration and evaluation assets (Note 5)	5,347,645	4,986,322
Furniture and equipment	7,009	7,378
<b>Total non-current assets</b>	<b>5,428,554</b>	<b>5,067,600</b>
<b>Total assets</b>	<b>\$ 5,461,685</b>	<b>\$ 5,085,744</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 6 and 10)	\$ 662,808	\$ 662,650
Flow-through premium liability (Note 11)	75,797	75,797
<b>Total liabilities</b>	<b>738,605</b>	<b>738,447</b>
<b>Equity</b>		
Share capital (Note 8)	35,670,528	35,093,220
Shares to be issued	30,000	30,000
Share subscription receivable	(100,000)	(100,000)
Reserves (Note 8)	2,664,668	2,738,459
Deficit	(33,542,116)	(33,414,382)
<b>Total equity</b>	<b>4,723,080</b>	<b>4,347,297</b>
<b>Total liabilities and equity</b>	<b>\$ 5,461,685</b>	<b>\$ 5,085,744</b>

**Nature, continuance of operations, and going concern** (Note 1)

**Subsequent event** (Note 15)

**Approved and authorized on April 29, 2021 on behalf of the Board:**

“Johnathan More”  
Johnathan More
“Brent Butler”  
Brent Butler

, Director
, Director

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

**POWER METALS CORP.****CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	For the three months ended	
	February 28, 2021	February 29, 2020
<b>EXPENSES</b>		
Depreciation	\$ 369	\$ 461
Filing fees	13,298	20,844
Investor relation (recovery)	(754)	-
Management fees (Note 10)	72,435	74,557
Marketing, promotion and communication	-	2,316
Office and miscellaneous	1,068	3,438
Professional fees (reversal) (Note 10)	41,318	(7,800)
Share-based compensation (Notes 8 and 10)	-	325,587
Travel	-	556
	(127,734)	(419,959)
<b>OTHER ITEM</b>		
Other income	-	1,616
<b>Loss and comprehensive loss for the period</b>	<b>\$ (127,734)</b>	<b>\$ (418,343)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>105,854,122</b>	<b>102,327,121</b>

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

**POWER METALS CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
FOR THE THREE MONTHS ENDED,

	February 28, 2021	February 29, 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (127,734)	\$ (418,343)
Items not affecting cash:		
Depreciation	369	461
Other income	-	(1,616)
Share-based compensation	-	325,586
Changes in non-cash working capital items:		
Receivables	(2,502)	(5,600)
Prepaid expenses	-	27,493
Accounts payable and accrued liabilities	24,507	71,470
Net cash used in operating activities	<u>(105,360)</u>	<u>(549)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	<u>(31,472)</u>	<u>(13,393)</u>
Net cash used in investing activities	<u>(31,472)</u>	<u>(13,393)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from options exercised	149,317	-
Loan received	-	6,000
Net cash provided by financing activities	<u>149,317</u>	<u>6,000</u>
<b>Change in cash for the period</b>	<b>12,485</b>	<b>(7,942)</b>
<b>Cash, beginning of period</b>	<b>9,480</b>	<b>11,598</b>
<b>Cash, end of period</b>	<b>\$ 21,965</b>	<b>\$ 3,656</b>

**Supplementary cash flow information** (Note 14)

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

**POWER METALS CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Share Capital		Shares to be issued	Share subscription receivable	Reserves	Deficit	Total Equity
	Common Shares	Amount					
Balance, November 30, 2019	102,327,121	\$ 34,559,011	\$ 30,000	\$ (7,050)	\$ 2,352,124	\$ (32,588,088)	\$ 4,345,997
Share-based compensation	-	-	-	-	325,586	-	325,586
Loss and comprehensive loss for the period	-	-	-	-	-	(418,343)	(418,343)
<b>Balance, February 29, 2020</b>	<b>102,327,121</b>	<b>34,559,011</b>	<b>30,000</b>	<b>(7,050)</b>	<b>2,677,710</b>	<b>(33,006,431)</b>	<b>4,253,240</b>
Balance, November 30, 2020	104,727,121	\$ 35,093,220	\$ 30,000	\$ (100,000)	\$ 2,738,459	\$ (33,414,382)	\$ 4,347,297
Shares issued for exploration assets	920,000	354,200	-	-	-	-	354,200
Shares issued for options exercised	963,334	149,317	-	-	-	-	149,317
Fair value of shares issued on options exercised	-	73,791	-	-	(73,791)	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(127,734)	(127,734)
<b>Balance, February 28, 2021</b>	<b>106,610,455</b>	<b>\$ 35,670,528</b>	<b>\$ 30,000</b>	<b>\$ (100,000)</b>	<b>\$ 2,664,668</b>	<b>\$ (33,542,116)</b>	<b>\$ 4,723,080</b>

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

**1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Power Metals Corp. (“Power Metals” or “the Company”) is incorporated under the British Columbia Business Corporations Act and its common shares are listed on the TSX Venture Exchange (“the Exchange”) under the symbol “PWM”. The principal business of the Company is the acquisition, exploration and evaluation of resource properties.

The Company’s registered office is 2900-595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5 and the head office, principal address and records office is Suite 300-1055 West Hasting Street, Vancouver, British Columbia, Canada, V6E 2E9.

The Company is considered to be in the exploration stage with respect to its interests in exploration and evaluation assets. The recoverability of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These condensed 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 for the foreseeable future. As at February 28, 2021, the Company had an accumulated deficit of \$33,542,116 (November 30, 2020 - \$33,414,382) and has incurred losses since inception. These material uncertainties may raise substantial doubt about the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company’s commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

In March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretation Committee (“IFRIC”). These condensed interim financial statements have been prepared on the basis of IFRS standards that are effective for the Company’s reporting year ended November 30, 2020.

**Basis of presentation**

The condensed interim financial statements have been prepared on historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The functional and presentation currency are both Canadian dollars.

**Significant accounting judgments and critical accounting estimates**

The preparation of these financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements.

**2. BASIS OF PRESENTATION (cont'd...)**

**Significant accounting judgments and critical accounting estimates (cont'd...)**

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the determination of categories of financial assets and financial liabilities which has been identified as an accounting policy involving assessments made by management, recoverability of the carrying value of the Company's exploration and evaluation assets, and the going concern assumption.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- i) Deferred income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Furniture and equipment**

Furniture and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates.

Furniture and equipment	20%
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Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property, plant and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

**Exploration and evaluation assets**

The Company capitalizes the acquisition costs of mineral claims and mineral rights. Exploration and development costs, subsequent to the determination of the feasibility of mining operations are capitalized. Exploration and development expenses incurred prior to determination of the feasibility of mining operations, periodic option payments and administrative expenditures are expensed as incurred.

Proceeds received on the sale of interests in exploration and evaluation assets are credited to the carrying value of exploration and evaluation assets, with any excess included in operations. Write-downs due to impairment in value are charged to profit or loss.



**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Exploration and evaluation assets (cont'd...)**

Management periodically reviews the carrying values of its investments in exploration and evaluation assets and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of revenues from the property or from the sale of the property. A decision to abandon, reduce or expand activity on a specific property is based upon many factors including general and specific assessments of mineral resources, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases and the availability of financing. The Company does not set a pre-determined holding period for properties with unproven resources. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and that carrying values are appropriate.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against profit or loss in the period of abandonment or determination of impairment of value.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

The amounts recorded as mineral claims represent unamortized costs to date and do not necessarily reflect present or future values. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties. The accumulated costs of mineral properties that are developed to the stage of commercial production will be amortized to operations using the unit of production depletion method.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing unless otherwise noted.

**Impairment of long-lived assets**

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Flow-through shares**

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

**Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

As at February 28, 2021 and November 30, 2020, the Company has determined that it does not have any decommissioning obligations.

**Financial instruments**

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

*Measurement*

*Financial assets and liabilities at amortized cost*

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

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Impairment of financial assets at amortized cost*

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

*Derecognition*

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

<b>Financial Asset or liability</b>	<b>Classification and measurement</b>
Cash	Amortized cost
Trade payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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 volume 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 marketplace.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Loss per share**

The Company recognizes the dilutive effect on loss per share based on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

**Share capital**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants (“Warrants”). Depending on the terms and conditions of each equity financing agreement (“Agreement”), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued using residual value method which involves comparing the selling price of the units to the Company’s share price on the announcement date of the financing. The market value is then applied to the common share, and any residual amount is assigned to the warrants. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments and are recognized in equity. When warrants are forfeited or are not exercised at the expiry date the amount previously recognized in equity is transferred from reserves to deficit.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares are issued.

**Share issuance costs**

Share issue costs are deferred and charged directly to share capital on completion of the related equity financing. If the financing is not completed, share issue costs are charged to profit or loss. Costs directly identifiable with the raising of capital will be charged against the related share capital.

**Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is expensed over the vesting terms. The expected price volatility is based on the historical volatility. All equity-settled share-based payments are reflected in reserves until exercised. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred from reserves to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**New accounting standards adopted during the year**

The Company has adopted the following accounting standards effective December 1, 2019:

*New standard IFRS 16 “Leases”*

This replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. Overall, the implementation of IFRS 16 on December 1, 2019 did not have a significant impact on its financial statements.

**New accounting standards not yet effective**

New accounting standards and interpretations have been published that are not mandatory for the current period and have not been adopted early. These standards are not expected to have a material impact on the Company.

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**FEBRUARY 28, 2021**

**4. MARKETABLE SECURITIES**

	MGX Minerals Inc.	
	Number of Shares	Amount
Balance, November 30, 2018	1,000,000	\$ 450,000
Proceeds from shares	(1,000,000)	(196,613)
Realized loss on marketable securities	-	(253,387)
<b>Balance, November 30, 2019 and February 28, 2021</b>	<b>-</b>	<b>\$ -</b>

During the year ended November 30, 2019, the Company sold 1,000,000 shares for proceeds of \$196,613 and recorded a realized loss of \$253,387. As at February 28, 2021, the Company holds Nil (November 30, 2020 – Nil) shares of MGX Minerals Inc. and the market value of the remaining shares was \$Nil (November 30, 2020 - \$Nil).

	MGX Renewables Inc.	
	Number of Shares	Amount
Balance, November 30, 2018	-	\$ -
Acquired from mineral property option payment	16,717	2,340
Proceeds from shares	(16,717)	(2,338)
Realized loss on marketable securities	-	(2)
<b>Balance, November 30, 2019 and February 28, 2021</b>	<b>-</b>	<b>\$ -</b>

During the year ended November 30, 2019, the Company received 16,717 common shares of MGX Renewables Inc. The Company sold 16,717 shares for proceeds of \$2,338 and recorded a realized loss of \$2. As at February 28, 2021, the Company holds Nil shares of MGX Renewables Inc.

**POWER METALS CORP.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FEBRUARY 28, 2021

**5. EXPLORATION AND EVALUATION ASSETS**

During the period ended February 28, 2021, the following exploration expenses were incurred on the exploration and evaluation assets:

	Case Lake Property	Paterson Lake and Gullwing Tot	Total
<b>Acquisition costs</b>			
Balance, November 30, 2020	\$ 3,871,161	\$ 291,265	\$ 4,162,426
Shares issued	-	354,200	354,200
Balance, February 28, 2021	3,871,161	645,465	4,516,626
<b>Exploration costs</b>			
Balance, November 30, 2020	574,701	249,195	823,896
Geological consulting	-	5,000	5,000
Supplies	2,123	-	2,123
Balance, February 28, 2021	576,824	254,195	831,019
Total balance, February 28, 2021	\$ 4,447,985	\$ 899,660	\$ 5,347,645

**POWER METALS CORP.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FEBRUARY 28, 2021

**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the year ended November 30, 2020, the following exploration expenses were incurred on the exploration and evaluation assets:

	Case Lake Property	Paterson Lake and Gullwing Tot	Total
<b>Acquisition costs</b>			
Balance, November 30, 2019	\$ 3,871,161	\$ 283,765	\$ 4,154,926
Cash paid	-	7,500	7,500
Balance, November 30, 2020	3,871,161	291,265	4,162,426
<b>Exploration costs</b>			
Balance, November 30, 2019	505,453	204,464	709,917
Geological consulting	65,595	38,225	103,820
Supplies	3,653	6,506	10,159
Balance, November 30, 2020	574,701	249,195	823,896
Total balance, November 30, 2020	\$ 4,445,862	\$ 540,460	\$ 4,986,322



**POWER METALS CORP.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FEBRUARY 28, 2021

**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

The Company entered into a letter of intent (“LOI”) with Sinomine Resource Group Co., Ltd. (“Sinomine”) on August 31, 2020 to further the exploration and development of the Company’s property interests in Canada. Pursuant to the LOI, Sinomine would provide certain amount of funding to advance work on its Case Lake, Paterson Lake, and Gullwing-Tot Lakes properties through a direct investment in the Company or a joint venture. Sinomine is currently conducting its due diligence process and a definitive agreement had not yet been entered into.

MGX Minerals Inc. - Definitive Agreement

During the year ended November 30, 2017, the Company entered into a definitive agreement with MGX Minerals Inc. (“XMG”) to acquire certain interests held by the Company in exchange for common shares in the capital of XMG. The transaction terms are as follows:

- a) XMG acquires a 100% interest in all of the Company’s current U.S. Petrolithium Brine assets, consisting of Paradox Basin and Coyote Project.
- b) XMG acquires a 20% interest in all of the Company’s current Hard Rock Assets, consisting of Case Lake, Separation Lake, Gullwing – Tot Lake and Larder River, and any future assets that the Company acquires for the following 36 months.
- c) XMG has the right to purchase an additional 15% interest of the Company’s Hard Rock Assets for a period of 36 months for a total of \$10,000,000.
- d) XMG receives a call option to purchase up to 10,000,000 common shares of the Company at a price of \$0.65 per share for a period of 36 months.
- e) XMG pays to the Company 3,000,000 common shares of XMG – 1,000,000 common shares of XMG every 5 months following the effective date (2,000,000 XMG shares received and valued at \$2,570,000). Upon XMG issuing the shares, it will have acquired the Petrolithium Brine assets and title will transfer from the Company to XMG.

For each 1,000,000 XMG shares delivered to the Company, XMG will have earned a 6 2/3% interest in the Hard Rock Assets.

During the year ended November 30, 2019, XMG defaulted on the option agreement and the Company reclaimed the 20% interest in all of the Company’s Hard Rock Assets. The remaining 1,000,000 shares of XMG will not be collected.

During the year ended November 30, 2019, the Company received 16,717 common shares of MGX Renewables Inc. relating to a spin off of MGX Minerals Inc. During 2019, the Company sold 16,717 shares for proceeds of \$2,338 and recorded a realized loss of \$2. As at November 30, 2020, the Company holds Nil shares of MGX Renewables Inc.

Case Lake Property

During the year ended November 30, 2016, the Company entered into an agreement to acquire 100% interest in the Case Lake Property in consideration of the following:

- i) paid \$260,000;
- ii) payment of \$100,000 (paid) for the underlying option agreement;
- iii) incur an aggregate of \$200,000 of property expenditures over 36 months (incurred);
- iv) issuance of 11,000,000 common shares of the Company (issued and valued at \$990,000).

The property is subject to a 2% NSR.

The Company also issued 913,235 common shares valued at \$82,191 as finders’ fees.

During the year ended November 30, 2017, the Company further acquired a 100% interest in additional claim units in consideration of 3,000,000 shares (issued and valued at \$2,430,000).

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**FEBRUARY 28, 2021**

**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Paterson Lake and Gullwing-Tot

During the year ended November 30, 2017, the Company entered into an agreement to acquire 100% interest in the Paterson Lake and Gullwing-Tot properties. Pursuant to the agreement, the Company is required to complete the following:

- i) cash payment
  - a) \$90,000 upon execution of agreement (paid).
  - b) \$35,000 on or before May 1, 2018 (paid).
  - c) \$15,000 on or before May 1, 2019 (paid).
  - d) \$75,000 on or before May 1, 2019 (amended on October 30, 2020)
- ii) share issuances
  - a) share issuances with a value of \$55,000 upon execution of agreement (171,875 common shares issued).
  - b) share issuances with a value of \$90,000 on or before May 1, 2018 (138,461 common shares issued).
  - c) share issuances with a value of \$155,000 on or before May 1, 2019 (amended on October 30, 2020).
- iii) incur an aggregate of \$400,000 on exploration expenditures over 36 months
  - a) incur \$50,000 in exploration on or before May 1, 2018 (incurred).
  - b) incur cumulative exploration expenditures of \$100,000 on or before May 1, 2019 (incurred).
  - c) incur cumulative exploration expenditures of \$250,000 on or before May 1, 2020 (amended on October 30, 2020).

On October 30, 2020, the Company entered into an amended agreement where all remaining cash payment and share issuance due under the property option agreement will be settled by the Company delivering 920,000 common shares of the Company on or before November 27, 2020 (issued and valued at \$354,200). In connection with the amended agreement, the Company paid \$7,500 cash.

In addition, upon a feasibility study being completed on the properties, the Company will make a payment for each Paterson Lake project and Tot property of \$450,000 up to a maximum \$900,000 in cash.

The properties will be subjected to a 0.5% NSR royalty and the remainder are subject to a 2% NSR on all production, with the Company retaining the right to purchase 1% for \$650,000 cash.

Gullwing Extension Property

On February 12, 2021, the Company entered into an agreement to acquire 100% in the Gullwing Extension Property in Dryden, northwestern Ontario. Pursuant to the agreement, the Company issued 9,500,000 (issued subsequently) common shares and grant 2% NSR.

The Company has the option to buy back 1% NSR in consideration of cash payment of \$1,000,000.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

	February 28, 2021	November 30, 2020
Trade payables	\$ 200,962	\$ 200,260
Accrued liabilities	65,000	52,000
Due to related parties (Note 10)	396,846	410,390
<b>Total</b>	<b>\$ 662,808</b>	<b>\$ 662,650</b>

During the period ended February 28, 2021, the Company recorded a gain on settlement of a payable to a vendor in the amount of \$Nil (November 30, 2020 – gain of \$233,603).

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
FEBRUARY 28, 2021

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**7. LOANS PAYABLE**

During the year ended November 30, 2016, the Company entered into a loan agreement with an arm's length party of \$450,000. The loan amount accrues interest at a rate of 12% per annum for a term of 12 months. As part of the loan agreement, the Company issued 900,000 common shares at a fair value of \$0.10 per share and recognized financing expenses of \$90,000. During the year ended November 30, 2019, the Company accrued interest of \$14,999 and settled the remaining loan principal and interest of \$98,295 by issuance of 655,300 common shares valued at \$124,507, which resulted in a loss of \$26,212.

During the year ended November 30, 2020, the Company received a non-interest bearing loan of \$6,000 with no-specific term of repayment which was fully repaid.

**8. SHARE CAPITAL AND RESERVES**

a) Authorized share capital as at February 28, 2021:

Unlimited number of voting common shares without par value.  
Unlimited number of preferred shares with no par value.

b) Issued share capital

During the period ended February 28, 2021, the Company

- issued 963,334 common shares upon exercise of options for gross proceeds of \$149,317, and accordingly, the Company relocated \$73,791 of its share-based payment reserve to share capital.
- issued 920,000 shares valued at \$354,200 pursuant to the acquisition of Paterson Lake and Gullwing-Tot\_Property (Note 5).

During the year ended November 30, 2020, the Company issued 2,400,000 shares pursuant to the exercise of options for gross proceeds of \$272,000 of which \$100,000 is recorded as subscription receivable, and accordingly, the Company reallocated \$262,209 of reserve to share capital.

c) Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the Board of Directors.

During the year ended November 30, 2020, the Company:

- i) granted stock options of 3,000,000 to officer and consultants of the Company. The options are valued at \$325,586 exercisable at a price of \$0.10 per share, expiring on February 5, 2025.
- ii) granted stock options of 2,876,045 to consultants, officers, and directors of the Company. The options are valued at \$653,245 exercisable at a price of \$0.30 per share, expiring on August 25, 2025.

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**FEBRUARY 28, 2021**

**8. SHARE CAPITAL AND RESERVES (cont'd...)**

c) Stock options (cont'd...)

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number Of Options Outstanding		Weighted Average Exercise Price
Balance, November 30, 2019	8,400,000	\$	0.32
Granted	5,876,045		0.20
Exercised	(2,400,000)		0.11
Expired/Cancelled	(1,403,333)		0.155
Balance, November 30, 2020	10,472,712		0.32
Exercised	(963,334)		0.16
Expired/Cancelled	(333,333)		0.16
Balance, February 28, 2021	9,176,045	\$	0.35
Number of options currently exercisable	9,176,045	\$	0.35

As at February 28, 2021, the following stock options were outstanding:

Number of options	Exercise Price	Expiry Date
250,000	\$ 0.40	June 27, 2021
500,000	0.23	January 16, 2022
200,000	0.48	February 20, 2022
100,000	0.33	March 12, 2022
2,950,000	0.28	July 17, 2022
1,300,000	0.81	January 4, 2023
2,876,045	0.30	August 25, 2023
1,000,000	0.10	February 5, 2025
9,176,045		

The weighted average remaining contractual life of option of 2.00 years. The average share price on the date of options exercised was \$0.265.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended February 28, 2021 and February 29, 2020:

	Period ended February 28, 2021	Period ended February 29, 2020
Risk-free interest rate	-	1.39%
Expected life of options	-	5.00 years
Expected annualized volatility	-	105.65%
Exercise price	-	\$0.10
Expected dividend rate	-	0%

The Company uses historical volatility to estimate the volatility of the share price.

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**FEBRUARY 28, 2021**

**8. SHARE CAPITAL AND RESERVES (cont'd...)**

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2019	8,624,152	\$ 0.73
Expired/Cancelled	<u>(8,624,152)</u>	0.73
Balance, November 30, 2020 and February 28, 2021	-	\$ -

As at February 28, 2021, there were no warrants outstanding.

e) Agent's warrants

Agent's warrants transactions are summarized as follows:

	Number of Agent's Warrants	Weighted Average Exercise Price
Balance, November 30, 2019	620,898	\$ 0.66
Expired/Cancelled	<u>(620,898)</u>	0.66
Balance, November 30, 2020 and February 28, 2021	-	\$ -

As at February 28, 2021, there were no agent's warrants outstanding.

**9. FINANCIAL INSTRUMENTS AND RISK**

*Fair values*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no financial instrument recorded at fair value as at February 28, 2021.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at February 28, 2021, the Company had \$11,166 (November 30, 2020 – \$8,664) receivable from government authorities in Canada. The Company believes it has no significant credit risk.

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
FEBRUARY 28, 2021

**9. FINANCIAL INSTRUMENTS AND RISK (cont'd...)**

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2021, the Company had a cash balance of \$21,965 (November 30, 2020 – \$9,480) to settle accounts payable and accrued liabilities and loans payable of \$662,808 (November 30, 2020 – \$662,650). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

*Market risk*

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

a) Interest rate risk

The Company has cash balances and loans payable which bear interest. The Company is satisfied with the credit ratings of its banks. The loans have fixed interest rates thus there is no interest rate risk. As of February 28, 2021, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

As at February 28, 2021, the Company has a minimal balance of cash in US dollars and does not believe that the foreign currency risk related to the balance is significant.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations may be significant. Much of this is out of the control of management and will be dealt with based on circumstances at any given time.

**10. RELATED PARTY BALANCES AND TRANSACTIONS**

Transactions with related parties and key management personnel are as follows:

	Nature of transactions	February 28, 2021	February 29, 2020
<b><u>Key management personnel:</u></b>			
Chairman and Director	Management	\$ 57,435	\$ 59,558
A company controlled by CFO and Director	Management	15,000	15,000
A company controlled by CFO and Director	Professional	28,000	10,800
VP Exploration and a company controlled by VP Exploration	Geological and consulting (i)	5,000	12,500
<b>Total</b>		<b>\$ 105,435</b>	<b>\$ 97,858</b>

i) Capitalized in exploration and evaluation assets.

During the year ended November 30, 2020, the Company received a non-interest bearing loan of \$6,000 with no-specific term of repayment from a director of the Company which was repaid in the year ended November 30, 2020.

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**FEBRUARY 28, 2021**

**10. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd...)**

The amounts due to other related parties and key management personnel included in accounts payable and accrued liabilities are as follows:

	February 28, 2021	November 30, 2020
Due to the Chairman and Director	\$ 117,352	\$ 136,183
Due to a company controlled by the CFO and Director	109,925	176,413
Due to a Director	8,110	8,110
Due to VP Exploration and a company controlled by VP Exploration	65,334	89,684
	<u>\$ 300,721</u>	<u>\$ 410,390</u>

The amounts due to related parties are unsecured non-interest bearing and are due on demand.

**11. COMMITMENT**

In connection with the issuance of flow-through common shares in June 2018, the Company has a commitment to incur \$2,000,014 of qualifying flow-through expenditures. As at February 28, 2021, the Company has a remaining flow-through commitment of \$727,825.

The following is a continuity schedule of the deferred premium on flow-through shares issuance:

Balance at November 30, 2019	\$ 89,457
Settlement of flow-through share liability through incurring expenditures	<u>(22,400)</u>
Balance at November 30, 2020	75,797
Settlement of flow-through share liability through incurring expenditures	<u>-</u>
Balance at February 28, 2021	<u>\$ 75,797</u>

**POWER METALS CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
FEBRUARY 28, 2021

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**12. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. share capital, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

No changes were made to capital management during the period ended February 28, 2021.

**13. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of mineral properties.

**14. SUPPLEMENTARY CASH FLOW INFORMATION**

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	February 28, 2021	February 29, 2020
<b>Non-cash investing and financing activities</b>		
Fair value reclassified from reserves to share capital for exercise of options	\$ 262,209	\$ -
Accounts payable and accrued liabilities for exploration and evaluation assets	150,124	341,535

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**15. SUBSEQUENT EVENTS**

Subsequent to February 28, 2021, the Company issued 9,500,000 common shares pursuant to the acquisition of Gullwing Extension Property (Note 5).