



CANADA SILVER COBALT WORKS INC.

(Formerly Canada Cobalt Works Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

**(Expressed in Canadian Dollars)
(UNAUDITED)**

**CANADA SILVER COBALT WORKS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Canada Silver Cobalt Works Inc. for the nine months ended September 30, 2020 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2) to the unaudited interim condensed consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

Auditors Involvement

The external auditors of Canada Silver Cobalt Works Inc. have not audited or performed a review of the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020.

CANADA SILVER COBALT WORKS INC.

(Formerly Canada Cobalt Works Inc)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	As at September 30, 2020	As at December 31, 2019 (Audited)
		\$	\$
ASSETS			
Current assets			
Cash		4,856,239	685,715
Amounts receivable	4	260,892	126,130
Investment in Polymet		996,304	-
Prepaid expenses		-	50,000
Total Current Assets		6,113,435	861,845
Fixed assets			
Equipment	6	336,039	287,337
Vehicles		148,252	-
Total Fixed Assets		484,291	287,337
Total assets		6,597,726	1,149,182
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	9	465,353	632,322
Total liabilities		465,353	632,322
Equity			
Share capital	7	33,910,370	29,690,079
Reserves	8	16,157,301	3,825,909
Deficit		(43,935,298)	(37,455,224)
Total equity		6,132,373	516,860
Total equity and liabilities		6,597,726	1,149,182

Corporate Information and Going Concern (Note 1), Commitments and Contingencies (Note 12) and Subsequent Events (Note 13)

APPROVED BY THE BOARD:*"Frank Basa"*

Director

"Jacques Monette"

Director

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

CANADA SILVER COBALT WORKS INC.

(Formerly Canada Cobalt Works Inc)

Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	Note s	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
		\$	\$	\$	\$
Expenses					
Exploration and evaluation					
Acquisition costs		1,500,000	-	1,500,000	86,350
Assay and testing		52,302	5,341	145,197	56,506
Depreciation		25,898	7,884	62,564	23,651
Drilling		779,405	66,730	1,039,243	132,176
Equipment		73,200	87,116	236,252	307,246
Facility expenses		29,070	24,891	128,291	135,740
Feasibility and scoping study (recovery)		(29,546)	18,191	(28,548)	124,721
Geology and geophysics		45,385	15,099	221,533	191,122
Labour		121,310	58,273	286,126	170,722
Project management and engineering		45,777	47,387	467,719	151,313
Royalties		15,000	15,000	15,000	15,000
Taxes, permits and licensing		26,297	17,252	18,054	29,493
		2,684,098	363,164	4,091,431	1,424,040
Corporate					
Admin. and general expenses (recovery)		(116,951)	19,197	20,945	59,148
Advertising and promotion		351,735	12,257	385,734	74,474
Professional fees		787,617	270,512	1,388,191	510,457
Filing costs and shareholders' information		159,168	24,802	270,047	99,873
Travel		8,798	12,420	29,258	35,441
		1,190,167	339,188	2,094,175	779,393
Other items					
Interest and other income		-	-	(6,000)	-
Impairment of accounts receivable		-	-	(60,968)	-
Premium on FT shares		-	-	(160,000)	-
Recovery of AR W/O		-	-	(140,741)	-
Sale of RE-20X process		-	-	(73,748)	(176,991)
Tax interest and penalties		-	-	1,800	10,253
GST/HST Adjustments		-	-	7,539	-
Stock-based compensation		293,388	58,000	726,583	58,000
		293,388	58,000	294,465	(108,738)
Total Expenses		4,167,853	760,352	6,480,071	2,094,695
Net comprehensive loss for the period		(4,167,853)	(760,352)	(6,480,071)	(2,094,695)
Net loss per share – basic and diluted		(0.041)	(0.009)	(0.074)	(0.027)
Weighted average number of shares outstanding basic and diluted		100,673,959	80,874,926	87,605,322	78,735,482

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

CANADA SILVER COBALT WORKS INC.

(Formerly Canada Cobalt Works Inc.)

Interim Consolidated Statements of Changes in Equity

	Number of Shares	Share Capital	Reserves	Deficit	Total Equity (Deficit)
		\$	\$	\$	\$
Balances, December 31, 2018	74,950,377	24,924,775	3,309,944	(32,534,700)	(267,009)
Private placement	2,426,667	545,000	-	-	545,000
Exercise of warrants	5,272,913	1,108,448	-	-	1,108,448
Exercise of options	750,000	218,000	-	-	218,000
Exercise of warrants – BV	-	259,708	(259,708)	-	-
Exercise of options – BV	-	237,919	(54,919)	-	183,000
Options granted	-	-	58,000	-	58,000
Share issue costs	-	(491)	(165)	-	(656)
Compensation	-	131	-	-	131
Issued for property	200,000	70,000	-	-	70,000
Net loss for the period	-	-	-	(2,094,695)	(2,094,695)
Balances, September 30, 2019	83,599,957	27,363,490	7,086,124	(34,629,395)	(179,781)
Private placements	5,618,571	1,901,089	488,411	-	2,389,500
Premium on FT shares	-	(160,000)	-	-	(160,000)
Exercise of warrants	375,000	353,083	-	-	353,083
Exercise of options	682,000	135,083	-	-	135,083
Share issue costs	-	97,334	-	-	97,334
Options granted and vested	-	-	1,212,370	-	1,212,370
Options expired	-	-	(233,184)	233,184	-
Warrant expired	-	-	(271,716)	-	(271,716)
Net loss for the period	-	-	-	(3,059,015)	(3,059,015)
Balances, December 31, 2019	90,357,798	29,690,079	8,282,005	(37,455,226)	516,858
Private placements	14,261,327	7,968,458	1,458,194	-	9,426,652
Exercise of warrants	3,038,690	1,533,720	-	-	1,533,720
Exercise of options	1,210,000	299,500	-	-	299,500
Issued for property	3,631,409	1,879,635	-	-	1,879,635
Stock-based compensation	-	(726,583)	-	-	(726,583)
Share issue costs	-	(317,337)	-	-	(317,337)
Warrant valuation	-	(6,417,102)	6,417,102	-	-
Net loss for the period	-	-	-	(6,480,071)	(6,480,071)
Balances, September 30, 2020	112,499,224	33,910,370	16,157,301	(43,935,298)	6,132,373

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

CANADA COBALT WORKS INC.
(Formerly Canada Cobalt Works Inc)
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	Nine months ended	
		September 30, 2020	September 30, 2019
		\$	\$
OPERATING ACTIVITIES			
Loss before tax		(6,480,071)	(2,094,695)
Adjustments for:			
Acquisition		-	70,000
Depreciation		62,564	23,651
Stock option compensation		726,583	58,000
Issuance of shares for property and asset acquisition		913,085	-
Operating cash flows before movements in working capital			
(Increase) decrease in amounts receivable		(134,762)	45,437
(Increase) decrease in related parties		50,000	-
Increase (decrease) in current liabilities		(166,970)	(143,322)
Cash used in operating activities		(5,029,571)	(2,040,929)
INVESTING ACTIVITIES			
Purchase of Equipment		(99,246)	-
Purchase of Vehicle		(160,272)	-
Cash used in investing activities		(259,518)	-
FINANCING ACTIVITIES			
Issuance of common shares		7,943,730	728,131
Share issue costs		(317,337)	(656)
Option exercise		299,500	218,000
Warrant exercise		1,533,720	1,108,448
Cash from financing activities		9,459,613	2,053,923
Increase (decrease) in cash		4,170,524	12,994
Cash – beginning of period		685,715	281,659
Cash – end of period		4,856,239	294,653

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

CANADA SILVER COBALT WORKS INC.
(Formerly Canada Cobalt Works Inc.)
Notes to the Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Canada Silver Cobalt Works Inc. ("CCM" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act. The address of the Company's head office is 3028 Quadra Court, Coquitlam, BC V3B 5X6. Cobalt's principal business activities are the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties.

These consolidated financial statements were approved by the Board of Directors on November 27, 2020.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, government licensing requirements or regulations, social licensing requirements, non-compliance with regulatory and environmental requirements and aboriginal land claims.

Going concern

As at September 30, 2020, the Company had not yet achieved profitable operations, had a working capital of \$5,648,082 (December 31, 2019 \$229,523), had accumulated losses and expects to incur future losses in the development of its business. These items represent material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern. The Company is in the process of exploring its properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties. Management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”), which incorporates International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

Basis of presentation and Functional currency

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods when the revision affects both current and future periods.

In the process of applying the Company’s accounting policies, management has made the same judgments, estimates, and assumptions which were set out in the Company’s audited financial statements for the year ended December 31, 2019.

CANADA SILVER COBALT WORKS INC.
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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently to these interim condensed consolidated financial statements.

4. AMOUNTS RECEIVABLE

The Company's amounts receivable are comprised of the following;

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Commodity taxes	<u>\$ 260,892</u>	<u>\$ 126,130</u>

During the years ended December 31, 2019 and 2018 the Company recorded an impairment loss of \$1,057,068 on amounts owing from Granada Gold Mines Inc, a related party with which there are three common directors. During the nine months ended September 30, 2020 \$263,621 of this amount was recovered.

5. INVESTEMENT

On July 31, 2020, the Company acquired the assets of Polymet Resources Inc., including an assay laboratory and bulk sampling plant located in Cobalt, Ontario. The asset acquisition was effected through Temiskaming Testing Laboratories Inc., a wholly-owned subsidiary of Canada Silver Cobalt. In payment for the assets, Canada Silver Cobalt issued 690,409 shares to Polymet Resources at a deemed price of \$0.45 per share, for total deemed consideration of approximately \$311,000. Canada Silver Cobalt also assumed outstanding liabilities of Polymet Resources in an amount of approximately \$339,000. Each of the shares was accompanied by one common share purchase warrant. Each warrant entitles Polymet Resources to acquire one additional common share of Canada Silver Cobalt at a price of \$0.50 for a period of two years.

6. EXPLORATION AND EVALUATION PROJECTS

Castle Silver Mine Project, Ontario

CCW holds a 100% interest in certain claims and parcels located in the Haultain and Nicol townships of Ontario. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US\$15 or lower per troy ounce and up to 5% when the price of silver is greater than US\$30 per troy ounce and a 5% gross overriding royalty on the sale of products derived from the property with a minimum annual payment of \$15,000 in the form of royalties on all future production from the property and a 1% NSR.

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Castle East Property, Ontario

CCW entered into a Purchase and Sale Agreement with Granada Gold Mine Inc., the Company repurchase from Granada Gold a back-in option on five mining leases at Castle East, forming part of the Castle mine property near Gowganda, Ontario. In payment, Canada Silver Cobalt will issue 2,941,000 common shares to Granada Gold at a deemed price of \$0.51 per share, for total deemed consideration of approximately \$1,500,000. Each of the shares will be accompanied by one common share purchase warrant. Each warrant will entitle GGM to acquire one additional common share of Canada Silver Cobalt for \$0.55 for a period of five years.

Beaver Property, Ontario

The Company holds a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario, which are subject to a 3% NSR royalty. Each 1% can be purchased for \$1,500,000.

7. EQUIPMENT

	Equipment	Vehicles	Total
	\$	\$	\$
COST			
As at January 1, 2020	398,589	-	398,589
Additions	99,246	160,272	259,518
Disposals	-	-	-
As at September 30, 2020	497,835	160,272	658,107
ACCUMULATED AMORTIZATION			
As at January 1, 2020	111,252	-	111,252
Accumulated amortization	50,544	12,020	62,564
As at September 30, 2020	161,796	12,020	173,816
NET BOOK VALUE			
As at December 31, 2019	287,337	-	287,337
As at September 30, 2020	336,039	148,252	484,291

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8. SHARE CAPITAL

8.1 Authorized share capital

The Company has an authorized share capital of an unlimited number of shares with no par value.

As at September 30, 2020, the Company had 112,499,224 common shares issued and outstanding (December 31, 2019: 90,357,798).

8.2 Share issuance

a). Private Placements

- On September 6, 2019, the Company closed a private placement offering, raising gross proceeds of \$423,000. The Company issued 1,410,000 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.

The 1,410,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$107,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.22, an average exercise price of \$0.50, risk free interest rate of 1.49%, expected life of warrants of 2 years, expected volatility rate of 100% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

- On September 23, 2019, the Company closed a private placement offering, raising gross proceeds of \$304,907. The Company issued 1,016,667 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.

The 1,016,667 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$76,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.23, an average exercise price of \$0.50, risk free interest rate of 1.57%, expected life of warrants of 2 years, expected volatility rate of 99% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

- On November 14, 2019 the Company closed a private placement offering, raising gross proceeds of \$1,406,500. The Company issued 4,018,571 units at a price of \$0.35 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.55 per share for a period of 2 years. The Company's related parties have purchased a total of 204,286 units for aggregate proceeds of \$71,500

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The 4,018,571 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$305,411 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.27, an average exercise price of \$0.55, risk free interest rate of 1.50%, expected life of warrants of 2 years, expected volatility rate of 85% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

- On December 4, 2019, the Company closed a non-brokered flow-through ("FT") private placement with strategic investors, raising gross proceeds of \$800,000. The Company issued 1,600,000 FT shares at \$0.50 per share. Finder's fees were paid in connection with the private placement in the amount of \$45,500 in cash and 91,000 finder warrants. Each finder warrant is exercisable at \$0.50 per share for two years from closing. The Company's related parties have purchased a total of 100,000 FT shares for aggregate proceeds of \$50,000.

The 91,000 finder warrants issued in connection to the FT shares listed above have been recorded at an estimated value of \$21,878 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of

\$0.40, an average exercise price of \$0.50, risk free interest rate of 1.50%, expected life of warrants of 5 years, expected volatility rate of 80% (based on the Company's historical volatility for 5 years up to the issuance date) and expected dividend rate of 0%.

- On June 15, 2020, the Company closed a flow-through private placement with strategic investors, raising gross proceeds of \$1.2 million by issuing 2,000,000 units at \$0.60 per flow-through unit. Each FT Unit comprises one flow-through common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.70 per share, for a period of two years from closing. In connection with the FT private placement the Company paid finder fees in the amount of \$94,000 and issued 156,665 finder warrants. The finder's warrants are on the same terms as the financing warrants and have been recorded at an estimated value of \$30,393 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.50, an average exercise price of \$0.70, risk free interest rate of 0.2.9%, expected life of warrants of 2 years, expected volatility rate of 89% and expected dividend rate of 0%.
- On August 14, 2020, the Company closed the first tranche of a non-brokered private placement financing, raising gross proceeds of \$3,193,730 by the issue of 5,806,782 units. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.65 per share, for a period of three years from closing. Finder' fees in the amount of \$90,247.50 and the issuance of 164,086 finder warrants were paid in connection with the private placement. The finder's warrants are on the same terms as the financing warrants.

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- On August 19, 2020, - the Company closed the final tranche of a non-brokered private placement financing, raising gross proceeds of \$3,500,000 by the issue of 6,363,636 units. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.65 per share, for a period of three years from closing.

b). Exercise of Options

- During the period ended September 30, 2020, the Company issued 1,210,000 common shares related to the exercise of 1,210,000 stock options at an exercise price between \$0.05 to \$0.32 per share.

c). Exercise of Warrants

- During the period ended September 30, 2020, the Company issued 3,038,690 common shares related to the exercise of 3,038,690 stock options at an exercise price of \$0.50 per share.

d). Others

- During the period ended September 30, 2020, the Company issued 3,631,409 common shares pursuant to asset and property agreement.

8.3 Stock Option Plan

The Company has in place a stock option plan (the "Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options.

The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Toronto Stock Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not lower than the fair market value of the option shares on the date of the grant of the option.

The terms of the plan are as follows:

- (i) the maximum number of shares that can be received by a beneficiary during any 12 month period is limited to 5% of issued and outstanding shares;
- (ii) the maximum number of shares that can be reserved for a consultant during any 12 month period is limited to a 2% of issued and outstanding shares; and
- (iii) the maximum number of shares that can be reserved for a supplier of investor relations services during any 12 month period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised on a 12 month period after the grant, at the rate of 25% per quarter.

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The following is a summary of the changes in the Company's stock option activities for the period ended September 30, 2020 and year December 31, 2019:

	September 30, 2020		December 31, 2019	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of period	8,073,000	\$ 0.322	6,155,000	\$ 0.322
Granted	2,550,000	0.330	3,350,000	0.362
Exercised	(1,210,000)	0.320	(1,432,000)	0.295
Expired	(875,000)	0.330	-	-
Outstanding, end of period	8,538,000	0.320	8,073,000	0.322
Exercisable, end of period	8,538,000	0.320	8,073,000	0.322

The following table summarizes information regarding stock options outstanding and exercisable as at September 30, 2020:

Exercise price	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price
Options				
\$0.050 - \$0.180	713,000	713,000	1.89	0.115
\$0.200 - \$0.300	4,825,000	4,625,000	2.15	0.263
\$0.320 - \$0.420	2,450,000	2,450,000	2.89	0.374
\$0.520 - \$0.700	550,000	550,000	2.38	0.583
Total	8,538,000	8,538,000		

The weighted average fair value of the options granted during the period ended September 30, 2020 was estimated at \$726,583 per option (2019: 58,000) at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	30 September 2020	30 September 2019
Risk free interest rate	0.32%	1.50%
Expected life	5 years	5 years
Expected volatility	128.14%	154.00%
Expected dividend per share	-	-

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8.4 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the periods ended September 30, 2020 and year ended December 31, 2019:

	September 30, 2020		December 31, 2019	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	10,126,856	\$ 0.570	15,451,794	\$ 0.322
Granted	17,273,305	0.620	6,537,988	0.362
Exercised	(3,038,690)	0.422	(5,597,913)	0.295
Expired	(1,171,011)	0.740	(6,265,013)	0.740
Outstanding, end of period	23,190,460	0.610	10,126,856	0.570

During the period ended September 30, 2020, in conjunction with the private placements, the Company issued a total of 17,273,305 share purchase warrants.

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at September 30, 2020:

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price
Share purchase warrants			
\$0.500	2,876,493	0.89	\$0.500
\$0.550	6,672,071	1.15	\$0.550
\$0.650	12,485,231	2.25	\$0.650
\$0.700	1,156,665	1.65	\$0.700
Total	23,190,460	1.89	\$0.575

The weighted average fair value of the warrants granted during the period ended 30 September 2020 was estimated at \$0.416 per warrant at the grant date using the Black-Scholes Pricing Model. The weighted average assumptions used for the calculation were:

	30 September 2020	30 September 2019
Risk free interest rate	0.32%	1.50%
Expected life	2 to 5 years	2 years
Expected volatility	103.50%	100.00%
Expected dividend per share	-	-

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9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net loss for the period	\$ (4,124,539)	\$ (760,352)	\$ (6,480,071)	\$ (2,094,695)
Weighted average number of shares – basic and diluted	100,673,959	80,874,926	87,605,322	78,735,482
Loss per share, basic and diluted	\$ (0.041)	\$ (0.009)	\$ (0.074)	\$ (0.027)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the periods ended 30 September 2020 and 2019.

10. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with officers of the Company and private companies controlled by officers and directors of the Company for management consulting, geological consulting and other services required by the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of officers and directors of the Company for the nine months ended September 30, 2020 was \$311,400 (2019 - \$202,200) and share based payments valued at \$726,583 (2019 - \$58,000).

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11. CAPITAL MANAGEMENT

The Company's Capital Management policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently for the period ended September 30, 2020.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's financial risk management policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently for the period ended September 30, 2020.

13. COMMITMENTS AND CONTINGENCIES

(a) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Flow-Through Shares

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

(c) Management Contracts

The Company is party to a management contract. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to \$270,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

The Company is party to several management and consulting contracts. As a result of these contracts the Company is committed to future payments of approximately \$180,000 which are payable as the contractual services are performed over the next year.

The Company has entered into a Memorandum of Understanding ("MOU") with the Matachewan First Nation community in connection with certain exploration and evaluation programs in their area; to support the engagement process two per cent of the exploration costs are provided to the First Nation.

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In addition, the Company has entered into a second Memorandum of Understanding (“MOU”) with both Temagami First Nation and Teme-Augama Nation to provide a framework process for consultation during the life of the project.

The MOUs also include terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the First Nation communities.

14. SUBSEQUENT EVENTS

Since 30 September 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

October 22, 2020, the Company has graduated to Tier 1 on the TSX Venture Exchange. The TSX Venture Exchange classifies issuers into different tiers based on standards including historical financial performance, stage of development and financial resources. Tier 1 is the Exchange’s premier tier and is reserved for its most advanced issuers.

October 23, 2020, the Company has appointed Robert Guanzon as the new CFO of Canada Silver Cobalt due to the passing of the former CFO, Tom Devlin.

October 30, 2020, the Company entered into an option agreement with MagNor Resources (MagNor) dated October 26, 2020 whereby Canada Silver Cobalt may earn an undivided 100% Interest, subject to a 2% NSR, in the MagNor’s B2 property in Quebec, Canada. The property has 12 claims totaling 670 hectares (6.7km²). The Agreement is subject to TSX Venture Exchange (“Exchange”) acceptance.

Terms of the Agreement

Pursuant to the terms of the Agreement, the Company may exercise the option with MagNor as follows:

- On Closing, making a payment of \$62,500⁽¹⁾ - (120,238 shares issued);
- 24 months from Closing, making a payment of \$62,500⁽¹⁾;
- 36 months from Closing, making a payment of \$62,500⁽¹⁾; and
- 36 months from Closing, incurring an aggregate of \$100,000 in Exploration Expenditures on the Ni Cu property;

(1) *Payment can be made in cash or through the issuance of Canada Silver Cobalt shares at a price per common share equal to the volume weighted average trading price of the Company’s shares on the Exchange for the ten (10) trading days immediately preceding the Closing Date, at the option of the Company.*

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November 4, 2020, the Company has issued 200,000 units stock option @ \$0.50 to consultant.

November 25, 2020, the Company has closed a non-brokered private placement by way of issuing 4,288,778 flow-through units ("FT Units") at a price of \$0.63 per FT Unit raising gross proceeds of \$2,701,930. The Company will also be issuing 3,308,824 Quebec FT Units at a price of \$0.68 per QFT Unit raising gross proceeds \$2,250,000. The Company is raising in total \$4,951,930.

Each FT and QFT Unit is comprised of one flow-through common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.80 per share, for a period of two years from closing, subject to TSX Venture Exchange ("Exchange") approval.

The Company has paid Finder fees in the amount of \$129,304 and issued 198,533 finder warrants in connection with the FT and QFT private placement. The finder's warrants are on the same terms as the financing warrants. The finder fees are subject to Exchange approval.

All securities issued in connection with the private placement will be subject to a four-month and a day hold period expiring on March 26, 2021 in accordance with applicable Canadian Securities Laws.