

EDISON COBALT CORP.

(formerly Power Americas Minerals Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Edison Cobalt Corp. (formerly Power Americas Minerals Corp.)

We have audited the accompanying consolidated financial statements of Edison Cobalt Corp. which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Edison Cobalt Corp. as at September 30, 2018 and 2017, and its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Edison Cobalt Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 28, 2019

EDISON COBALT CORP.
(formerly Power Americas Minerals Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended September 30, 2018 and 2017

<i>(in Canadian dollars)</i>	<i>Note</i>	September 30, 2018	September 30, 2017
General and administrative expenses			
Accounting, audit and legal	5	\$ 32,919	\$ 91,603
Advertising and promotion		154,725	24,166
Consulting	5	189,433	106,302
Management services	5	132,000	91,000
Office and sundry	5	53,089	12,551
Stock-based compensation	4, 5	516,508	201,793
Transfer agent and filing fees		56,041	22,862
Travel expense		33,605	18,738
Insurance		2,000	-
		<u>(1,170,320)</u>	<u>(569,015)</u>
Other (income) expenses			
Impairment of exploration and evaluation assets	3	23,850	-
Settlement of flow-through share premium	4	<u>(166,675)</u>	<u>-</u>
Net and Comprehensive loss for the year		<u>\$ (1,027,495)</u>	<u>\$ (569,015)</u>
Loss per share – basic and diluted		\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		53,299,733	20,187,197

- See accompanying notes. -

EDISON COBALT CORP.
(formerly Power Americas Minerals Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2018 and 2017

<i>(In Canadian dollars)</i>	<i>Note</i>	Number of Common Shares	Share Capital	Reserve Share- based payments	Deficit	Total Shareholders' Equity
Balance at September 30, 2016		9,271,500	\$ 1,889,450	\$ 437,036	\$ (2,247,279)	\$ 79,207
Common shares issued – private placement	4	6,906,250	552,500	-	-	552,500
Shares issued on exercise of options and warrants		1,376,250	371,531	(96,281)	-	275,250
Shares issued – Kittson Cobalt option agreement	3,4	6,250,000	1,250,000	-	-	1,250,000
Share issue costs		-	(99,567)	39,354	-	(60,213)
Stock options granted	4	-	-	201,793	-	201,793
Net loss		-	-	-	(569,015)	(569,015)
Balance at September 30, 2017		23,804,000	\$ 3,963,914	\$ 581,902	\$ (2,816,294)	\$ 1,729,522
Common shares issued – private placement	4	32,883,332	3,432,500	-	-	3,432,500
Common shares issued - share issuance cost	4	894,166	152,008	-	-	152,008
Shares issued on exercise of options and warrants		222,500	34,500	-	-	34,500
Shares issued – Kittson Cobalt option agreement	3,4	13,000,000	2,600,000	-	-	2,600,000
Share issue costs		-	(1,120,572)	604,579	-	(515,993)
Flow-through premium	4	-	(250,000)	-	-	(250,000)
Stock options granted	4	-	-	516,508	-	516,508
Net loss		-	-	-	(1,027,495)	(1,027,495)
Balance at September 30, 2018		70,803,998	\$ 8,812,350	\$ 1,702,989	\$ (3,843,789)	\$ 6,671,550

- See accompanying notes –

EDISON COBALT CORP.
(formerly Power Americas Minerals Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2018 and 2017

<i>(In Canadian dollars)</i>	September 30, 2018	September 30, 2017
Cash flows provided by (used in) operating activities		
Net loss for the year	\$ (1,027,495)	\$ (569,015)
Non-cash items:		
Stock-based compensation	516,508	201,793
Impairment of exploration and evaluation assets	23,850	-
Settlement of flow-through share premium	(166,675)	-
Changes in working capital items:		
GST recoverable	(227,699)	(11,963)
Prepaid expenses	(70,583)	(96,799)
Trade payables and accrued liabilities	(1,810)	2,374
	(953,904)	(473,610)
Cash flows provided by (used in) investing activities		
Exploration and evaluation assets	(1,264,800)	(71,279)
Recovery from exploration tax credits	100,000	-
	(1,164,800)	(71,279)
Cash flows provided by (used in) financing activities		
Common shares issued	3,619,008	827,750
Share issue costs	(515,993)	(60,213)
	3,103,015	767,537
Increase in cash	984,311	222,648
Cash, beginning of year	296,962	74,314
Cash, end of year	\$ 1,281,273	\$ 296,962
Non-cash investing activities		
Shares issued for acquisition of exploration and evaluation assets	\$ 2,600,000	\$ 1,250,000
Acquisition cost for exploration asset in accrued liabilities	\$ 196,271	\$ 30,000

- See Accompanying Notes -

EDISON COBALT CORP.
(formerly Power Americas Minerals Corp.)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years Ended September 30, 2018 and 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Edison Cobalt Corp. (formerly Power Americas Minerals Corp.) (the “Company”) was incorporated on November 8, 2009 under the Business Corporation Act of British Columbia. The Company’s primary business activity is mineral property exploration and development. On August 3, 2011, the Company’s common shares were listed for trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”) (trading symbol EDDY). On October 11, 2011, the Company’s common shares were listed for trading on the Frankfurt Stock Exchange (“FSE”) (trading symbol VV0). The Company’s head office is located at Vancouver, BC, Canada.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will have sufficient capital to fund the costs of its operations and realize the carrying value of assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2018, the Company has not advanced its mining properties to commercial production or identified mineral reserves. The ability of the Company to continue as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raising sufficient equity financing, issuing debt or securing related party advances to complete the acquisition and development of mineral property interests. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management anticipates that the Company will need to seek out additional equity financing to continue with planned exploration programs and general operations for the ensuing year.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on January 29, 2018 by the directors of the Company.

Statement of compliance with International Reporting Standards

The consolidated financial statements of the Company are prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned inactive subsidiary, Victory H.E.M.P. Bio-Tech Inc. and 10451754 Canada Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

EDISON COBALT CORP.
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Significant accounting judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company's consolidated financial statements include:

- the classification of expenditures as exploration and evaluation expenditures or operating expenses; and
- the assessment of the Company's ability to continue as a going concern.

Significant accounting estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, the fair value of share based payments and financial instruments and the recoverability measurement of deferred tax assets.

Exploration and evaluation assets

Pre-exploration costs

Exploration costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss as investigation costs.

Exploration and evaluation expenditures

Once the legal right to exploring a property has acquired, exploration and evaluation expenditures including the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets required in a business combination are capitalized by property.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Impairment of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets is reviewed at each reporting date to determine whether any following indications of impairment are present.

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Exploration and evaluation assets (cont'd)

If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of exploration and evaluation assets is the greater of an asset's fair value less cost to sell and value in use.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a charge in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

For both years presented, outstanding stock options and warrants have anti-dilutive effect on loss per share. Accordingly, diluted loss per share equals basic loss per share.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and flow-through shares are classified as equity instruments. When the Company issues units as part of a private placement, consisting of both common shares and common share purchase warrants, the fair value of the shares is determined using the market price, and the residual value is assigned to the warrants. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the flow through share proceeds.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profits or loss, loans and receivables, held to maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The Company has no financial instruments classified as fair value through profit or loss or held to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost, less any impairment loss. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Changes in fair value are recognized in investment revaluation reserve, with exception where a decline in fair value of an available-for-sale financial asset constitutes objective evidence of impairment. The amount of loss is removed from the reserve and recognized in profit or loss. Foreign exchange gains and losses on monetary financial assets are also recognized in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Non-derivative other financial liabilities (excluding financial guarantees) are recognized initially at fair value net of any directly attributable transaction costs and are subsequently measured at amortized cost. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired. The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates the positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income taxes (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax liabilities and assets 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.

Share-based compensation

Share-based payments to employees are measured at the fair value of the stock options issued and recognized over the vesting period. Share-based payments to non-employees are measured at the fair value of goods and services received by the Company or the fair value of the stock options granted, if the fair value of the goods and services cannot be reliably estimated. The fair value of the stock options is determined using Black-Scholes option pricing model, taking into account the terms and conditions upon which the stock options are granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates associating with the obligations is capitalized to the related mining assets along with the corresponding increase in the restoration provision in the period incurred. The restoration asset will be depreciated on the same basis as the related mining assets.

The Company's estimates of restoration costs change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. The estimates are reviewed annually for any changes.

Changes in the net present value, excluding changes in the estimates of reclamation costs, are charged to profit or loss in the period which they occurred.

The Company does not presently have any restoration or environmental obligations.

Accounting standards issued but not yet applied by the Company

At the date of the approval of the consolidated financial statements, a number of standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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3. EXPLORATION AND EVALUATION ASSETS

	September 30, 2018	September 30, 2017
Edison/Kittson Cobalt Project, Northeastern Ontario		
Acquisition cost:		
Balance, beginning of period	\$ 1,280,000	\$ -
Cash	30,722	30,000
Shares issued	2,600,000	1,250,000
Balance, end of period	<u>3,910,722</u>	<u>1,280,000</u>
Acquisition cost:		
Balance, beginning of period	49,929	-
Geological consulting	330,586	41,517
Drilling	994,754	6,000
Assay	75,009	2,412
Tax recovery	(100,000)	-
Balance, end of period	<u>1,350,278</u>	<u>49,929</u>
	<u>5,261,000</u>	<u>1,329,929</u>
Alberta Lithium, Fox Creek-Swan Hills.		
Acquisition cost:		
Balance, beginning of period	2,500	2,500
Cash payments	3,750	3,750
Impairment	(6,250)	-
Balance, end of period	<u>-</u>	<u>6,250</u>
Deferred exploration and evaluation:		
Balance, beginning of period	-	-
Geological consulting	17,600	17,600
Impairment	(17,600)	-
Balance, end of period	<u>-</u>	<u>17,600</u>
	<u>-</u>	<u>23,850</u>
Total exploration and evaluation assets	\$ 5,261,000	\$ 1,353,779

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3. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Edison/Kittson Cobalt Property, Northeastern Ontario

On January 23, 2017, the Company entered into an Option Agreement to acquire a 100% interest in the Lake Kittson Cobalt Property ("Kittson Property"), located in the Kittson and Coleman Townships of Larder Lake Mining Division in Northeastern Ontario. The optionor is a director and an officer of the Company. Under the terms of the Option Agreement, the aggregate purchase price consisted of 6,250,000 shares (issued), with a grant date fair value of \$1,250,000, and \$30,000 will be payable in cash (due January 23, 2017 – paid subsequent to September 30, 2017). During the Option Period, which lasts until December 7, 2020, the Company must carryout, pay for, file and have approved the minimum yearly work requirements necessary to keep the property in good standing. The property is subject to a 2% Net Smelter Royalty ("NSR") payable to the underlying optionor. The Company may purchase 1.5% of the 2% NSR from the underlying optionor for a total sum of \$1,000,000 at any time within the Option Period prior to commencement of commercial production.

On February 8, 2018, the Company closed the acquisition of 100% of the outstanding shares of 10451754 Canada Inc. which holds an additional 100% interest in 10 unpatented mining claims. The Company's 100% owned Kittson project now consists of 15 unpatented mining claims. The Company acquired the shares of 10451754 Canada Inc. by the issuance of 13,000,000 common shares of the Company with a fair value of \$2,600,000.

On May 30, 2018 the Company executed an agreement to purchase the Thomas Edison mine located in the area of Kittson-Cobalt Property (the "Edison Purchase"). The Edison Purchase closed on June 11, 2018. The purchase price of the mine is \$30,723 in cash and expenses.

Alberta Lithium, Fox Creek-Swan Hills, AB

During the year ended September 30, 2018, the Company determined that it would not pursue the Alberta Lithium, Fox Creek-Swan Hills properties and allowed its rights to these properties to expire or lapse. Accordingly, the Company recognized an impairment of \$23,850

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4. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Share issuances:

During the year ended September 30, 2018:

On May 8, 2018 the Company completed a brokered private placement of flow-through common shares (the "Flow-Through Shares") and non-flow-through units (the "Units"). The brokered private placement consisted of 6,666,666 Flow-Through Shares at a price of \$0.15 per Flow-Through Share and 11,216,666 Units at a price of \$0.15 per Unit, for total gross proceeds of \$2,682,500 (the "Private Placement"). Each Unit consists of one common share (a "Common Share") of the Company and one common share purchase warrant (a "Warrant") exercisable into one Common Share of the Company at a price of \$0.25 per Warrant for a period of 36 months from the date hereof. The Private Placement was brokered by Canaccord Genuity Corp. and Gravitas Securities Inc. (together "the Agents"). The Agents were paid a commission comprised of a cash fee in the amount of \$214,600 and issued an aggregate of 1,430,666 Agents' warrants. Each Agents' warrant is exercisable into one Unit at a price of \$0.15 per Unit for a period of 36 months from the closing date. In addition, the Company also issued the Agents 894,166 Units as a corporate finance fee in connection with the Private Placement. The fair value of the Agent's warrants and warrants attached to the corporate finance fee Units was estimated to be \$604,579 using a black-scholes option pricing model with the following assumptions, volatility 227%, risk free interest rate 1.90%, dividend yield 0%, and 3 year life.

The flow-through shares were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$250,000. As of September 30, 2018, the Company has a flow-through premium of \$83,325 and recorded settlement of flow-through share premium of \$166,675

On February 8, 2018, the Company closed the acquisition of 100% of the outstanding shares of 10451754 Canada Inc. which holds an additional 100% interest in 10 unpatented mining claims. The Company's 100% owned Kittson project now consists of 15 unpatented mining claims. The Company acquired the shares of 10451754 Canada Inc. by the issuance of 13,000,000 common shares of the Company with a fair value of \$2,600,000.

On November 6, 2017, the Company closed a non-brokered private placement (the "Private Placement") of 15,000,000 units at a price of \$0.05 per unit for total gross proceeds of \$750,000. Each unit consisted of one common share and one common share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one common share of the Company for a period of two years from the closing at an exercise price of \$0.10 per common share. The Company paid cash finders' fees of \$51,555 on the Private Placement.

The Company received of \$12,000 and issued 60,000 common shares pursuant to the exercise of 60,000 options, and received of \$22,500 and issued 162,500 common shares to the exercise of 162,500 warrants.

During the year ended September 30, 2017:

On September 23, 2017, the Company's board of directors authorized a plan to proceed with a consolidation of its outstanding common shares on the basis of four (4) pre-consolidation Shares for one (1) post-consolidation Share. All share, share equivalent, and per share amounts have been restated to retrospectively reflect this consolidation.

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4. SHARE CAPITAL (CONT'D)

On January 26, 2017, the Company issued 6,250,000 shares with a fair value of \$0.20 per share with a fair value of \$1,250,000 pursuant to the Kittson Cobalt Property option agreement (note 3).

On December 20, 2016, the Company completed a private placement financing of 6,250,000 shares at a price of \$0.08 per share for gross proceeds of \$500,000. The Company paid a finder's fee of \$50,000 and issued 625,000 finders' warrants to acquire 625,000 common shares at \$0.20 per share until December 20, 2018. The fair value of the finder's warrants was estimated to be \$38,765 using a black-scholes option pricing model with the following assumptions, volatility 140%, risk free interest rate 0.82%, dividend yield 0%, and 2 year life.

On November 30, 2016, the Company completed a private placement financing of 656,250 units at a price of \$0.08 per share for gross proceeds of \$52,500. Each unit consists of one common share and one share purchase warrant, entitling the holder to acquire an additional common share at \$0.20 per share until November 23, 2018. The Company paid a finder's fees of \$4,500 and issued finders' warrants to acquire 7,500 common shares at \$0.20 per share until November 23, 2018. The fair value of the finder's warrants was estimated to be \$589 using a black-scholes option pricing model with the following assumptions, volatility 155%, risk free interest rate 0.67%, dividend yield 0%, and 2 year life.

During the year ended September 30, 2017, 1,376,250 common shares were issued on the exercise of 593,750 share purchase warrants and 782,500 stock options for proceeds of \$275,250. The original fair value of the options exercised (\$96,281) was transferred from share based payment reserve to share capital.

Basic and diluted loss per share:

Diluted loss per share did not include the effect of shares to be issued for exercise of 3,290,000 stock options and 30,504,664 warrants as the effect would be anti-dilutive.

Stock options:

Under the Company's stock option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be ten years.

Stock options have been granted under the plan as follows:

On December 7, 2017, the Company granted stock options to directors, officers and advisors to purchase an aggregate of up to 2,500,000 common shares at \$0.20 per share for a five year period. The options are recorded at a fair value of \$488,173, using Black-Scholes option pricing model based on the following assumptions:

Volatility	201%
Risk free rate	1.61%
Annual dividends	0%
Remaining life	5 years

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4. SHARE CAPITAL (CONT'D)

On November 13, 2017, the Company granted stock options to advisors to purchase an aggregate of up to 300,000 common shares at \$0.12 per share for a two year period. The options are recorded at a fair value of \$28,335, using Black-Scholes option pricing model based on the following assumptions:

Volatility	175%
Risk free rate	1.40%
Annual dividends	0%
Remaining life	2 years

On February 10, 2017, the Company granted stock options to directors, officers and advisors to purchase an aggregate of up to 1,250,000 common shares at \$0.20 per share for a five year period. The options are recorded at a fair value of \$201,793, using Black-Scholes option pricing model based on the following assumptions:

Volatility	83%
Risk free rate	1.11%
Annual dividends	0%
Remaining life	5 years

A continuity of the Company's stock options is as follows:

	Options	Weighted average exercise price \$	Weighted average # years to expiry
Balance, September 30, 2016	530,000	0.20	1.11
Granted	1,250,000	0.20	
Exercised	(782,500)	0.20	
Expired	(102,500)	0.20	
Balance, September 30, 2017	895,000	0.20	2.86
Granted	2,800,000	0.19	
Exercised	(60,000)	0.20	
Expired	(345,000)	0.20	
Balance, September 30, 2018	3,290,000	0.19	3.79

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4. SHARE CAPITAL (CONT'D)

A summary of stock options outstanding and exercisable as of September 30, 2018 is as follows:

Outstanding and exercisable	Exercise price \$	Expiry date
490,000	0.20	February 10, 2022
300,000	0.12	November 13, 2019
2,500,000	0.20	December 7, 2022
3,290,000		

Share purchase warrants:

A summary of changes in share purchase warrants outstanding is as follows:

	Warrants outstanding	Weighted average exercise price \$	Weighted average number of years to expiry
Balance, September 30, 2016	2,500,000	0.20	1.56
Issued – Private placement	1,288,750	0.20	
Exercised – Private placement	(593,750)	0.20	
Balance, September 30, 2017	3,195,000	0.20	0.69
Expired	(2,500,000)	0.20	
Issued – Private placement	26,216,666	0.16	
Issued – Agent's warrants	3,755,498	0.21	
Exercised	(162,500)	0.14	
Balance, September 30, 2018	30,504,664	0.17	1.81

As at September 30, 2018, the Company had share purchase warrants outstanding as follows:

Outstanding	Exercise Price \$	Expiry Date
526,250	0.20	November 23, 2018
106,250	0.20	December 20, 2018
14,900,000	0.10	November 2, 2019
13,541,498	0.25	May 8, 2021
1,430,666	0.15	May 8, 2021
30,504,664		

Reserves:

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or agents' warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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5. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended September 30, 2018 are as follows:

- (i) The Company incurred a total of \$132,000 (2017: \$90,250) for management services and \$nil (2017 - \$6,000) for the provision of office facilities to a company controlled by a director.
- (ii) The Company incurred a total of \$55,000 (2017: \$10,000) in consulting services to a company controlled by an officer and director.
- (iii) The Company incurred a total of \$nil (2017: \$6,000) in accounting services to a company controlled by a director.
- (iv) The Company owes \$nil (2017: \$30,000) to a Director under an option agreement for the Kittson Cobalt Property (note 3). The Company incurred a total of \$977,581 (2017: \$44,900), and has \$nil deposit (2017: \$100,000), for geologist and assay services, from a company related to a director.
- (v) The Company owes \$196,271 (2017: \$nil) to companies related to officers and directors of the Company.

The Company has identified its directors and certain senior officers as its key management personnel. The remuneration of the Company's directors and other key management is as follows:

	2018	2017
Management services and consulting	\$ 187,000	\$ 100,250
Share based compensation	\$ 292,904	\$ 80,717

6. FINANCIAL RISK MANAGEMENT

Financial Risk Management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's Board of Directors monitors and approves its risk management practices. The Company's most significant areas of financial risk and risk management are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is attributable to cash. To limit its exposure to credit risk, the Company held its cash with high-credit quality financial institutes in Canada.

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk

The Company's current exposure to interest rate arises from the interest rate impact on its cash. The fair value of cash are not significantly affected by changes in short term interest rates.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company attempts to manage liquidity risk by maintaining sufficient cash balances to satisfy current and planned expenditures. The Company may from time to time have to issue additional shares to ensure there is sufficient capital to meet long term objectives.

Foreign currency exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company is not exposed to foreign exchange risk.

Classification of financial instruments

Financial assets included in the consolidated statement of financial position are as follows:

	2018		2017
Fair value through profit or loss:			
Cash	\$ 1,281,273	\$	293,962
Other financial liabilities:			
Trade payables	\$ 197,461	\$	3,000

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

7. CAPITAL MANAGEMENT

In the management of capital, the Company includes the components of shareholders' equity as well as cash, term deposits and other working capital. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to support its operations including the exploration and development of its mineral property interests. Management has not established a quantitative capital structure, but will review on a regular basis the stage of development of the Company.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

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8. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2018	2017
Net loss for the year	\$ (1,027,495)	\$ (569,015)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(267,149)	(147,944)
Non-deductible items and other	77,388	55,435
Temporary differences not recognized	150,577	118,396
Share issue costs	(134,158)	(25,887)
Income tax recovery	\$ (173,342)	\$ -

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

	2018	2017
Non-capital loss carry-forwards	\$ 704,884	\$ 542,271
Exploration and evaluation assets	-	130,829
Share issuance costs	124,311	5,518
	829,195	678,618
Unrecognized deferred tax assets	(829,195)	(678,618)
Net deferred tax assets	\$ -	\$ -

The Canadian tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools	Share issue costs
2030	\$ 29,125	\$ -	\$ -
2031	245,390	-	-
2032	281,650	-	-
2033	344,360	-	-
2034	333,645	-	-
2035	255,918	-	-
2036	221,589	-	-
2037	385,915	-	-
2038	832,518	-	-
No expiry	-	-	478,118
	\$ 2,930,110	\$ -	\$ 478,118