

**Cruz Cobalt Corp.**

**Form 2A**

**Listing Statement**

**Date: July 15, 2019**

**(except as otherwise stated)**

1. TABLE OF CONTENTS	2
2. CORPORATE STRUCTURE	7
3. GENERAL DEVELOPMENT OF THE BUSINESS	7
4. NARRATIVE DESCRIPTION OF THE BUSINESS	11
5. SELECTED CONSOLIDATED FINANCIAL INFORMATION	82
6. MANAGEMENT'S DISCUSSION AND ANALYSIS	83
7. MARKET FOR SECURITIES	83
8. CONSOLIDATED CAPITALIZATION	83
9. OPTIONS TO PURCHASE SECURITIES	84
10. DESCRIPTION OF THE SECURITIES	84
11. ESCROWED SECURITIES AND POOLING AGREEMENTS	85
12. PRINCIPAL SHAREHOLDERS	85
13. DIRECTORS AND OFFICERS	85
14. CAPITALIZATION	90
15. EXECUTIVE COMPENSATION	93
16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	98
17. RISK FACTORS	98
18. PROMOTER CONSIDERATION	103
19. LEGAL PROCEEDINGS	103
20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	104
21. AUDITORS, TRANSFER AGENTS AND REGISTRARS	104
22. MATERIAL CONTRACTS	104
23. INTEREST OF EXPERTS	104
24. OTHER MATERIAL FACTS	105
25. FINANCIAL STATEMENTS	105
SCHEDULE A – CERTIFICATE OF THE ISSUER	106
APPENDIX 1. ASSAY RESULTS FOR HECTOR DRILL HOLES 18HC01 – 18HC10	107
APPENDIX 2. FINANCIAL STATEMENTS	118
APPENDIX 3. MANAGEMENT'S DISCUSSION AND ANALYSIS	272

## **Definitions**

The following is a glossary of certain definitions used in this Listing Statement (as defined below). Terms and abbreviations used in this Listing Statement and also appearing in the documents attached as schedules to the Listing Statement (including the financial statements) are defined separately if the terms and abbreviations defined below are not used therein, except where otherwise indicated. Any capitalized term used but not defined in this Listing Statement have the meanings ascribed thereon in the CSE's policies. Words below importing the singular, where the context requires, include the plural and *vice versa*, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

**"Affiliate"** means a company that is affiliated with another company as described below. A company is an Affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person. A company is "controlled" by a person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company. A person beneficially owns securities that are beneficially owned by (a) a company controlled by that person, or (b) an Affiliate of that person or an Affiliate of any company controlled by that person.

**"Ag"** means the chemical element Silver.

**"AGAT"** means Agat Laboratories Ltd.

**"ALS"** means Australian Laboratory Services Pty. Ltd.

**"AMIS"** means the Ontario Abandoned Mines Information System.

**"APEX"** means APEX Geoscience Ltd., headquartered at 110-8429 24 ST NW Edmonton, Alberta, Canada, T6P 1L3

**"Associate"** when used to indicate a relationship with a person or company, means (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer, (b) any partner of the person or company, (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity, (d) in the case of a person, a relative of that person, including (i) that person's spouse or child, or (ii) any relative of the person or of his spouse who has the same residence as that person; but (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

**"Au"** means the chemical element Gold.

**"Author"** means Kristopher J. Raffle, B.Sc., P. Geo., principal and consulting geologist of APEX and the author of the Technical Report.

**"BCBCA"** means the *Business Corporations Act* (British Columbia).

**"CEO"** means Chief Executive Officer.

**"CFO"** means Chief Financial Officer.

**"COO"** means Chief Operating Officer.

**"Co"** means the chemical element Cobalt.

**“Cobalt Locaters”** means Cobalt Locaters Inc., a wholly-owned subsidiary of the Company

**“Cruz Capital”** means Cruz Capital (US) corp., a wholly-owned subsidiary of the Company.

**“Cu”** means the chemical element Copper.

**“Exchange”** means the Canadian Securities Exchange, operated by CNSX Markets Inc.

**“Hector Property”** or **“Hector Cobalt Prospect”** means the Hector Property consisting of 126 contiguous unpatented mining claims totalling 2,243 hectares located within the Coleman and Gillies Limit Townships, Larder Lake Mining Division, Timiskaming District, Ontario, Canada

**“Li”** means the chemical element lithium.

**“Listing Statement”** means this CSE Form 2A Listing Statement dated effective July 15, 2019.

**“MDI”** means the Ontario Mineral Deposit Inventory.

**“MLAS”** means the online Mining Lands Administration System, being used to acquire and manage mineral claims in Ontario, Canada.

**“MNDM”** means the Ontario Ministry of Northern Development and Mines.

**“Ni”** means the chemical element Nickel.

**“NI 43-101”** means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

**“OAFD”** means the Ontario Assessment Files Database.

**“Related Person”** means an **“Insider”**, which has the meaning set forth in the *Securities Act* (British Columbia) being:

- (a) a director or senior officer of the company that is an insider or subsidiary of the issuer;
- (b) a director or senior officer of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting share carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

**“Reporting Issuer”** has the meaning ascribed to it in the *Securities Act* (British Columbia), as amended.

**“SEDAR”** means the System for Electronic Document Analysis.

**“Share”** means a Share without par value in the capital of the Company.

**“Technical Report”** means the technical report of the Author dated April 25, 2019 entitled “NI 43-101 Report on the Hector Property” prepared in accordance with the requirements of NI 43-101. The Technical Report will be filed on SEDAR on or before the Listing Date

**“TSXV”** means the TSX Venture Exchange.

**“U.S.A”** or **“United States”** means the United States of America, its territories and possessions, and any state of the United States and the District of Columbia.

**“we”, “us”, “our” “the Company”** or **“Cruz”** means Cruz Cobalt Corp.

### ***Forward-Looking Statements***

The information provided in this Listing Statement, including information incorporated by reference, may contain “forward-looking statements” about us. In addition, we may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by us that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the speculative and competitive nature of resource exploration, development and operations;
- Aboriginal land claims, title risks, and the obtaining and renewing of material licences and permits;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interests; and
- other risks described in this Listing Statement and described from time to time in our documents filed with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and our other documents are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences or effects. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that we and/or persons acting on our behalf may issue. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See Item 17 – *Risk Factors*.

### ***Market and Industry Data***

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that the estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

## **2. CORPORATE STRUCTURE**

### **2.1 Corporate Name and Head and Registered Office**

The Listing Statement has been prepared with respect to Cruz Cobalt Corp. in connection with its listing on the Exchange. The Company's head office is located at Suite 1470 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company's registered records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

### **2.2 Jurisdiction of Incorporation**

The Company was incorporated on March 28, 2007 under the BCBCA as “Cruz Cobalt Corp.”

### **2.3 Inter-corporate Relationships**

The principal subsidiaries of the Company are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Place of Incorporation</b>	<b>Ownership Interest</b>
Cruz Capital (US) Corp.	Mining	U.S.A.	100%
Cobalt Locaters Inc.	Mining	Canada	100%

### **2.4 Fundamental Change**

The Company is not re-qualifying following a fundamental change and it is not proposing an acquisition, amalgamation, merger, reorganization or arrangement.

### **2.5 Incorporation Outside Canada**

This is not applicable to the Company.

## **3. GENERAL DEVELOPMENT OF THE BUSINESS**

### **3.1 General Development of the Business**

The Company's principal business activities include acquiring, exploring and evaluating mineral properties. As of the date of this Listing Statement, the Company has exploration and evaluation assets located in Canada and the United States as further described below.

The Company is a Reporting Issuer in the Provinces of British Columbia and Alberta and trades on the TSXV under the stock symbol “CUZ”. In connection with the listing of the Company's Shares on the Exchange as a mining issuer, the Company expects to delist from the TSXV.

The Company was originally incorporated as Brookemont Capital Inc. on March 28, 2007, under the Business Corporations Act of British Columbia on March 28, 2007. On June 27, 2007, the Preliminary Prospectus was filed with the securities regulatory authorities in the provinces of British Columbia and Alberta and with the TSXV. On September 27, 2007, the Final Prospectus for a public offering of securities was filed. On October 5, 2007, the Company completed its initial public offering for gross proceeds of \$200,000. The Company's common shares began trading on the TSXV on October 10, 2007 under the trading symbol “BKT.P”.

## ***Mineral Properties***

Management anticipates to use its available working capital to fund the work programs on the following mineral properties. Additional funds may need to be raised, through equity financings, shareholder loans, or otherwise. Although the Company has secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that are favourable or at all.

### *Ontario Cobalt Prospects*

In July 2016, the Company entered into a share purchase agreement (the “**Cobalt Locaters SPA**”) with four arm’s length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect. The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) pursuant to the Cobalt Locaters SPA. Cobalt Locaters became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties. During the nine months ended April 30, 2019, the Company acquired the remaining 50% interest in the above four Ontario cobalt prospects from an arm’s length vendor at no costs. As of the date of this Listing Statement, the Company holds a 100% interest in the above four Ontario cobalt prospects.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres. In November 2018, the Company decided to drop these claim units. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

The Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines.

In the last 36 months, the Company has incurred a total of \$589,515 in exploration costs on the Ontario cobalt prospects, of which, \$358,040 were to the Hector Cobalt Prospect. During the nine months ended April 30, 2019, the Company has incurred a total of \$309,812 in exploration costs on the Hector Cobalt Prospect, comprised of consulting geologist, a magnetic geophysical survey, sampling, assaying, and an exploration diamond drill program expenses.

### *Montana Chicken Hawk Cobalt Prospect*

In February 2017, the Company entered into an agreement with an arm’s length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000).



In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres. In August 2018, the Company decided to drop 29 Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

As of the date of the Listing Statement, the remaining 65 contiguous lode claims cover an area of approximately 1,339 acres.

#### Nevada Clayton Valley West Lithium Prospect

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in twelve claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. In consideration, the Company issued 900,000 common shares (issued at a value of \$30,000).

#### BC War Eagle Cobalt Prospect

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres.

In October 2018, the Company decided to drop certain War Eagle claims and allowed them to lapse when they became due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

As of the date of the Listing Statement, the remaining claims cover an area of approximately 4,936 acres.

#### Yukon Quartz Claims

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

As of the date of the Listing Statement, the remaining claims cover an area of approximately 100 acres.

#### Idaho Star Cobalt Prospect

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consisted of 44 contiguous claims within the Idaho Cobalt Belt.

In August 2018, the Company decided to drop 40 Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

As of the date of the Listing Statement, the Company holds a 100% interest in 4 contiguous claims.

#### BC Purcell Cobalt Prospect

Under the Cobalt Locaters SPA, the Company indirectly acquired a 100% interest in two cobalt prospects in B.C..

In January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,197 to increase the acreage on the Purcell Cobalt Prospect to 11,821 acres.

In October 2018, the Company decided to drop the entire property. Prior acquisition costs of \$285,863 and exploration costs of \$20,351 were written off as of July 31, 2018.

### ***Private Placements***

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection with the financing, the Company incurred filing fees of \$12,948, paid aggregate finder's fees of \$93,852 and issued 801,762 non flow-through broker warrants ("**NFT Broker Warrants**") and 102,600 flow-through broker warrants ("**FT Broker Warrants**"). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019. The NFT Broker Warrants and the FT Broker Warrants were valued at \$127,224 and \$16,273, respectively, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 303.4%, risk-free interest rate 0.57% and an expected life of three years.

In August 2017, the Company closed a non-brokered private placement (the "**Offering**") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "**Broker Warrants**") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at \$37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

### **3.2 Significant Acquisition and Disposition**

The response in Item 3.1 is responsive to this Item 3.2.

### **3.3 Trends, Commitments, Events or Uncertainties**

There are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Company's business, the Company's financial condition or results of operations. However, there are significant risks associated with the Company's business, as described in Item 17 – *Risk Factors*.

#### **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

##### **4.1 Narrative Description of the Company's Business**

###### **(1) Business of the Company**

The Company is a mineral exploration issuer engaged in the exploration of the Hector Property as its qualifying property. The Company operates in a single business segment focusing on mineral exploration in Canada and the United States. To date, the Company has not generated any revenue from its mineral exploration activities and has met its cash requirements primarily through share issuances. Until the Company attains profitability, it will be necessary to raise additional financings for general working capital and for exploration costs on its material property. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

###### *(a) Business Objectives*

The Company's principal business activities include acquiring and exploring exploration and evaluation assets. The Company has exploration and evaluation assets located in Canada and the United States.

The Company expects to use its available working capital to finance exploration and development on the Hector Property, and for general working capital, including complementary acquisitions if so deemed to be in the best interest of the Company.

###### *(b) Significant Events or Milestones*

The Company's immediate short-term objective is to actively evaluate new mineral exploration properties.

The Company's long-term objectives will be to explore the Company's existing mineral exploration claims as well as seeking additional mineral exploration opportunities, however the emphasis will be in attempting to advance the flagship property, the Hector Property mineral claims.

###### *(c) Total Funds Available*

As at July 15, 2019, the Company had working capital of approximately \$2,088,591 and had an accumulated deficit of \$16,521,899 since incorporation.

The Company's ability to continue operations is dependent upon successfully raising the necessary financing to complete future exploration and development. These pursuits may be delayed given the current challenges faced by exploration stage companies seeking to raise exploration funds through the issuance of shares.

(d) Purpose of Funds

Use of Proceeds	Funds to be Expended
Cost of completing listing on the Exchange	\$20,000
Proposed Phase 1 work program in 2019 - Hector Cobalt Prospect	\$100,000
Proposed Phase 2 work program in 2019 - Hector Cobalt Prospect	\$500,000
Expenditures to incur - Lorrain Cobalt Prospect	\$200,600
Expenditures to incur - BC War Eagle Cobalt Prospect	\$20,000
Maintenance fees in 2019 - Montana Chicken Hawk Cobalt Prospect	\$13,300
General and administrative expenses for 12 months <sup>(1)</sup>	\$245,000
Unallocated Working Capital	\$989,691
<b>TOTAL</b>	<b>\$2,088,591</b>

<sup>(1)</sup> Includes consulting fees of \$84,000; accounting and admin services of \$75,000; transfer agent fees of \$14,000; legal fees of \$30,000; audit fees of \$22,000; and Exchange and regulatory fees of \$20,000.

**(2) Principal Products or Services**

The Company is a mineral exploration issuer engaged in the business of the acquisition, exploration and, if warranted, development of mineral properties. The Company does not currently generate any revenues nor does it expect to generate consistent revenues from production of its properties in the foreseeable future. The Company expects to continue to incur expenses as work is conducted to further explore and develop its mineral properties.

**(3) Production and Sales**

This is not applicable to the Company.

**(4) Competitive Conditions and Position**

The Company's competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than it has. As a result of this competition, the Company may have to compete for financing and be unable to acquire financing on terms it considers acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, its exploration programs may be slowed down or suspended, which may cause it to cease operations as a company.

**(5) Lending and Investment Policies and Restrictions**

This is not applicable to the Company.

**(6) Bankruptcy and Receivership**

The Company has not been the subject of any bankruptcy or any receivership or similar proceedings against the Company or any voluntary bankruptcy, receivership or similar proceedings by the Company, within the three most recently completed financial years or the current financial year.

**(7) Material Restructuring**

This is not applicable to the Company.

**(8) Social and Environmental Policies**

This is not applicable to the Company.

**4.2 Asset Backed Securities**

The Company does not have any asset backed securities.

**4.3 Mineral Properties**

The Company's qualifying property is the Hector Property. The claims comprising the Hector Property are located within the Coleman and Gillies Limit Townships, Larder Lake Mining Division, Timiskaming District, Ontario, Canada.

The Company's secondary properties are as follows:

- (a) Other Ontario Cobalt Prospects, being the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Lorraine Cobalt Prospect - The prospective mineral claims, which the Company holds a 100% interest in, are located within the Coleman, Bucke, Firstbrook, Lorraine and Gillies Limit Townships, Larder Lake Mining Division, Timiskaming District, Ontario, Canada. These cobalt prospects are not discussed in the Technical Report and may be evaluated on a future date;
- (b) Montana Chicken Hawk Cobalt Prospect - The prospective mineral claims, which the Company holds a 100% interest in, consist of approximately 1,339 acres and are located in Deer Lodge County, Montana;
- (c) Nevada Clayton Valley West Lithium Prospect - The lithium claims, which the Company holds a 100% interest in, are located within the Clayton Valley of Esmeralda County, Nevada and encompass 240 acres;
- (d) BC War Eagle Cobalt Prospect – The prospective mineral claims, which the Company holds a 100% interest in, are located near the town of Cranbrook, British Columbia and total approximately 4,936 acres;
- (e) Yukon Quartz Claims – The mineral claims, which the Company holds a 100% interest in, are located in the Whitehorse mining district, Yukon and comprise two claim blocks totalling 100 acres; and
- (f) Idaho Star Cobalt Prospect – The prospective mineral claims, which the Company holds a 100% interest in, are located approximately nine miles southwest of Saltese, Montana, and 19 miles southeast of Wallace, Idaho. This 80 acre prospect consists of 4 contiguous claims within the prolific Idaho Cobalt Belt.

**The Hector Property**

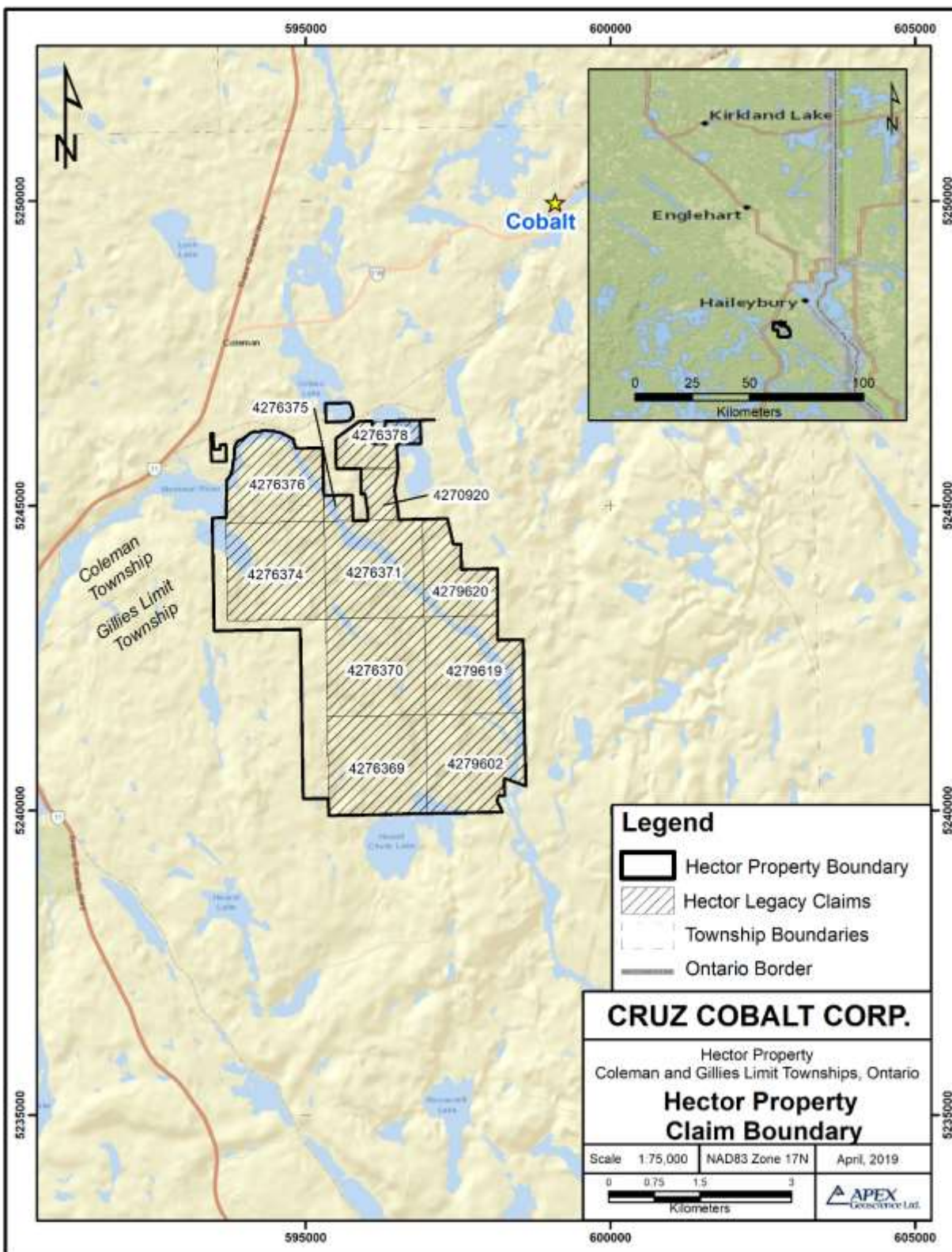
***Hector Property Description and Location***

The Hector Property is located approximately 500 km north of Toronto, 150 km north of North Bay and 10 km southwest of the town of Cobalt (figure 1), located southeast of the intersection between local highways 11 and 11B (Figure 2). The town of Cobalt is in northeastern Ontario, Canada, approximately 10 km and a 15 minute drive south of Temiskaming Shores, immediately west of the Ontario-Quebec border. The approximate location in UTM coordinates is 595,000 Easting, 5,245,000 Northing, NAD 1983, Zone 17.

Figure 1. General location of Cruz Cobalt's Hector Property



Figure 2. Hector Property Regional Location



The Hector Property is comprised of 126 unpatented mining claims totaling 2,243 ha (Figure 3). Cruz holds 100% ownership of the 126 mining claims, which are active and in good standing. The Hector Property mining claims are located within the Coleman and Gillies Limit townships, Larder Lake Mining Division, Timiskaming District, northeastern Ontario, covering 1:50,000 NTS Sheet 031M05.

Prior to February 26, 2018, the 126 mining claims were previously held under a series of 12 legacy claims (Table 1). On February 26, 2018, the Ontario Ministry of Northern Development and Mines (MNDM) converted all previously existing recorded ground or map staked mining claims (legacy claims) and transformed them into one or more cell claims or boundary claims on the provincial grid. Mineral claims in Ontario are now acquired and managed within the online Mining Lands Administration System (MLAS). Individual unpatented mining claims are now referred to as a Boundary Cell Mining Claim or a Single Cell Mining Claim (referred to collectively as “mining claims” within the technical report). Annual assessment work requirements for Boundary Cell and Single Cell mining claims are \$200 and \$400 per claim, respectively. The Hector Property comprised 82 single cell and 44 boundary cell mining claims, and is subject to annual assessment work requirements of \$41,600.00.

Ontario’s *Mining Act* (R.S.O. 1990, Chapter M. 14) is the provincial legislation that governs and regulates prospecting, mineral exploration, mine development and rehabilitation. The purpose of the Act is to encourage prospecting, online mining claim registration and exploration for the development of mineral resources, in a manner consistent with the recognition and affirmation of existing Aboriginal and treaty rights in Section 35 of the *Constitution Act*, 1982.

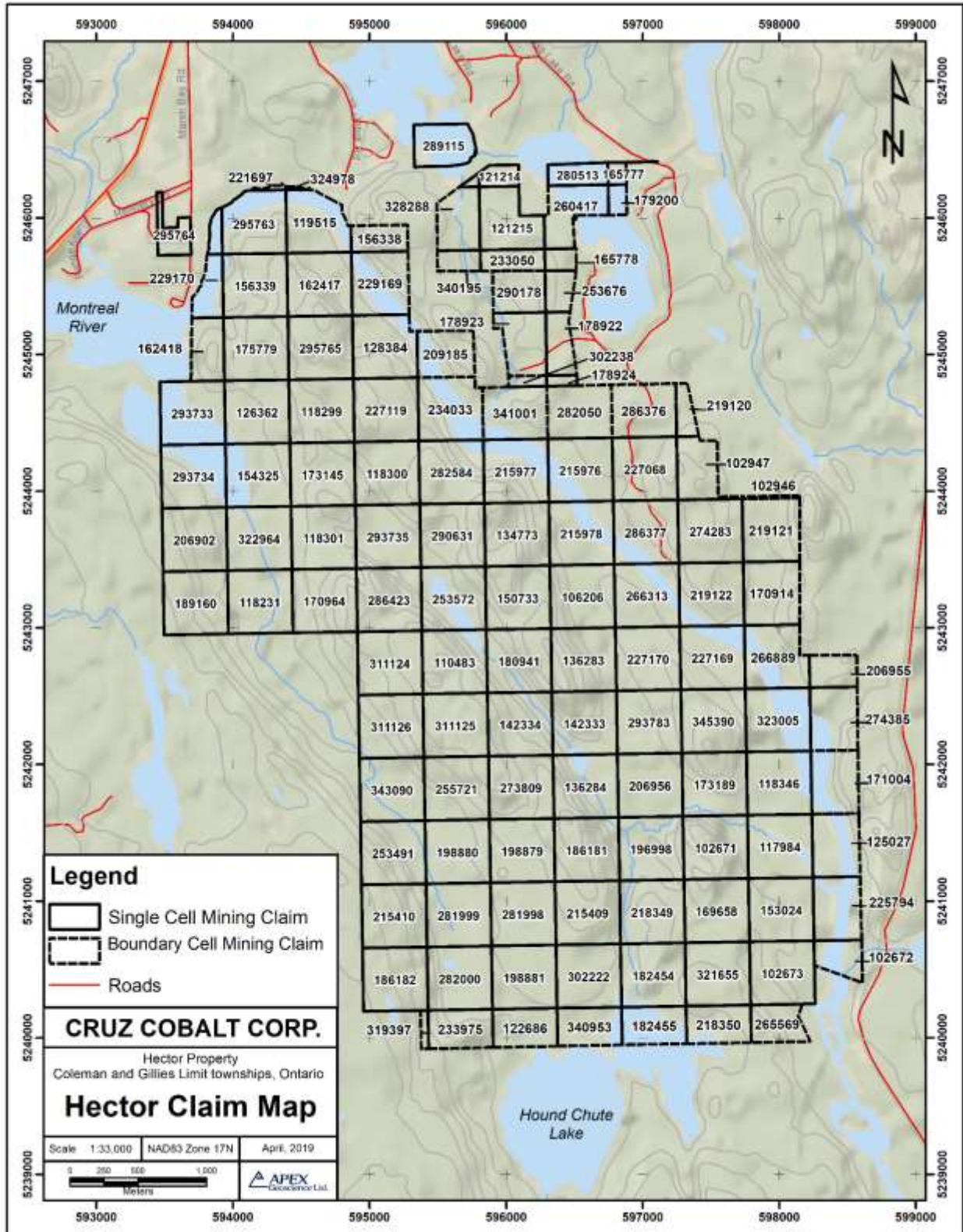
Before undertaking certain early exploration activities, an exploration plan or permit must be submitted, and notification provided to any surface rights owner(s). Information on surface rights owners is on file as paper copies, with data obtained from the regional Land Registry Office in Haileybury.

Aboriginal communities potentially affected by activities proposed in an exploration plan are notified by the Ministry of Energy, Northern Development and Mines (ENDM) and have an opportunity to provide feedback before the proposed activities can be carried out. No issues have been raised by nearby aboriginal communities.

Cruz currently has an exploration permit in place issued on September 5, 2017 and valid until September 5, 2020. The permit allows for the completion of limited electrical geophysical surveys, line cutting, mechanized striping, and construction of 6 to 10 diamond drill pads. Planned activities detailed in the approved permit application cover the majority of prospective areas on the Property including Bass Lake, Kelvin Lake, and South Keora shaft areas. Notice of Intent for exploration was provided to the surface rights owners associated with the Hector Property; including two separate Property owners in the Bass Lake area, and a single owner in the Gilles Depot area of the Montreal River. This notification included a complete Notice of Intent to Submit an Exploration Permit Application (Notice of Intent), a copy of a proposed Exploration Permit Application, and a map showing the location of the proposed exploration activities. No exploration work has been completed or planned for any of these areas. As of the effective date of the Report, the only work requiring a permit that has been completed on the Property was the 2018 diamond drilling of 10 drill holes in the Bass Lake area.



Figure 3. Hector Property Mineral Claims



**Table 1. Mining claim descriptions and status for Cruz Cobalt’s Hector Property (126 claims; 2,243 ha)**

Mining Claim	Legacy Claim ID	Township	Tenure Type	Anniversary Date	Tenure Percentage
102671	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
102672	4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
102673	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
102946	4279620	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
102947	4279620	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
106206	4276370, 4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
110483	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
117984	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
118231	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
118299	4276374, 4276376	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
118300	4276371, 4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
118301	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
118346	4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
119515	4276376	COLEMAN	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
121214	4276378	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
121215	4276378	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
122686	4276369	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
125027	4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
126362	4276374, 4276376	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
128384	4276375, 4276376	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
134773	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
136283	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
136284	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
142333	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
142334	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
150733	4276370, 4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
153024	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
154325	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
156338	4276376	COLEMAN, GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
156339	4276376	COLEMAN, GILLIES	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.

		LIMIT			
162417	4276376	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
162418	4276376	COLEMAN, GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
165777	4276378	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
165778	4276378	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
169658	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
170914	4279619, 4279620	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
170964	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
171004	4279619	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
173145	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
173189	4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
175779	4276376	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
178922	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
178923	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
178924	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
179200	4276378	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
180941	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
182454	4276369, 4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
182455	4276369, 4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
186181	4276369, 4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
186182	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
189160	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
196998	4276369, 4276370, 4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
198879	4276369, 4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
198880	4276369, 4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
198881	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
206902	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
206955	4279619	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
206956	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
209185	4276375	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
215409	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
215410	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
215976	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
215977	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.

215978	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
218349	4276369, 4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
218350	4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
219120	4279620	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
219121	4279620	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
219122	4279619, 4279620	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
221697	4276376	COLEMAN	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
225794	4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
227068	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
227119	4276371, 4276374, 4276375, 4276376	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
227169	4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
227170	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
229169	4276376	COLEMAN, GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
229170	4276376	COLEMAN	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
233050	4276378	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
233975	4276369	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
234033	4276371, 4276375	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
253491	4276369, 4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
253572	4276370, 4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
253676	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
255721	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
260417	4276378	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
265569	4279602	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
266313	4276370, 4276371, 4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
266889	4279619	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
273809	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
274283	4279620	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
274385	4279619	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
280513	4276378	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
281998	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
281999	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
282000	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
282050	4276371	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
282584	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.

286376	4276371	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
286377	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
286423	4276370, 4276371, 4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
289115	4276378	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
290178	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
290631	4276371	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
293733	4276374, 4276376	COLEMAN, GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
293734	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
293735	4276371, 4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
293783	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
295763	4276376	COLEMAN	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
295764	4276376	COLEMAN	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
295765	4276376	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
302222	4276369	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
302238	4270920	GILLIES LIMIT	Boundary Cell Mining Claim	2020-07-19	(100) Cruz Cobalt Corp.
311124	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
311125	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
311126	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
319397	4276369	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
321655	4279602	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
322964	4276374	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
323005	4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
324978	4276376	COLEMAN	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
328288	4276378	COLEMAN, GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
340195	4276378	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
340953	4276369	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
341001	4276371	GILLIES LIMIT	Boundary Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
343090	4276370	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.
345390	4279619	GILLIES LIMIT	Single Cell Mining Claim	2020-09-26	(100) Cruz Cobalt Corp.

### **Royalties and agreements**

The Property is not currently subject to terms of any royalties, back-in rights, payments, or other agreements and encumbrances.

### **Environmental Liabilities, Permitting and Significant Factors**

The author is not aware of any environmental liabilities to which the Property is subject. MNDM maintains the Abandoned Mines Information System (AMIS), which includes information on abandoned and inactive mines throughout Ontario. Cruz Cobalt is not liable for any pre-existing environmental issues associated with the Property related to these historic mine features.

### **Local Resources and Infrastructure**

Temiskaming Shores provides a variety of necessary amenities, such as bus and rail access, service contractors, large retailers, power and water infrastructure, and hospital services. The major regional mining centres of Sudbury and Timmins, Ontario lie 200 km to the north and southwest of the Property, respectively, and offer a host of exploration and mining related services including analytical laboratories and numerous diamond drill contractors.

### **Accessibility**

Access to the Hector property can be achieved from multiple points. From the north, the Property can be accessed via Bass Lake Road off Highway 11B. From the east, access is gained via Silverfields Road, and from the south on Roosevelt Forest Road, south of Latchford.

The town of Cobalt (population ~1,100) is located approximately 5 to 10 km to the northeast of the Hector property. The closest major centre, Temiskaming Shores (population 9,900), is located 15 minutes north along the Trans-Canada Highway. Temiskaming Shores was created by the amalgamation of the town of New Liskeard, Haileybury and Dymond in 2004, towns that are still often referred to interchangeably.

### **Climate**

The area experiences four distinct seasons. Spring and autumn comprise a mix of warm sunny days and cool nights. Summers are warm, with dry air and average temperatures from 10 into the mid-20 degree Celsius (C) range. Winter temperatures average temperatures from -25 to -5 degrees C, but high winds and high humidity are rare. Average annual snowfall totals 294 cm, and average total rainfall 590 mm.

The operating season can continue year-round but typical periods to avoid are the spring melt and the establishment of ice during the early winter months.

### **Physiography**

The physiography is typical of the Precambrian Shield in northeastern Ontario, with rocky rolling bedrock hills, locally steep ledges and cliffs, separated by valleys filled with clay, glacial materials, swamps, streams, small kettle lakes and larger bodies of water. These features support a diversity of animal and bird species such as moose, beaver, black bear, wolf, heron, duck, geese and the common loon.

The topography of the Property varies from 300 to 360 metres above sea level, and notable landmarks within the Property include the Montreal River running southeast through the Property, Bass Lake at the northeastern corner of the Property and Hound Chute Lake at the southern end of the Property.

Vegetation includes trees such as black and white spruce, jack pine, balsam poplar, white birch and balsam fir.

## **History**

Silver was first discovered at Cobalt in 1903 by J. McKinley, E. Darragh and F. Larose during the construction of the Temiskaming and Northern Ontario Railway. In 1904, a load of silver mineralized rock was shipped by rail, marking the beginning of the mining boom in Cobalt. It was the largest silver producing area in Canada for a time (Ruzicka and Thorpe, 1996). Production of silver from the Cobalt camp reached its peak in 1911 when 31,507,792 ounces of silver were shipped (Goodwin, 1988). From 1904 and until 1989, the Cobalt mining camp produced 458,830,085 ounces silver, 19,392,037 pounds cobalt, 3,407,495 pounds nickel and 1,964,728 pounds copper (Guindon et al., 2016). The author has been unable to verify the Cobalt area historic production records, and the historic production is not necessarily indicative of mineralization within the present day Hector Property that is the subject of the Technical Report.

Mineralization was later discovered in additional areas with similar geology within the Cobalt Embayment of the Southern Province, from Gowganda in the west to southeast of Cobalt. In the early 1920s, a decrease in the price of silver and exhaustion of the high grade veins caused most of the mines to close. Between 1929 and 1950, small operations were undertaken in a number of mines. In the mid 1950s, the demand for cobalt increased and many mines reopened for a short time. An increase in the price of silver in 1960 brought new interest to the camp and 10 mines continued operation (Goodwin, 1988).

Renewed interest in the area in the 1980s-1990s resulted in further early exploration activities. Sporadic exploration in the form of geological, geochemical, and geophysical surveys were completed during the 2000's.

## **Exploration and Development Work Conducted by Previous Owners**

Historic exploration within the Hector Property is summarized in the tables below including: documented mineral occurrences within the Ontario Mineral Deposit Inventory (MDI), a summary of known historic shafts, trenches, and prospect pits within the Ontario Abandoned Mines Information System (AMIS), historic assessment work reports from 1955 to present, available from the Ontario Assessment Files Database (OAFD). The spatial location of relevant historic exploration conducted in the Property referred to in Tables 2 to 3 is presented in Figure 4 below.

The exploration history of the present day Hector Property is divided below geographically between mineral occurrences located in the Bass Lake and Marsh Bay area in the north; and prospects located within the southern and eastern parts of the Property near the Montreal River and extending west to Kelvin Lake.

### *Bass Lake and Marsh Bay Areas*

Waldman Silver Mines Ltd. was active between 1909 and 1920 near Marsh Bay at what later became known as Brewster Silver and Lead Syndicate Ltd. occurrence. At the Brewster occurrence, a northeast striking subvertical chalcopyrite-cobalt mineralized calcite ( $\pm$ quartz) vein occurs upon which a 30 foot (9 m) shaft was sunk. During 1947 three diamond drill holes totalling 344 m were completed by the Brewster Syndicate near the shaft but did not intersect significant mineralization (Thomson, 1960). AMIS data indicates the presence of four shafts, two surface trenches, and a waste rock pile distributed over an approximately 400 m northeast trend (Table 3). A distance of 800 m to the south at Marsh Bay shallowly south dipping 15 cm wide quartz veins containing pyrite-chalcopyrite mineralization exposed in a small shaft are documented (Thomson, 1960).

The historic Hector Silver Mines Ltd. shaft occurs approximately 30 m east outside the Hector Property claims boundary on private patent mineral claim at the southwest end of Bass Lake. The surrounding area was explored for silver-cobalt veins prior to 1924 the year shaft sinking began, however silver-cobalt veins were reportedly worked only on the C-1243 and C-1101 claims covering the Hector Shaft and James Dolan occurrence 300 m to the northwest within the present day Hector Property.

At the Hector Shaft, a diabase-hosted, locally high grade silver-cobalt vein is exposed at surface. The vein strikes approximately east, dips to the south; and is thought not to persist below the 60 foot (18 m) level of the mine. It is not known if mineralization continued below the base of the diabase sill intersected at a vertical depth of 480 feet (146 m), below which occurs a 50 to 90 foot (15 to 27 m) thick succession of Coleman conglomerate. The Hector shaft was developed to a depth of 500 feet (152 m) with levels at 60, 150, 250 and 490 feet (18, 46, 76, and 149 m). Based on historic plan maps it is likely that the western portions of the 18 m level extend into the present day Hector Property claims (Thomson, 1960).

During the 1930's, James Dolan reportedly mined approximately 5 tons (4.5 tonnes) of cobalt mineralized rock from the James Dolan occurrence via a 15 foot (4.5 m) deep open cut (Thomson, 1960). Grab samples are reported to have returned assays of "up to" 1.7% cobalt (Table 2, Wilson, 2017a). The near vertical vein reportedly strikes northeast and contained niccolite, native bismuth, in addition to cobalt-bearing minerals. Sterling Engineering later tested the James Dolan occurrence with a single 38 m inclined drill hole on a 310° azimuth. The drill hole intersected narrow clay gouge zones, calcite veining, and minor chalcopyrite mineralization; however no assays were reported (Plaskett, 1961).

Prior to 1948, James Dolan put down several test pits west of Bass Lake. The trenched area corresponds to the area tested by 2018 Cruz drill holes 18HC08, 09 and 10. They were described as cobalt mineralized calcite (±quartz) veins associated with aplite dykes, in addition to some silver mineralization at the southeast end of the vein trend; likely in close proximity to 2018 Cruz drill holes 18HC05, 06 and 07. On the west side of Gillies Creek west-northwest striking, steeply north dipping cobalt mineralized vein was traced over 60 m by in shallow trenches (Thomson, 1960). The trenched areas correspond to what are presently referred to as the Gillies West and East occurrences.

Before 1960, a 60 foot (18 m) adit was driven along a northwest trending, steeply south dipping aplite-dyke hosted cobalt mineralized vein on the west side of Gillies Creek within claim C-1107 located just outside the present day Hector Property (Thomson, 1960; Figure 4). The earliest records of claim C-1107 go back to 1924, with the most recent reference being to the Gilbert Interests Limited during 1968 (Wilson, 2017b).

During 1961, St Mary's Exploration Ltd. completed ground resistivity and magnetic geophysical surveys immediately south of the Gilbert Interests occurrence and Hector Shaft. The surveys outlined a number of north-northwest trending short strike length conductive anomalies (Burton, 1962).

J. Neilson, on behalf of the Nial Mining Syndicate drilled 3 short diamond drill holes along west and northwest azimuths located approximately 150 m west of the Hector Shaft and within the present day Hector Property. Drill holes 1, 2 and 3 each intersected 7.6 cm (3 inch) pink aplite veins containing silver-bismuth-nickel mineralization that assayed 5.8, 7.8, and 0.4 ounces/ton (oz/t) silver, or 199, 267, and 14 grams-per-tonne (g/t) silver, respectively (Neilson, 1970).

#### *Montreal River, and Kelvin Lake Areas*

South Keora Mines Ltd. acquired the C-1220 claim in 1924 located along the eastern claim boundary of the Hector Property. The company commenced shaft sinking on a cobalt-bearing vein that was originally discovered in 1913 however disappointing results led to suspension of activities by 1928. The shaft was driven to a depth of 33, and 43 m of drifting was completed to the northeast from the 30 m level. The northeast striking steeply northwest dipping 10 cm vein was mapped over a 100 m strike length on surface, and returned select assays of 12 to 15% cobalt and 1,000 oz/t silver. The vein was tested via four shallow diamond drill holes (A-1 through 4) in 1951 by Audley Gold Mines Ltd. did not return encouraging results.

K. Home completed a single 60 m drill hole targeting a 13 cm chalcopyrite mineralized aplite-calcite vein exposed in a shallow prospect pit located 550 m southeast of the South Keora shaft. The drill hole intersected a narrow aplite-calcite vein similar to the surface zone however no assays were reported (Home, 1979).



A distance of 1 km northwest from the South Keora occurrence, just outside the present day Hector Property lies the T.J. Newton prospect. Shaft sinking occurred during 1927 by the Newton Limit Syndicate targeting a northwest striking subvertical vein traced by surface trenching over a distance of 30 m southeast of the shaft. The vein is up to 18 cm in width on surface and contains a small amount of cobalt mineralization within a quartz-calcite gangue. The vein reportedly left the shaft at a depth of 15 m where it had pinched to less than 1 cm in width. A second sub-parallel vein lies 75 m to the northeast. The shaft reportedly extends to a depth of 48 m, with 43 m of crosscut development on the 46 m level; in addition to 11 m of crosscuts on the 15 m level completed later in 1956. A total of 9 diamond drill holes were completed in 1953 and 1955 by Quebec Metallurgical Industries Ltd. (QM-1 through 9) with holes 1 through 7 targeting the shaft vein, and 8 and 9 targeting a second occurrence 150 m northwest of the shaft. Drill hole QM-6 collared adjacent to the shaft reportedly intersected high grade silver which led to 1956 shaft dewatering and development on the 15 m level, though it was abandoned before reaching the drilled intercept (Thomson, 1960). No drill hole assays were reported.

Partridge Canadian Explorations Ltd. completed 8 diamond drill holes (P-1 through 8) along the Montreal River within their JS-32 claim located 600 m west of the South Keora shaft. The drilling targeted a northwest striking, steeply northeast dipping 1 m wide pyrite "band" originally discovered in 1907. The drilling intersected the pyrite band over a strike of 140 m and to a maximum vertical depth of 240 m. Assays for gold and silver returned only trace values (Thomson, 1960).

A distance of 1.5 km to the west of the JS-32 occurrence, three north-northeast trending cobalt mineralized veins in aplite occurring on the east shore of Kelvin Lake were tested by several small surface pits (Thomson, 1960).

At the Williamson occurrence, located 2 km southeast of Kelvin Lake, a 28 m vertical shaft and 5 m pit was put down on a narrow 18 cm southeast striking calcite vein, in addition to a pit 45 m to the northwest centred on a narrow 2.5 cm chalcopyrite mineralized vein (Thomson, 1960). Approximately 550 m to the southwest occur north-northwest striking, steeply west dipping, 5 to 10 cm quartz-calcite-aplite veins, one containing cobalt-niccolite mineralization, exposed in surface pits. During 1965, L.J. Cunningham tested the Williamson occurrences via 465 m of diamond drilling in 5 holes. Drill hole W65-1 targeting the northeast showing returned 10 g/t silver over 0.60 m from a downhole depth of 61 m hosted within sheared calcite veined Archean volcanic rocks that were intersected beneath diabase. Drill hole W65-3 drilled under the southwest showing, intersected a 8.6 g/t Ag over 0.6 m in diabase from a downhole depth of 34 m (Cunningham, 1966).

Ragged Chutes Silver Mines Ltd. completed geologic mapping and a small 44 sample humus soil survey on the claims immediately to the south of the Williamson occurrence during 1967; however the soils, analyzed for silver, cobalt or nickel, did not return anomalous values and no mineral occurrences were located (Fowler, 1967).

During 1971, Silverfields Mining Corp. Ltd., then owned by Teck Corporation Ltd. (Teck), completed a large humus soil geochemical survey at their Gillies Limit Property over a 2 x 2 km area east and south of Bass Lake. Samples were collected along a series of 60 m spaced north-south oriented gridlines at 30 m sample spacing. The majority of the grid occurred east of the present day Hector Property. However, samples collected within the Property returned anomalous cobalt values of 35, 45 and 180 parts-per-million (ppm) over a 200 m distance 600 m south from the T.J. Newton shaft, and 55 ppm cobalt along the westernmost survey line directly south of Bass Lake (Moore, 1971).

The following year Teck completed infill sampling of anomalies and surveying of newly acquired claims along the Montreal River immediately south of the Gilbert Interests occurrence, and 800 m south of the T.J. Newton prospect. Significant silver anomalies, with a peak value of 25 ppm silver, occur in the area south of the Gilbert Interests occurrence. Infill sampling south of the T.J. Newton shaft defined an approximately 100 x 100 m greater than 10 ppm silver anomaly. The "Teck Block 9" anomaly was subsequently tested via 4 inclined diamond core holes totalling 387 m drilled along southwest and northeast azimuths (GL-6 through GL-9). All holes reportedly intersected carbonate stringers and veinlets, locally containing pyrite, chalcopyrite and galena mineralization. GL-7 returned the highest silver values of 9.51 oz/t (326 g/t) silver over 10 cm from 43 m downhole, results which were not replicated within flanking drill holes GL8 and GL-9 (Blecha, 1972).

During 1974 Teck acquired claims west of the Montreal River and completed geologic mapping, ground magnetic, electromagnetic (EM) and self-potential surveys (SP). The claims were found to be underlain by Archean volcanic rocks, similar to the Gillies Limit claims east of the river. Magnetic surveys identified northwest trending lineaments; however EM and SP surveys did not return significant anomalies (Lalonde and Neelands, 1974). The work was followed up in 1976 by a 360 B-horizon soil sample survey. Survey lines were oriented northeast-southwest at 100 m spacing, with samples collected at 15 and 30 m intervals depending on the terrain. Soils were analyzed for copper, lead, zinc, nickel, manganese, silver and gold. The results define an approximately 500 x 200 m northwest oriented copper-lead-zinc (defined as greater than 35 ppm copper and lead, and 75 ppm zinc) geochemical anomaly centred 500 m southwest of the JS-32 occurrence (Neel and McLeod, 1976).

During 1997, Wabana Explorations Inc. completed a total of 26 line-km of magnetic and Very Low Frequency (VLF) EM surveys on their Montreal River claims covering much of the historic Teck Gillies Limit and Montreal River claim groups south of the T.J. Newton shaft and west of the Montreal River. The survey outlined, similar to the previous Teck surveys, northwest trending magnetic and VLF anomalies on the west side of the Montreal River, in addition to east-west trending magnetic and VLF anomalies in area south of the T.J. Newton shaft drilled by Teck. Outcrop stripping of the historic JS-32 pyrite occurrence was also completed however no assay results were reported (Laronde, 1997).

During 2004, Cabo Mining Enterprises Corp. completed a 26 soil sample reconnaissance of a weak 1999 Ontario Geological Survey (OGS) airborne EM anomaly located on the south side of the Montreal River, opposite Gillies Creek via two parallel north-south oriented survey lines. Gold values up to 12 parts-per-billion (ppb) were associated with the anomaly, in addition to weak nickel and copper values. No further follow-up was recommended (Sears, 2004). The results are not considered significant.

Outcrop Explorations Ltd. completed 2012 ground magnetic and VLF-EM surveys again over the area of the historic Teck Gillies Limit claims covering the T.J. Newton and South Keora shaft areas. Surveys were conducted along 100 m spaced east-west oriented lines at 12.5 m station spacing and revealed several north-northwest magnetic lineaments, in addition to an east-west magnetic low anomaly in the area of the 1972 Teck. The VLF-EM data returned predominantly cultural anomalies (Ploeger, 2012).

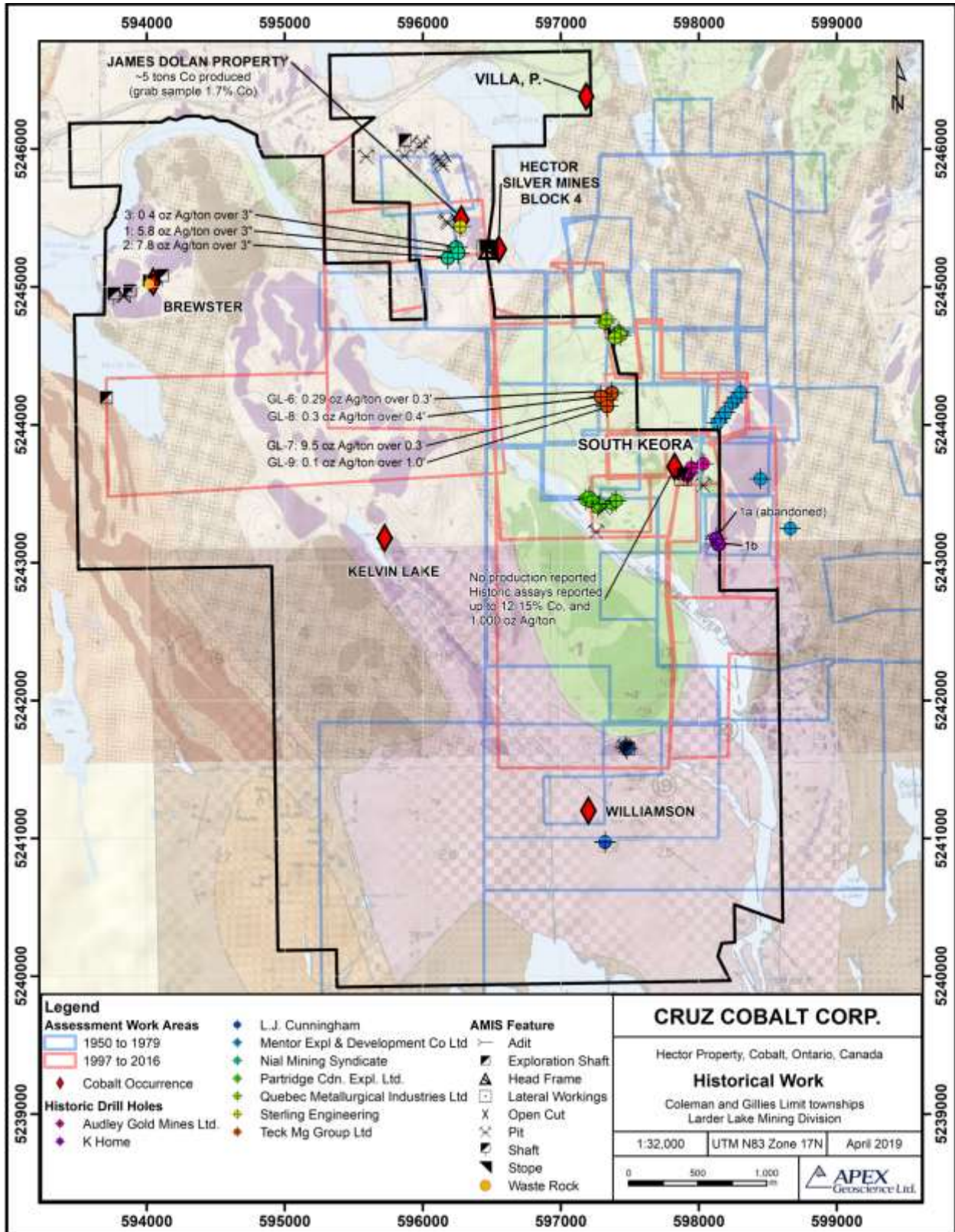
The following year the magnetic survey grid was extended by Outcrop Explorations Ltd. northwest to Gillies Creek in the area south of the Bass Lake and east to the T.J. Newton shaft. While magnetic data does not appear to have been diurnally corrected, the results show a northwest trending magnetic lineament extension to a similar that that occurring within the 2012 grid to the south likely reflective of the underlying Archean volcanic sequence (Kon, 2013a). In addition, 13 rock grab samples from the historic T.J. Newton, South Keora, and JS-32 areas were collected. Sample BL-03 from South Keora returned 13 g/t silver, 0.15% copper, and 0.10% lead. Samples BL-06, 08, and BL-10 through BL-13 were collected from base metal mineralized Archean volcanic rocks located about 350 m southwest of the 1972 Teck drilled area. The samples returned anomalous values ranging from 0.028% to 0.35% lead, and 0.14% to 1.04% zinc. Soil samples collected at the same time, included 10 samples from overburden-filled prospect pits in the area of Teck's Gillies Creek silver-cobalt soil anomalies; and 10 samples collected at 25 m spacing over a 2012 magnetic low anomaly 400 m west of the Teck drilled area. The Gillies Creek base of prospect pit soils returned elevated (>10 ppm) copper-cobalt-lead-zinc values, while the magnetic low target soils were locally elevated with respect to lead and zinc (Kon, 2013b).

Additional rock sampling of the historic JS-32 occurrence totalling 19 samples was completed by Outcrop Explorations Ltd. during 2014. Samples BL-14-05, 11, and 16 collected over an approximate 200 m northwest trend were described as sheared and pyrite bearing, or quartz-pyrite vein material; and returned assays ranging from 1.0 to 5.5 g/t silver, 0.20% lead, and 0.0045 to 1.39% zinc (Kon, 2014).

**Table 2. Mineral occurrences identifying Cobalt and Silver as a primary commodity at Cruz Cobalt's Hector Property (MDI dataset).**

Mineral Occurrence	Status	Mineral Deposit Inventory ID (URL)	Work History
James Dolan Property	Developed Prospect without Reserves	<a href="#">MDI31M05SE00127</a>	1935: J. Dolan - approximately 5 tons of cobalt mineralized rock was mined from vein, grab samples returned up to 1.7% Co;
			1961: Sterling Engineering – 1 drill hole, 125 ft.
Williamson	Occurrence	<a href="#">MDI31M05SE00113</a>	1966: 93 ft shaft sunk on a calcite vein; 16 ft pit sunk on a 2 <sup>nd</sup> vein;
			2005-06: Cabo Mining Enterprises Corp drilled 5 holes, 1316ft, stripping;
			2011: Outcrop Exploration Ltd, sampling, assays, magnetometer survey. Calcite vein is 7 inches wide, strikes SE; 2 <sup>nd</sup> vein strikes N10W, dips 80E; both veins occur in Nipissing diabase.
Kelvin Lake	Past producing mine without reserves	<a href="#">MDI31M05SE00125</a>	1909-1910: Waldman Silver Mines – 85 ft shaft;
			1963: J Burke – a small pit 180 ft east of southwest corner of claim, cobalt-bearing aplitic vein striking N20E, 3 pits sunk on 3 aplite veins;
			2006: Sears, Barry and Associates – 2 drill holes, 301 metres.
Brewster	Occurrence	<a href="#">MDI31M05SW00013</a>	1909-1920: Waldman Silver mines – in production (no production data listed);
			1947: Brewster Silver & Lead Syndicated Ltd – 30 ft shaft put down on calcite vein, 3 drill holes, 1129 ft. The calcite vein strikes N22E and dips vertically in Nipissing diabase.
South Keora	Past producing mine without reserves	<a href="#">MDI31M05SE00131</a>	1927-1928: South Keora Mines Ltd – a shaft put down 109' and 13' of drifting done on the 100' level, an open cut 30' deep was made northeast of shaft;
			The South Keora Shaft-vein is 300' long and 4 inches wide, strikes N25E, dips 70W. A 2 <sup>nd</sup> vein 100' long occurs east and parallel to shaft vein. Individual assays were reported up to 12-15% Cobalt, and >1,000 oz/ton Silver.
Hector Silver Mines, Block 4 (Occurs Outside Present Day Hector Property)	Developed Prospect without Reserves	<a href="#">MDI31M05SE00129</a>	Pre-1924-29: Hector Silver Mines – prospecting, shaft sinking, underground development. The shaft was sunk 500 ft. with 3 developed levels. About 5 tons of cobalt ore of unknown grade was produced from claim C-1101 (James Dolan), reported in 1924. (Sergiades, 1968)
			Circa 1930: J. Dolan – owner.
			1962: St. Mary's Explorations Limited -magnetic and resistivity surveys.
			1968: W. Gutzman – owner.
			1969: EM survey.
2013: Outcrop Explorations Ltd. – ground magnetometer survey, beep mat survey.			
Villa, P.	Occurrence	<a href="#">MDI31M05SE00115</a>	1960: P. Villa – pits and trenches put down on a calcite vein that strikes NW.

Figure 4. Historic Exploration at Cruz Cobalt's Hector Property



**Table 3. Abandoned Mines Information System (AMIS) dataset for Cruz Cobalt's Hector Property outlining historic work sites and features.**

Feature Description	UTM Zone	Northing	Easting	Official Name	Feature Condition
EXPLORATION SHAFT - INCLINED SHAFT	17	5244198	593708	MARSH BAY	1993 ASSESSMENT; ONE COMPARTMENT INCLINED SHAFT IN BEDROCK WITH A TIMBERED COLLAR. NO PROTECTION IS PRESENT. FEATURE IS CLEARLY VISIBLE.
EXPLORATION SHAFT - VERTICAL SHAFT	17	5241653	597493	WILLIAMS ON	1993 ASSESSMENT; ONE COMPARTMENT SHAFT WITH VERTICAL SIDES IN OVERBURDEN WITH A TIMBER CRIBBED COLLAR. NO PROTECTION IS PRESENT. FEATURE IS CLEARLY VISIBLE.
TRENCH	17	5241672	597463	WILLIAMS ON	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION IS PRESENT. FEATURE IS PARTIALLY HIDDEN.
SHAFT - 2 COMPARTMENT - VERTICAL SHAFT	17	5245023	594018	BREWSTER	1993 ASSESSMENT; ONE COMPARTMENT SHAFT WITH VERTICAL SIDES IN OVERBURDEN WITH A TIMBER CRIBBED COLLAR. NO PROTECTION PRESENT. FEATURE IS PARTIALLY HIDDEN. REPORTED BY 1993 ASSESSMENT TO BE 8M DEEP.
SHAFT - 1 COMPARTMENT - VERTICAL SHAFT	17	5245062	594113	BREWSTER	1993 ASSESSMENT; ONE COMPARTMENT SHAFT WITH VERTICAL SIDES IN BEDROCK WITH A TIMBERED COLLAR. NO PROTECTION PRESENT. FEATURE IS PARTIALLY HIDDEN.
WASTE ROCK DUMP	17	5245023	594018	BREWSTER	THIS FEATURE WAS NOT REPORTED BY THE YEAR 1993 SURVEY TEAM.
SHAFT - 2 COMPARTMENT - VERTICAL SHAFT	17	5245278	596458	HECTOR	1993 ASSESSMENT; TWO COMPARTMENT SHAFT WITH VERTICAL SIDES IN BEDROCK WITH TIMBERED COLLAR. SURROUNDED BY A LUNDY TYPE FENCE TOPPED WITH THREE BARBED WIRE STRANDS IN GOOD CONDITION.
LATERAL WORKINGS	17	5245278	596458	HECTOR	PLANS INDICATE WORKINGS ON 18M, 46M, 76M AND 137M LEVELS.
STOPE TO SURFACE	17	5245278	596483	HECTOR	1993 ASSESSMENT; STOPE, OPEN TO SURFACE WHICH IS UNSUPPORTED. SURROUNDED BY LUNDY TYPE FENCE TOPPED WITH THREE BARBED WIRE STANDS IN GOOD CONDITION.
HEAD FRAME	17	5245277	596058	HECTOR	1993 ASSESSMENT; HEADFRAME CONSTRUCTED WITH A TIMBER FRAME AND WOOD CLADDING. FEATURE IS SCHEDULED TO BE REMOVED IN NOVEMBER 1993.

Feature Description	UTM Zone	Northing	Easting	Official Name	Feature Condition
					2000 NOTIFICATION; NOTICE TO PROPONENT STATING THE MINE HAZARDS LOCATED ON THIS SITE ARE A SHAFT AND OPEN STOPE. THIS FE...
SHAFT - 2 COMPARTMENT - VERTICAL SHAFT	17	5243623	597888	SOUTH KEORA	1993 ASSESSMENT; TWO COMPARTMENT SHAFT WITH VERTICAL SIDES IN BEDROCK WITH A TIMBERED COLLAR. SURROUNDED BY A LUNDY TYPE FENCE TOPPED WITH THREE BARBED WIRE STRANDS IN GOOD CONDITION.
OPEN CUT	17	5243632	597898	SOUTH KEORA	1993 ASSESSMENT; OPEN CUT WHICH IS UNSUPPORTED. SURROUNDED BY A LUNDY TYPE FENCE TOPPED WITH THREE BARBED WIRE STRANDS IN GOOD CONDITION.
LATERAL WORKINGS	17	5243623	597888	SOUTH KEORA	THIS FEATURE WAS NOT REPORTED BY THE YEAR 1993 SURVEY TEAM.
TRENCH	17	5243228	597258	G. L. CLAIM JS32	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION PRESENT. FEATURE IS PARTIALLY HIDDEN.
TRENCH	17	5243402	597313	G. L. CLAIM JS32	1993 ASSESSMENT; PIT IN OVERBURDEN WITH SLOPED SIDES.
TRENCH	17	5245468	596183	G. L. CLAIM L105813	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION PRESENT. FEATURE IS PARTIALLY HIDDEN.
TRENCH	17	5245482	596173	G. L. CLAIM L105813	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS.
EXPLORATION SHAFT - VERTICAL SHAFT	17	5246043	595873	DOLAN	1993 ASSESSMENT; PROSPECT SHAFT WITH VERTICAL SIDES, IN BEDROCK WITH A TIMBERED COLLAR. SHAFT POSSIBLY CRIBBED WITH CONING/SLUMPING SHAFT COLLAR. WATER LEVEL 3M BELOW GRADE. NO PROTECTION IS PRESENT. FEATURE IS PARTIALLY HIDDEN.
TRENCH	17	5246022	595978	G. L. CLAIM A69	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION IS PRESENT. FEATURE IS CLEARLY VISIBLE.
TRENCH	17	5246048	595998	G. L. CLAIM A69	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS.
TRENCH	17	5245953	595588	G. L. LEASE 728245	1993 ASSESSMENT; PIT IN BEDROCK WITH SLOPED SIDES.

<b>Feature Description</b>	<b>UTM Zone</b>	<b>Northing</b>	<b>Easting</b>	<b>Official Name</b>	<b>Feature Condition</b>
TRENCH	17	5245933	596118	G. L. CLAIM A76	1993 ASSESSMENT; PIT IN OVERBURDEN WITH SLOPED SIDES. FEATURE IS PARTIALLY HIDDEN.
TRENCH	17	5245902	596133	G. L. CLAIM A77	1993 ASSESSMENT; PIT IN OVERBURDEN WITH SLOPED SIDES.
TRENCH	17	5245883	596148	G. L. CLAIM A77	1993 ASSESSMENT; PIT IN BEDROCK WITH SLOPED SIDES. NO PROTECTION PRESENT. FEATURE IS CLEARLY VISIBLE.
TRENCH	17	5243568	598033	AUDLEY GOLD MINES	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION PRESENT. FEATURE IS CLEARLY VISIBLE.
TRENCH	17	5244942	593828	BREWSTER	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS.
TRENCH	17	5244942	593838	BREWSTER	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS.
SHAFT - 1 COMPARTMENT - VERTICAL SHAFT	17	5244933	593763	BREWSTER	1993 ASSESSMENT; ONE COMPARTMENT SHAFT WITH VERTICAL SIDES IN OVERBURDEN WITH A TIMBER CRIBBED COLLAR. NO PROTECTION PRESENT. FEATURE IS CLEARLY VISIBLE. WASTE ROCK PILE SUGGESTS A DEPTH OF <30M.
SHAFT - 2 COMPARTMENT - VERTICAL SHAFT	17	5244952	593878	BREWSTER	1993 ASSESSMENT; TWO COMPARTMENT SHAFT WITH VERTICAL SIDES IN BEDROCK WITH A TIMBERED COLLAR. NO PROTECTION PRESENT. FEATURE IS CLEARLY VISIBLE. VERY LARGE MUCK PILE SUGGESTS A DEPTH IN EXCESS OF 50M OF UNDERGROUND WORKINGS.
TRENCH	17	5243158	598113	G. L. CLAIM T47559	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION IS PRESENT. FEATURE IS PARTIALLY HIDDEN.
TRENCH	17	5245958	595868	G. L. CLAIM A75	1993 ASSESSMENT; PIT IN BEDROCK WITH VERTICAL WALLS. NO PROTECTION PRESENT. FEATURE IS CLEARLY VISIBLE.

**Table 4. MNDM Assessment work summary from Ontario Assessment Files Database (OAFD dataset) for Cruz Cobalt's Hector Property**

Assessment Report ID	Year	Performed For	Work Description	Work Performed
<a href="#">31M05SE0061</a>	1955	Quebec Metallurgical Industries Ltd	Diamond Drilling	2 DDH: WN-8, N-9; 360', no assays reported
<a href="#">31M05SE0057</a>	1956	Partridge Cdn Expl Ltd	Diamond Drilling	3 DDH: 525' total, no assays reported, drill hole locations not in Ontario Drill Hole Database, only geological logs available in assessment report.
<a href="#">31M05SE0085</a>	1960	R Gareau	Geological Survey / Mapping	Regional and Detail Bedrock Mapping, 189 man-days, no samples reported. East of the Montreal River in the vicinity of the South Keora and Newton prospects.
<a href="#">31M05SE0062</a>	1961	Sterling Engineering	Diamond Drilling	1 DDH: 125', no assays reported; drill hole location not in Ontario Drill Hole Database, Assessment Report outline is in the vicinity of the James Dolan occurrence; geological log available.
<a href="#">31M05SE0084</a>	1962	St Marys Expl Ltd	Compilation and Interpretation - Geology, Magnetic / Magnetometer Survey, Resistivity	Ground Resistivity survey (5.98 line-miles); Magnetic/Magnetometer Survey (6.82 line-miles). North of the Montreal River, immediately south of the Gilbert mineral occurrence. Three conductive zones were identified within magnetic lows.
<a href="#">31M05SE0092</a>	1965	Silver Tower Mines Ltd	Geological Survey / Mapping	Detail Bedrock Mapping, 13 man-days, no samples reported. Southwestern corner of the current property outlie, immediately northwest of Hound Chute Lake (southwest of the Williamson occurrence).
<a href="#">31M05SE0050</a>	1966	Unknown	Diamond Drilling	5 DDH, 1525', assays reported s; drill hole locations not in Ontario Drill Hole Database, Assessment Report outline is in the vicinity of the Williamson mineral occurrence; only geological logs available in assessment report.
<a href="#">31M05SE0093</a>	1967	Ragged Chutes Silver Mines Ltd	Geochemical, Geological Survey / Mapping	Bedrock Mapping, 89 sample Soil Survey (Ni, Co) southeast of the Williamson mineral occurrence; up to 24ppm Co, up to 32ppm Ni.
<a href="#">31M05SE0091</a>	1969	T Brown	Electromagnetic Very	Ground EM-VLF survey (5.44 line-miles),



			Low Frequency	located north of the Montreal River and south of the Gilbert and Hector occurrences.
<a href="#">31M05SE0027</a>	1970	J Neilson	Assaying and Analyses, Diamond Drilling	3 DDH, 116' total; 1: 5.8 oz Ag/ton over 3"; 2: 7.8 oz Ag/ton over 3"; 3: 0.4 oz Ag/ton over 3"
<a href="#">31M05SE0033</a>	1970	W Niemi	Diamond Drilling	1 DDH: G-17-1, 338', no assays reported. Southeast of the South Keora occurrence.
<a href="#">31M05SE0077</a>	1971	Keevil Mining Group, Silverfields Mining Corp	Geochemical	Soil Survey (1130 samples), Co, Ag; up to 20ppm Co
<a href="#">31M05SE0075</a>	1972	A Johnson	Geochemical, Diamond Drilling	4 DDH: GL-6 to GL-9; 1,271' total; GL-6: 0.29 oz Ag/ton over 0.3'; GL-7: 9.5 oz Ag/ton over 0.3'; GL-8: 0.3 oz Ag/ton over 0.4'; GL-9: 0.1 oz Ag/ton over 1.0'; Soil Survey (367 Humus), Ag, Co, Mn;
<a href="#">31M05SE0076</a>	1974	Teck Corporation Ltd	Electromagnetic, Geological Survey / Mapping, Magnetic / Magnetometer Survey, Self-Potential	Ground EM (4.3 line-mi), Mag (10.2 line-mi), Self Potential (8.7 line-mi) and Geological Mapping
<a href="#">31M05SE0074</a>	1976	Teck Mining Group Ltd	Geochemical	Soil Survey (361 samples); Cu, Pb, Zn, Ni, Mn, Ag, Au
<a href="#">31M05SE0070</a>	1979	K Home	Diamond Drilling	1 DDH, 199'
<a href="#">31M05SE0072</a>	1997	Wabana Expl Inc	Assaying and Analyses, Electromagnetic Very Low Frequency, Gradiometric, Magnetic / Magnetometer Survey, Open Cutting, Overburden Stripping, Prospecting By Licence Holder	Rock samples (45 samples), Ground Mag/Magnetometer/EM-VLF survey (26 line-km), Stripping (50 hrs), Prospecting (6 days)
<a href="#">31M05SE2073</a>	2004	Cabo Mining Enterprises Corp	Geochemical, Geological Survey / Mapping, Manual Labour	Soil Survey (26 samples, no anomalous values reported); Geological Mapping. South of the Montreal River, north of the Kelvin Lake occurrence.
<a href="#">20000007349</a>	2012	Outcrop Explorations Ltd	Electromagnetic Very Low Frequency, Magnetic / Magnetometer Survey	VLF and Mag Survey (31.1 line km). Three distinct magnetic responses recorded. Area covers the South Keora occurrence.

<a href="#">2000008012</a>	2013	Outcrop Explorations Ltd	Assaying and Analyses, Geochemical, Prospecting By Licence Holder	Rock and Soil samples (20 man days and 33 samples total)
<a href="#">2000008004</a>	2013	Outcrop Explorations Ltd	Magnetic / Magnetometer Survey	Mag Survey (13 man days), non-grid, 427 readings, 100m lines, 12.5m point intervals. South of Bass Lake, north of the Montreal River in vicinity of historic Hector and Newton prospects. Two magnetic low anomalies identified.
<a href="#">2000007892</a>	2013	Outcrop Exploration Ltd	Magnetic / Magnetometer Survey, Prospecting By Licence Holder	Prospecting and Mag Survey (2 man days)
<a href="#">2000008176</a>	2014	Outcrop Exploration Ltd	Magnetic / Magnetometer Survey	Mag Survey, 288 readings, 50m line spacing, 12.5m stations
<a href="#">2000008304</a>	2014	Outcrop Exploration Ltd	Assaying and Analyses, Prospecting By Licence Holder	19 grab samples (up to 74ppm Co). East of the Montreal River, south of Bass Lake in the vicinity of the Newton and South Keora occurrences.

#### **Historical Resources at the Hector Property**

No historical mineral resource or mineral reserve estimates have been reported on the Property.

#### **Historical Production at the Hector Property**

Approximately 4.5 tonnes of cobalt mineralized rock was reportedly produced from the James Dolan occurrence circa 1935. Grab samples are reported to have returned assays of “up to” 1.7% cobalt (Table 2 and Figure 4). During 2018, the James Dolan occurrence was subject to surface rock sampling and subsequent diamond drill testing by Cruz Cobalt and is described in Section 9 Exploration, and Section 10 Drilling of the technical report.

#### **Regional Geology**

The Cobalt-Gowganda silver-cobalt mining camps of northeastern Ontario occur within the Cobalt Embayment, part of the Proterozoic Huronian Supergroup. The historic mining area occurs within the northeastern part of the Southern geological province, close to the boundary of the Superior and Grenville provinces. Extending for approximately 200 km from Gowganda to the area southeast of Cobalt, an arc of mineral occurrences are present along the northern and eastern boundaries of the Cobalt Embayment and the boundary with the Superior geological province (Figure 5).

Steeply dipping Archean basement metavolcanics and metasedimentary rocks are unconformably overlain by relatively flat-lying Proterozoic sedimentary rocks of the Huronian Supergroup. The Archean and Proterozoic rocks were intruded by undulating sill-like sheets of the regionally distributed Proterozoic Nipissing diabase. All of the past producing silver-cobalt deposits of the Cobalt Embayment are hosted within or adjacent to the diabase sills, near the Huronian-Archean unconformity. In the northeastern corner of the embayment, outliers of Paleozoic

limestones, dolostones and sandstones unconformably overlie the Huronian sedimentary rocks followed by Pleistocene and Recent sediments (Jambor, 1971a).

(a) *Archean Basement*

The oldest rocks are found in the Archean basement and are exposed in parts of the north and northeastern margin of the Cobalt Embayment. The Archean basement in this area is primarily made up of metavolcanic rocks and associated interflow sedimentary rocks of the Abitibi Sub-province, felsic intrusive and metamorphic rock types predominate along the western margin. Unconformably overlying the volcanic rocks are syn-orogenic Timiskaming-type lithic and feldspathic arenites, wackes and conglomerates (Jambor, 1971a).

These rocks were intruded by Archean granites followed by mafic, ultramafic and lamprophyric dikes and sills. Subsequently, metamorphism to greenschist facies and isoclinal folding deformation occurred during the Kenoran Orogeny (ca 2,676-2,660 Ma).

(b) *Proterozoic Huronian Supergroup*

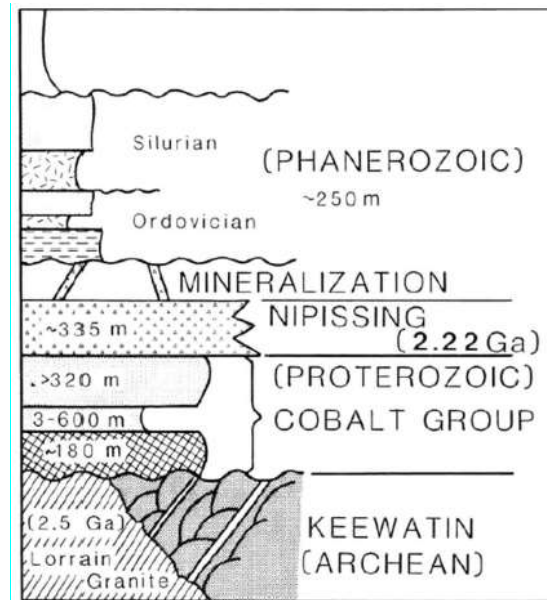
The Cobalt Embayment is a large (~10,000 km<sup>2</sup>), somewhat circular, 120-km diameter north-trending graben within which a flat-lying, or gently undulating succession of dominantly siliciclastic sedimentary rocks belonging to the Huronian Supergroup was deposited. In the Property area, the Cobalt Embayment is mostly comprised of the Cobalt Group.

The Cobalt group includes the Gowganda, Lorrain, and the Gordon Lake Formations (Sims et al. 1981). The Gowganda Formation is divided into the Firstbrook and Coleman Members. The overall tectonic setting of the Cobalt Embayment is that of a continental rift system, reflecting the original configuration of the sedimentary basin. The Proterozoic succession unconformably overlies steeply dipping Archean rocks of the Abitibi greenstone belt. The embayment is bound in most directions by Archean rocks, and is interpreted as a continental rift system reflecting the original configuration of a paleo basin. To the south, the basin is truncated by the Grenville Front tectonic zone; the remnants of a mountain building event that terminated at ca. 1.0 Ga.

(c) *Proterozoic Nipissing Diabase sills*

Both Archean and Proterozoic rocks have been largely intruded by gabbroic rocks of the Nipissing Intrusive event (2219 Ma), forming regionally-distributed sills, dykes and sheets up to a few hundred meters thick (Bennett et al. 1991). The diabase is the most abundant and widespread igneous rocks intruding the Archean metavolcanics and Huronian sedimentary rocks and comprise a range of rock types from fine-grained border facies to coarser-grained inner-facies; the most common is pyroxene gabbro but olivine gabbro, hornblende gabbro, leucogabbro, granophyric gabbro, feldspathic pyroxenite, and late-stage granophyres are also common.

**Figure 5. Stratigraphic Column of the Cobalt Area (Kerrich et al. 1986)**



These are interpreted to originate from a radiating dike swarm related to a magmatic event located under the Labrador Trough (Ernst, 2007), which locally appears to be controlled by Archean and Huronian structures. In general, the sills are horizontal to shallowly dipping and form regional basin and dome like undulations, which often mirror pre-existing basement topography. The sills maintain a relatively uniform thickness of 300-350 m (Jambor, 1971b). The contact with the intruded country rocks is marked by a narrow chill margin. A simplified stratigraphic column for the Cobalt area is presented in Figure 5, above.

*(d) Regional Structural Geology*

Deformation within the Cobalt Embayment is dominated by three separate fault sets (Figure 6).

A major southeast-trending fault system is manifested by the Montreal River, Cross Lake, and Timiskaming Fault (from west to east). This regional-scale fault system is part of the Lake Timiskaming Structural Zone, a northwest-southeast trending graben structure that trends from the Grenville Front at the southern extent of the embayment northward well beyond the Cobalt area. Geological and geophysical evidence indicates that these major fault systems were probably initiated in the late Archean, prior to Huronian sedimentation, and were reactivated during and after Huronian sedimentation and intrusion of the Nipissing diabase (Andrews et al. 1986).

A second fault set trends northeast, resulting in offsets of the Nipissing diabase prior to silver mineralization (Thomson, 1964). These faults and the southeast-trending system are generally veined with carbonate and silicate minerals and exhibit no apparent control over the occurrence of the silver veins, as most are barren (Jambor, 1971a).

The third set of faults, trending east-southeast, are generally smaller, subvertical normal faults that show displacements of up to 7.5 m, and locally host silver veins (Wilson, 1986).

**Property Geology**

The Property area and surrounding was mapped over the course of several decades by various government geologists. The property geology is best represented by ODM Map 2051 covering the northern two-thirds of the

Property (Thomson, 1964b); and ODM Map 2551 covering the southern third of the Property (Born et al., 1990) Figure 7 below.

The northernmost claims on the Property are underlain by Nipissing diabase that intrudes the Archean volcanic sequence in the east, and Coleman Member sediments in the west. In the western section of claims, the diabase has a moderate to steep dip to the west along with Coleman Member sediments. In the southeast and east, Archean volcanics and Cobalt Member sediments underlie the sill, where it is interpreted to be more eroded than in the centre-western and northern areas. The thickness of the Nipissing diabase is variable over the Property, from 150 to 300 m.

Figure 6. Regional Geology of Cruz Cobalt's Hector Property

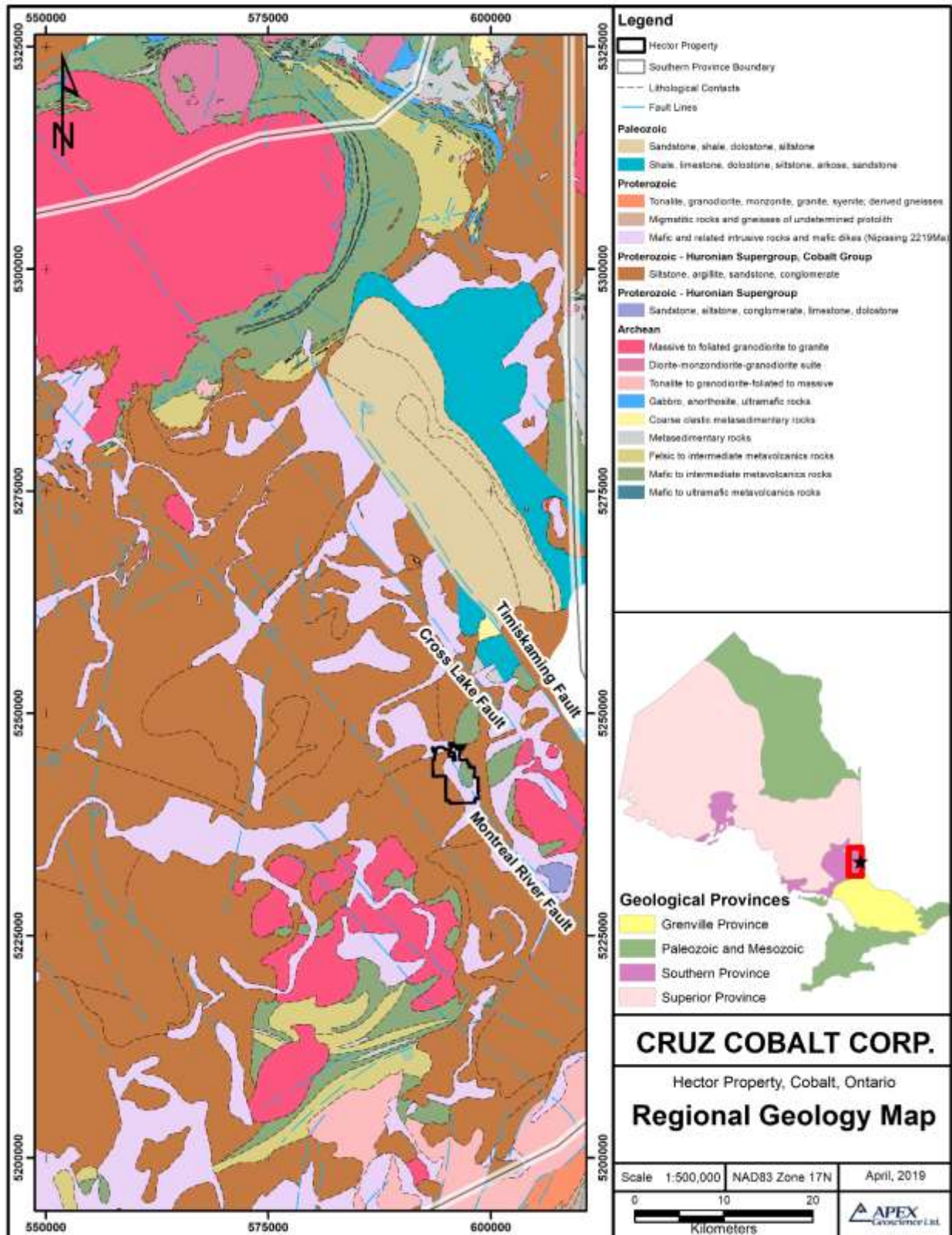
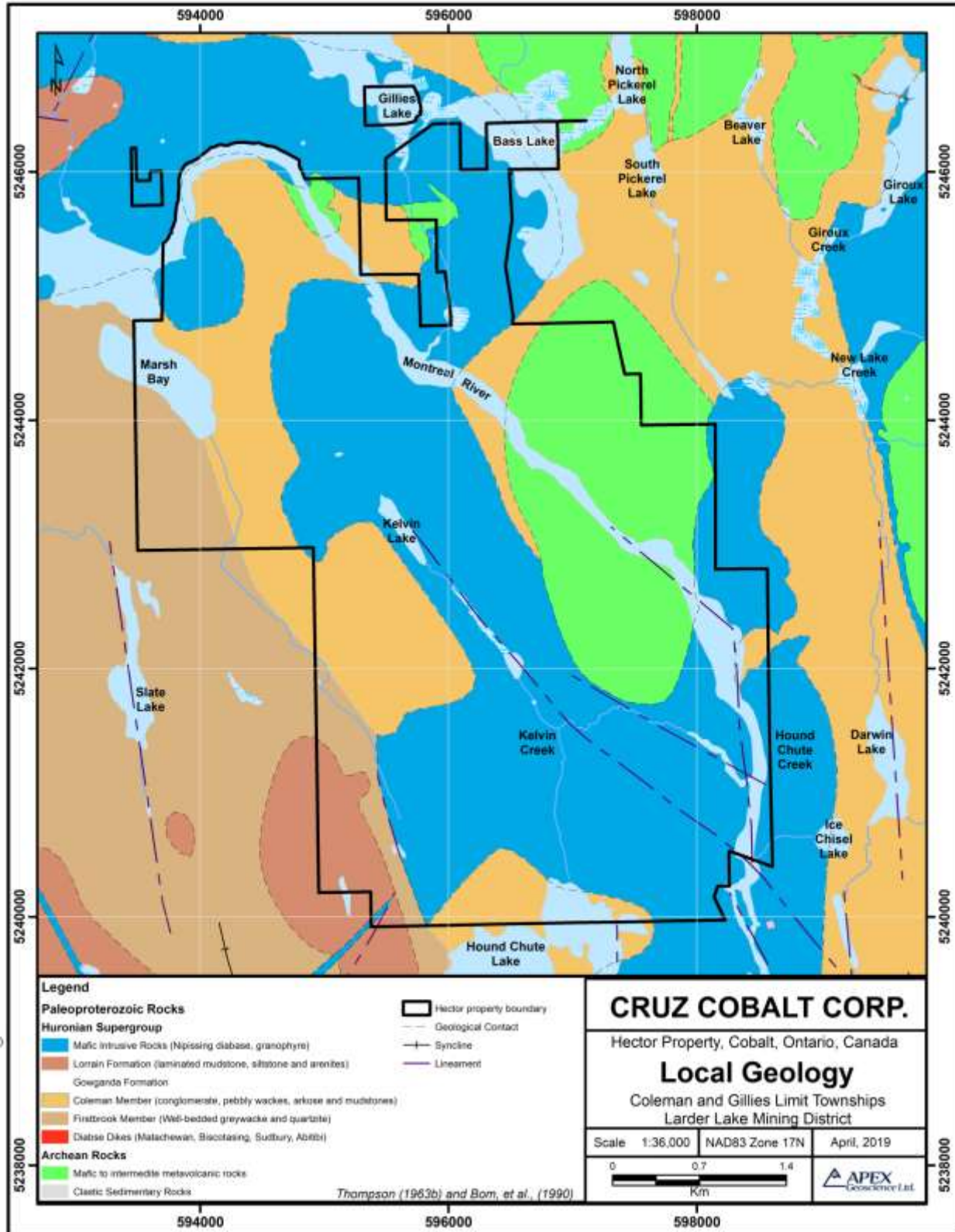


Figure 7. Property Geology of Cruz Cobalt's Hector Property



Archean basement rocks area exposed on both sides of the Montrell River within the central portion of the Property, extending south to the Williamson occurrence along what was likely a paleo-topographic high where Archean rocks occur in direct contact with overlying diabase. West of the Montreal River, the sediments have a gentle dip to the west and considerable thickening towards Highway 11, where they are unconformably overlain by Firstbrook and Lorrain formation strata (Thomson, 1964b; Hughes, 2017).

### **Hector Property Mineralization**

Mineralization present within the Hector Property displays characteristics of the silver-cobalt arsenide subtype of epigenetic vein deposits. In general, the metallic minerals occur in fracture filling lenses or veinlets, or as disseminations within wall rocks in association with carbonate and/or quartz gangue. Wall rocks adjacent to the veins are commonly hydrothermally altered.

Regionally, veins of the Cobalt Camp are commonly steeply dipping to vertical. Individual veins occur over strike lengths of up to 1 km and 100 m vertical extent, and pinch and swell from hair-line thickness and up to approximately 1 m in width. They may occur as single or multiple veins that branch and join, which are may be grouped into vein networks separated by zones of barren rock (Petruk, 1971a). Simple dilatant, shear-hosted, and less common replacement-type veins are recognized. Mineralization is typically discontinuous along any given vein structure, with the highest grade zones generally occurring near vein intersection, lithological contacts, and abrupt changes in Archean basement topography (Andrews et al., 1986). Metallic mineralogy comprises arsenides and sulph-arsenides of cobalt, nickel, iron, native silver and bismuth, and lesser antimonides, and sulphides of lead, zinc and copper (Petruk, 1971b).

The majority of mineral occurrences with the Hector Property consist of narrow fracture controlled northwest-southeast, or northeast-southwest striking, sub-vertical to steeply dipping, quartz-carbonate-potassium feldspar veins containing variable percentages of disseminated to clotty pyrite, chalcopyrite, pyrrhotite, and erythrite (hydrous cobalt arsenate) mineralization. Veins range in width from less than 5 cm up to 25 cm in width. The majority of historically reported mineral occurrences are represented by one or more shallow prospect pits and trenches, or water-filled shafts. Due to presence of limited outcrop, and overburden cover, the approximately strike length of historic mineral occurrences was determined largely based on the detailed geologic mapping of Thomson (1960); in addition to the spatial distribution of historic AMIS excavations recorded on the ground. At the Gillies East occurrence the Author observed a northwest trending, sub-vertical potassium feldspar-quartz-carbonate vein zone intermittently exposed on surface over a 100 m strike length.

Rock grab sampling of the historic James Dolan occurrences at Bass Lake (now referred to as the Gillies East, West and Hector anomalies) by Cruz Cobalt returned cobalt values in excess of 0.1% and up to 2.02% cobalt from outcrop and historic prospect pit float. Subsequent diamond drilling completed by Cruz intersected mineralization comprising disseminated to clotty pyrite-chalcopyrite at the Hector anomaly associated with moderate to intense chlorite-silica and potassic alteration of diabase host-rocks and narrow quartz-carbonate-potassium feldspar veins zones. Diamond drill intersected mineralization at the Gillies East occurrence is characterized by moderate chlorite-potassic alteration and disseminate pyrite-chalcopyrite mineralization.

The distribution of mineral occurrences throughout the Hector Property is coincident with interpreted structural lineaments within the Nipissing Diabase sill, for example between the Williamson to Brewster occurrences, and in the case of the Bass Lake area showings they appear to be spatially associated with the margins of a relatively more magnetic phase of the diabase. Archean basement hosted mineral occurrences on the east side of the Montreal River are generally coincident with relative magnetic low regions. The majority of document mineral showing occur within the Nipissing Diabase, however within Bass Lake, and east of the Montreal River there is a close spatial association of Archean volcanic, basal Coleman Member sediments and diabase rocks, which is considered highly prospective within the context of the silver-cobalt arsenide vein deposit model.



### *Bass Lake and Marsh Bay Areas*

At the Brewster occurrence, a northeast striking subvertical chalcopryite-cobalt mineralized calcite ( $\pm$ quartz) vein occurs. During 1947 three diamond drill holes totalling 344 m were completed by the Brewster Syndicate near the shaft but did not intersect significant mineralization (Thomson, 1960). AMIS data indicates the presence of four shafts, two surface trenches, and a waste rock pile distributed over an approximately 400 m northeast trend (Table 2). A distance of 800 m to the south at Marsh Bay shallowly south dipping 15 cm wide quartz veins containing pyrite-chalcopryite mineralization exposed in a small shaft are documented (Thomson, 1960).

During the 1930's, James Dolan reportedly mined approximately 5 tons (4.5 tonnes) of cobalt mineralized rock from the James Dolan occurrence (Thomson, 1960). Grab samples are reported to have returned assays of "up to" 1.7% cobalt (Table 3, Wilson, 2017a). The near vertical vein reportedly strikes northeast and contained niccolite, native bismuth, in addition to cobalt-bearing minerals. Sterling Engineering later tested the James Dolan occurrence with a single 38 m inclined drill hole on a 310o azimuth. The drill hole intersected narrow clay gouge zones, calcite veining, and minor chalcopryite mineralization; however no assays were reported (Plaskett, 1961).

Prior to 1948, James Dolan put down several test pits west of Bass Lake. The trenched area corresponds to the area tested by 2018 Cruz drill holes 18HC08, 09 and 10. They were described as cobalt mineralized calcite ( $\pm$ quartz) veins associated with aplite dykes, in addition to some silver mineralization at the southeast end of the vein trend; likely in close proximity to 2018 Cruz drill holes 18HC05, 06 and 07. On the west side of Gillies Creek west-northwest striking, steeply north dipping cobalt mineralized vein was traced over 60 m by in shallow trenches (Thomson, 1960). The trenched areas correspond to what are presently referred to as the Gillies West and East occurrences.

Nial Mining Syndicate drilled 3 short diamond drill holes approximately 150 m west of the Hector Shaft and within the present day Hector Property. Drill holes 1, 2 and 3 each intersected 7.6 cm (3 inch) pink aplite (potassium feldspar) veins containing silver-bismuth-nickel mineralization that assayed 5.8, 7.8, and 0.4 ounces/ton (oz/t) silver, or 199, 267, and 14 grams-per-tonne (g/t) silver, respectively (Neilson, 1970).

### *Montreal River and Kelvin Lake Areas*

The northeast striking steeply northwest dipping 10 cm South Keroa shaft vein was mapped over a 100 m strike length on surface, and returned select assays of 12 to 15% cobalt and 1,000 oz/t silver. More recent rock grab sampling by Outcrop Explorations Ltd. returned 13 g/t silver, 0.15% copper, and 0.10% lead (Sample BL-03, Kon, 2013b).

The JS-32 occurrence comprises a northwest striking, steeply northeast dipping 1 m wide pyrite "band" that has been intersected by diamond drilling over a strike of 140 m and to a maximum vertical depth of 240 m, which did not return significant gold or silver values. More recent rock grab sampling of the JS-32 occurrence was completed by Outcrop Explorations Ltd. Samples BL-14-05, 11, and 16 collected over an approximate 200 m northwest trend were described as sheared and pyrite bearing, or quartz-pyrite vein material; and returned assays ranging from 1.0 to 5.5 g/t silver, 0.20% lead, and 0.0045 to 1.39% zinc (Kon, 2014)

The Williamson occurrences comprise two individual showings separated by 550 m. The northeast occurrence comprises an 18 cm southeast striking calcite vein, and narrow 2.5 cm chalcopryite mineralized vein. At the southwest showing there occurs north-northwest striking, steeply west dipping, 5 to 10 cm quartz-calcite-aplite veins, and one containing cobalt-niccolite mineralization. Drill hole W65-1 targeting the northeast showing returned 10 g/t silver over 0.60 m from a downhole depth of 61 m hosted within sheared calcite veined Archean volcanic rocks that were intersected beneath diabase. Drill hole W65-3 drilled under the southwest showing, intersected a 8.6 g/t Ag over 0.6 m in diabase from a downhole depth of 34 m (Cunningham, 1966).

The "Teck Block 9" anomaly was tested via 4 inclined diamond core holes totalling 387 m drilled along southwest and northeast azimuths (GL-6 through GL-9). All holes reportedly intersected carbonate stringers and veinlets,

locally containing pyrite, chalcopyrite and galena mineralization. GL-7 returned the highest silver values of 9.51 oz/t (326 g/t) silver over 10 cm from 43 m downhole, results which were not replicated within flanking drill holes GL8 and GL-9 (Blecha, 1972).

### **Deposit Type**

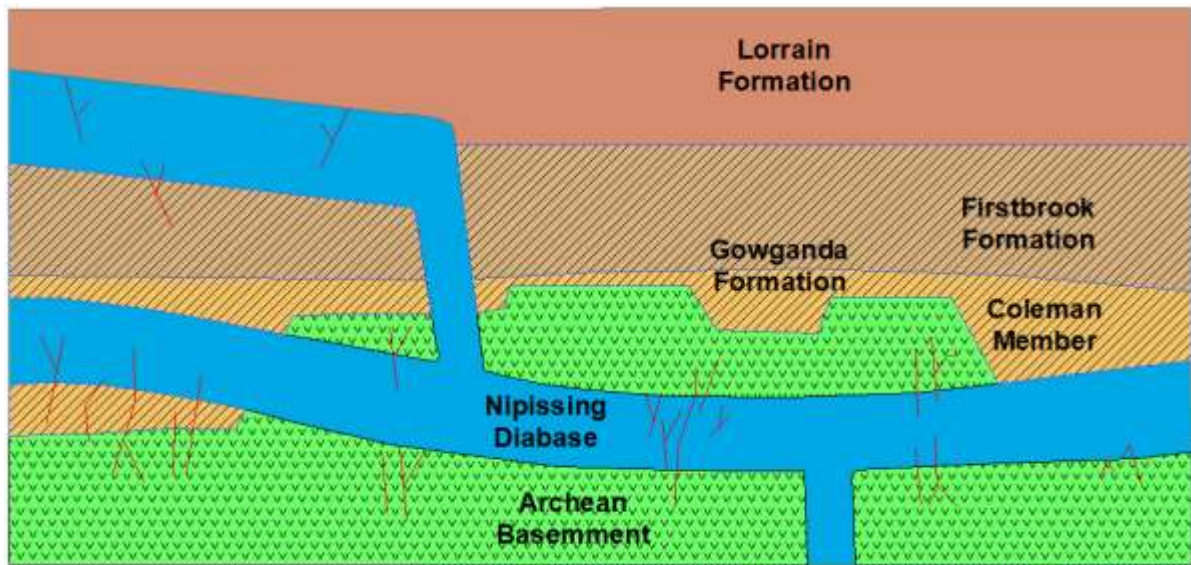
The principal deposit type of interest within the Hector Property is arsenide silver-cobalt vein deposits. The Cobalt Camp of Ontario was once the largest silver-producing area in Canada. In addition to silver, the Camp produced significant cobalt, copper, nickel, arsenic and bismuth (see Section 6 “History” of the technical report). The following arsenide silver-cobalt vein deposit model description was extracted and modified from Ruzicka and Thorpe (1996), unless specified otherwise.

#### *Geologic Characteristics - Arsenide Silver-Cobalt Vein Deposits*

The arsenide silver-cobalt subtype are epigenetic vein deposits. Metallic minerals occur in fracture filling lenses or veinlets, or as disseminations within wall rocks in association with carbonate and/or quartz gangue. Wall rocks adjacent to the veins are commonly hydrothermally altered. Arsenide silver-cobalt deposits are concentrated in areas affected by basinal subsidence and rifting and are generally spatially related to regional fault systems and intrusions of mafic rocks.

The deposits in the Cobalt Camp are associated with Paleoproterozoic conglomerate, quartzite, and greywacke rocks of the Cobalt Member, as well as the major sill-like bodies of the Nipissing Diabase and the Archean mafic and intermediate lavas, and intercalated pyroclastic and sedimentary rocks. The majority of historic past producing deposits occur in close proximity to the Archean-Huronian unconformity, at or near the contacts between the Nipissing Diabase and the sedimentary rocks of the Cobalt Group, and to a lesser extend along contacts between the diabase and the Archean rocks. All three major lithologies are present within Hector Property. No economically significant deposits occur above and remote from the Archean-Huronian unconformity, and irrespective of host lithology all known deposits of economic grade are spatially associated with Nipissing diabase; either within the diabase itself, or within 200 m of its upper and lower contacts. Where diabase sills cut Coleman Member sediments just above the Archean unconformity vein systems typically occur as strong, relatively continuous structures with mineralization of potential economic significance generally concentrated within the Coleman sediments. When Nipissing Diabase has intruded Archean volcanic rocks vein systems tend to be discontinuous with mineralization of potential economic significance generally occurring near the upper and lower contacts of the diabase. Approximately two-thirds of early Cobalt Camp historic production was from Coleman Member-hosted vein deposits; with a transition to dominantly Archean associated deposits in later years (Figure 8; Andrews et. al. 1986).

**Figure 8. Simplified Geological Section Showing the Relationship Between Silver – Cobalt Mineralization and Major Lithological Units. Modified after Andrew et al. (1986)**



The veins are commonly steeply dipping to vertical. Individual veins occur over strike lengths of up to 1 km and 100 m vertical extent, and pinch and swell from hair-line thickness and up to approximately 1 m in width. They may occur as single or multiple veins that branch and join, which are may be grouped into vein networks separated by zones of barren rock (Petruk, 1971a). Simple dilatant, shear-hosted, and less common replacement-type veins are recognized. Mineralization is typically discontinuous along any given vein structure, with the highest grade zones generally occurring near vein intersection, lithological contacts, and abrupt changes in Archean basement topography (Andrews et al., 1986). Metallic mineralogy comprises arsenides and sulph-arsenides of cobalt, nickel, iron, native silver and bismuth, and lesser antimonides, and sulphides of lead, zinc and copper (Petruk, 1971b).

The approximate age of the arsenide silver-cobalt veins has been established from dating of the diabase sheets and geological evidence. The arsenide silver-cobalt veins cut the Nipissing Diabase but are displaced by post-mineralization reverse faults, which are contemporaneous with the intrusion of the quartz diabase dykes. This places mineralization between 2.22 Ga and 1.45 Ga, however it is believed that the bulk of mineralization formed shortly after intrusion of the Nipissing Diabase (2.22 Ga; Jambor, 1971a).

Intrusion of the diabase sheets was accompanied by contact metasomatic alteration of the country rocks and by deuteric alteration of the diabase itself. Certain areas display spotted chloritic contact alteration, which developed near the Nipissing Diabase prior to mineralization. Propylitic alteration associated with the silver-cobalt veins is more intense, though typically only developed within narrow zones along the veins a few centimetres in width, and comprises chlorite replacement of mafic minerals, and retrogression of plagioclase to and assemblage of muscovite, epidote, and albite (Jambor, 1971b; Andrews et al., 1986).

#### *Genetic Model – Arsenide Silver-Cobalt Vein Deposits*

Various genetic models for the origin of the Cobalt Camp deposits have been proposed that vary with respect to the theorized origin of metal depositing hydrothermal fluids; specifically if metal-rich hydrothermal fluids were derived during: i.) late-stage differentiation during intrusion of the Nipissing Diabase sills; ii.) Convectively circulating fluids mobilized from country rocks during cooling of the diabase; or iii.) Hydrothermal fluids originating from an unidentified external source (Andrews et al., 1986).

Studies indicate solutions that deposited silver-cobalt arsenide mineralization were initially as hot as 400°C, although a wide range of fluid inclusion temperatures and salinities have been reported (Kerrick et al., 1986; Kissin, 1992). The fluids may have been variable mixtures of basinal brines and meteoric waters, and Kissin (1992) suggests that the deposits were formed in an environment characterized by incipient rifting of continental crust.

The generally accepted genetic model for the silver-cobalt arsenide veins involve derivation of the silver, nickel, cobalt, arsenic, antimony, bismuth, copper, and mercury from either the Archean sedimentary beds (Boyle and Dass, 1971) or the formational brines of the Archean carbonaceous, pyritic tuffs or their clastic derivatives in the Proterozoic sedimentary sequence (Watkinson, 1986). The latter hypothesis is supported by fluid inclusion and oxygen isotopic data.

More recently, Potter and Taylor (2010) proposed a genetic model for the silver-cobalt arsenide veins and the other polymetallic (iron, copper, nickel, cobalt, arsenic, gold, silver, and bismuth, ± uranium) calcite-quartz vein systems in the Cobalt Embayment. The model proposes regional flow of oxidized, hydrothermal fluids focused along the Huronian-Archean unconformity, driven by sedimentary loading and heat released by the Nipissing Diabase intrusive event ca. 2.2 Ga; followed by genesis of regionally-distributed, discordant, polymetallic vein mineralization through the interaction of the oxidized basin fluids with both fluid- and solid-reducing components of the basement, facilitated by localized displacement of the Huronian-Archean unconformity along reactivated faults; and finally hydrothermal remobilization of at least some of the vein components, notably Pb, in association with regional Na- and K- metasomatic events ca. 1.7 Ga.

## **EXPLORATION INFORMATION**

During 2017 and 2018, Cruz Cobalt conducted early exploration activities at the Hector Property. The work completed comprised data compilation and review, an airborne geophysical survey, ground magnetic geophysical surveys, prospecting, rock and soil geochemical surveys, and diamond drilling. This section summarizes results from the geophysical surveys and surface exploration completed by Cruz Cobalt.

During June 2017, Antediluvial Consulting Inc. (“Antediluvial”) was engaged by Cruz Cobalt to compile and review historical data, and carry out prospecting and site visits at the Property ahead of the airborne geophysical survey. Eagle Geophysics Ltd. (“Eagle”) was retained by Cruz Cobalt to complete the 522.9 line-km helicopter-borne geophysical magnetometer and very low frequency electromagnetic (VLF-EM) survey over the Hector Property during August 2017. Simcoe Geoscience Limited (“Simcoe”) processed, compiled, levelled, inverted and summarized the airborne geophysical survey results in September 2017. In addition, Campbell & Walker Geophysics Limited carried out additional geophysical inversion modelling on the dataset in September 2017. Antediluvial compiled and summarized the 2017 exploration results for the Property during October 2017.

Following the 2017 airborne survey, Cruz Cobalt retained Jean Marc Gaudreau to complete a soil geochemical survey in the northeast corner of the Property. A total of 428 soil samples were collected between October 25th and November 3rd, 2017.

In 2018, APEX Geoscience Ltd. (“APEX”) was retained by Cruz Cobalt to further compile and review historical data, complete a soil and rock geochemical survey, a ground geophysical survey, and an exploration diamond drilling program at the Hector Property. The 2018 exploration program was designed to evaluate and follow up on 2017 and historical results, and to generate targets for future exploration. The 2018 exploration program was completed in three phases: (Phase 1) a soil (203 samples) and rock (31 samples) geochemical survey from July 31st to August 10th, 2018, and a 23 line-km ground magnetometer geophysical survey from July 25th to August 2nd; (Phase 2) follow up rock sampling (12 samples) on October 2nd and 3rd, 2018; and (Phase 3) a 10 hole (843 m) diamond drilling program from October 29th to December 19th, 2018.

**2017 Airborne Geophysical Survey**

A helicopter-borne magnetometric and very low frequency electromagnetic (VLF-EM) survey was completed over the Hector Property during August 2017. A total of 522.9 line kilometres (line-km) were completed at the Hector Property.

*Survey Parameters and Instrumentation*

Total field and measured gradient data was collected along 50 m spaced east-west oriented traverse lines, and 500 m spaced north-south oriented control lines at an approximate 40 m sensor height. Table 5 summarizes the instrumentation and parameters used for the survey.

**Table 5. 2017 Helicopter-borne Geophysical Survey Instruments, Sensors and Parameters Used**

<b>Tow Cable</b>	30 meters long with spectra cable
<b>Bird Dimension</b>	10 meter wide, 3m high and 12m long
<b>AFMAG</b>	Detection Frequencies: 90 Hz, 390 Hz, Bandwidths: 2.5 Hz, 10 Hz
<b>VLF-EM</b>	Bi-station, 15 to 30 khz programmable, 0.1% of the total field (when stations are working)
<b>Magnetometer</b>	High sensitivity GSMP-35A optically pumped potassium-vapor, sampled at 10 Hz, with a maximum sensitivity of 0.0003 nT, resolution of 0.0001 nT, absolute accuracy +/- 0.1 nT, gradient tolerance > 50,000 nT/m
<b>GPS System</b>	CDGPS Novatel OEM-V1 receiver with <2m accuracy
<b>Digital acquisition</b>	Fully rugged laptop HD and internal MUX memory with Gem System software
<b>Radar altimeter</b>	Free Flight TRA-3500 Terra Corporation with +/- 5 ft accuracy from 0-100 ft, and +/- 5% from 100-500 ft
<b>Laser altimeter</b>	LT1ULS, Resolution 1mm, Range 0.15m to 500 m
<b>Base magnetometer</b>	Total field base station magnetometer G823A or High sensitivity GSMP-35A optically pumped potassium-vapor; sampled at 10 Hz, with a maximum sensitivity of 0.0003 nT, resolution of 0.0001 nT, absolute accuracy +/- nT, gradient tolerance >50,000 nT/m
<b>Helicopter</b>	As 350 BA or Equivalent with an experienced survey flying pilot

*Survey Results*

Geophysical data was provided in a Geosoft Geodatabase (GDB) format. Digital grid and map products included Total Magnetic Intensity and associated derivatives including measured vertical magnetic gradient (VGRAD), measured cross-line magnetic gradient (CGRAD), calculated in-line magnetic gradient (IGRAD), magnetic tilt derivative (TDR), horizontal magnetic gradient (HGRAD). Very Low Frequency products associated with the Magnetic Analytical Signal (ASIG), which serve to enhance trends within the gridded data. Figures 9 and 10 show the Total Magnetic Intensity (TMI), Tilt Derivative (TDR).

The TMI results and to a greater extent the tilt derivative and vertical gradient products reveal dominantly northwest trending magnetic high domains and magnetic low lineaments across the survey area. A major magnetic low lineament coincident is coincident with a narrow topographic depression trending northwest through the Williamson, Kelvin Lake, and Brewster occurrences, with a second less prominent magnetic low lineament paralleling the trace of the Montreal River.

The magnetic response of diabase, Coleman Member sediments, and Archean volcanics is difficult to resolve, as it is often unclear the extent to which the observed magnetic response is representative diabase or Archean

basement. However, a correlation of mapped diabase, which generally forms topographic high regions, reveals relatively stronger and subparallel linear and sinuous positive magnetic anomalies suggesting that the wide diabase sill trending northwest through the claims is a multi-phase composite intrusion. The mapped region of Archean basement interpreted to form the core of a broad southeast trending anticline, or basement uplift zone, exhibits a relatively subdued magnetic response compared to the diabase, and little indication of a dominant structural lineament trend.

The Total Magnetic Intensity (TMI), inverted Very Low Frequency (VLF) and MVI inversion products were used by Simcoe to establish five geologic domains defined by their variable geophysical response (zones A to E) at the Property (Figure 11). The interpretation by Simcoe reinforces dominantly northwest trending, and locally late northeast trending, structural style of the Hector Property.

The distribution of historic mineral occurrences throughout the Hector Property is coincident with interpreted structural lineaments within the Nipissing Diabase sill, for example between the Williamson to Brewster occurrences, and in the case of the Bass Lake area showings they appear to be spatially associated with the margins of a relatively more magnetic phase of the diabase. Archean basement hosted mineral occurrences on the east side of the Montreal River are generally coincident with relative magnetic low regions.

Figure 9. 2017 Airborne Geophysics Total Magnetic Intensity (TMI)

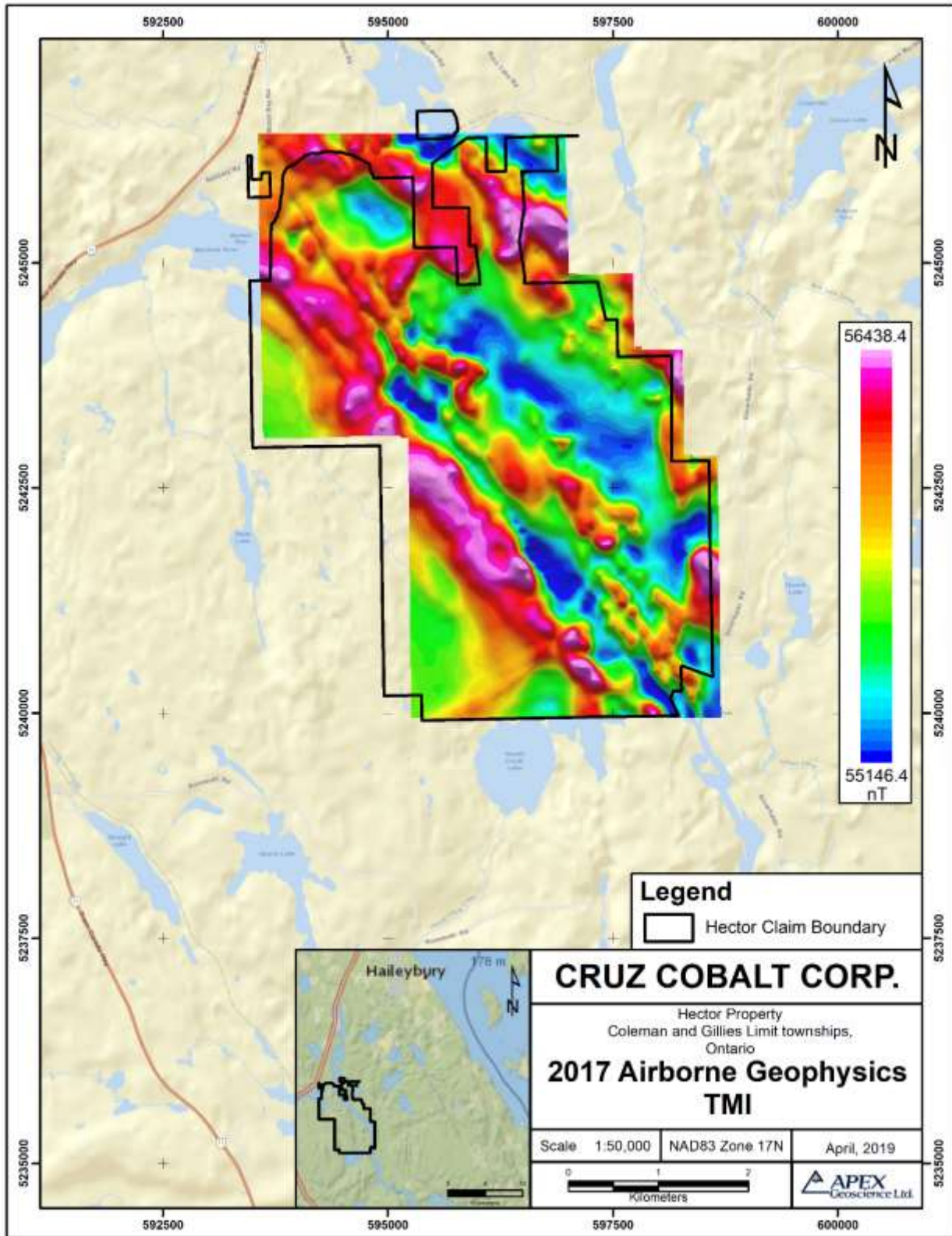


Figure 10. 2017 Airborne Geophysics Tilt Derivative (TDR)

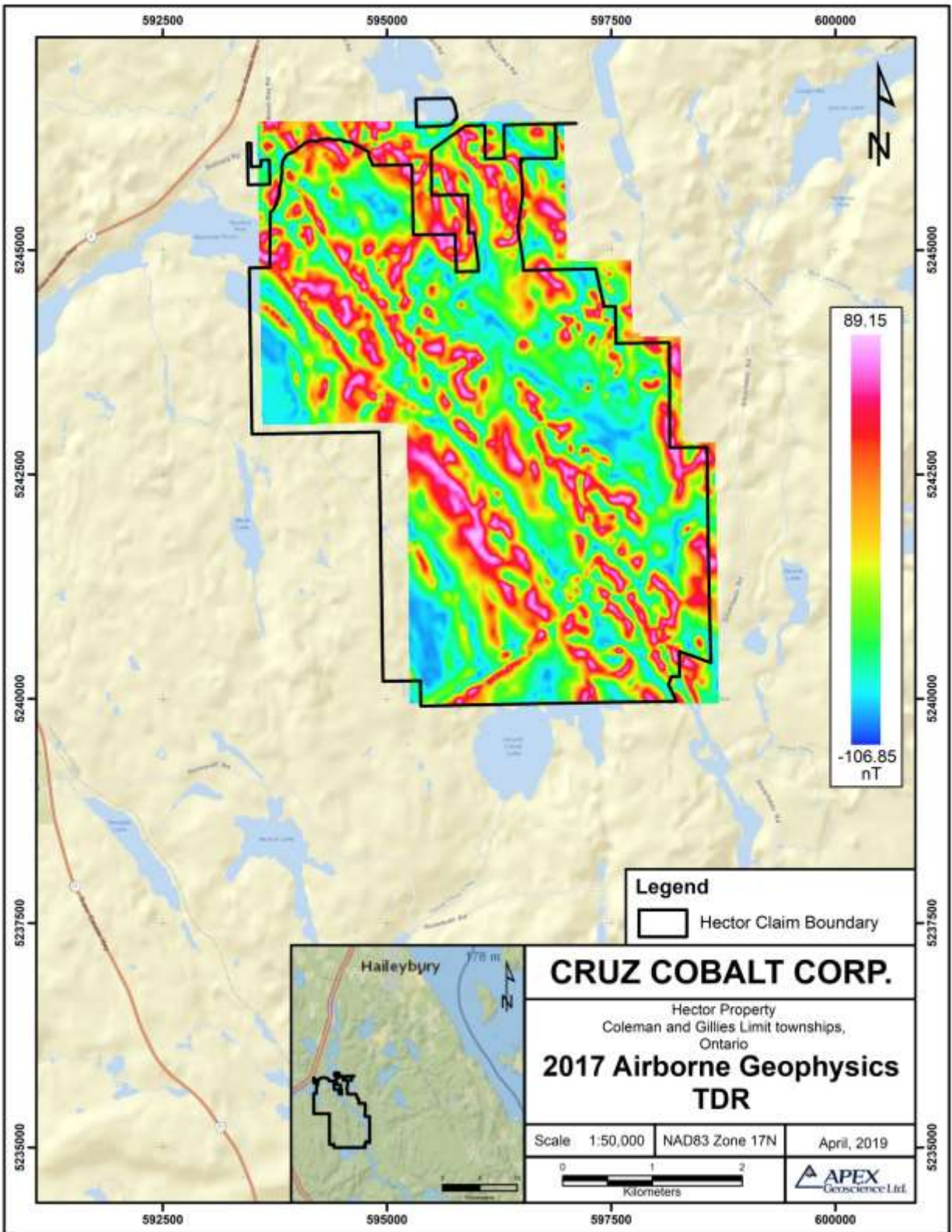
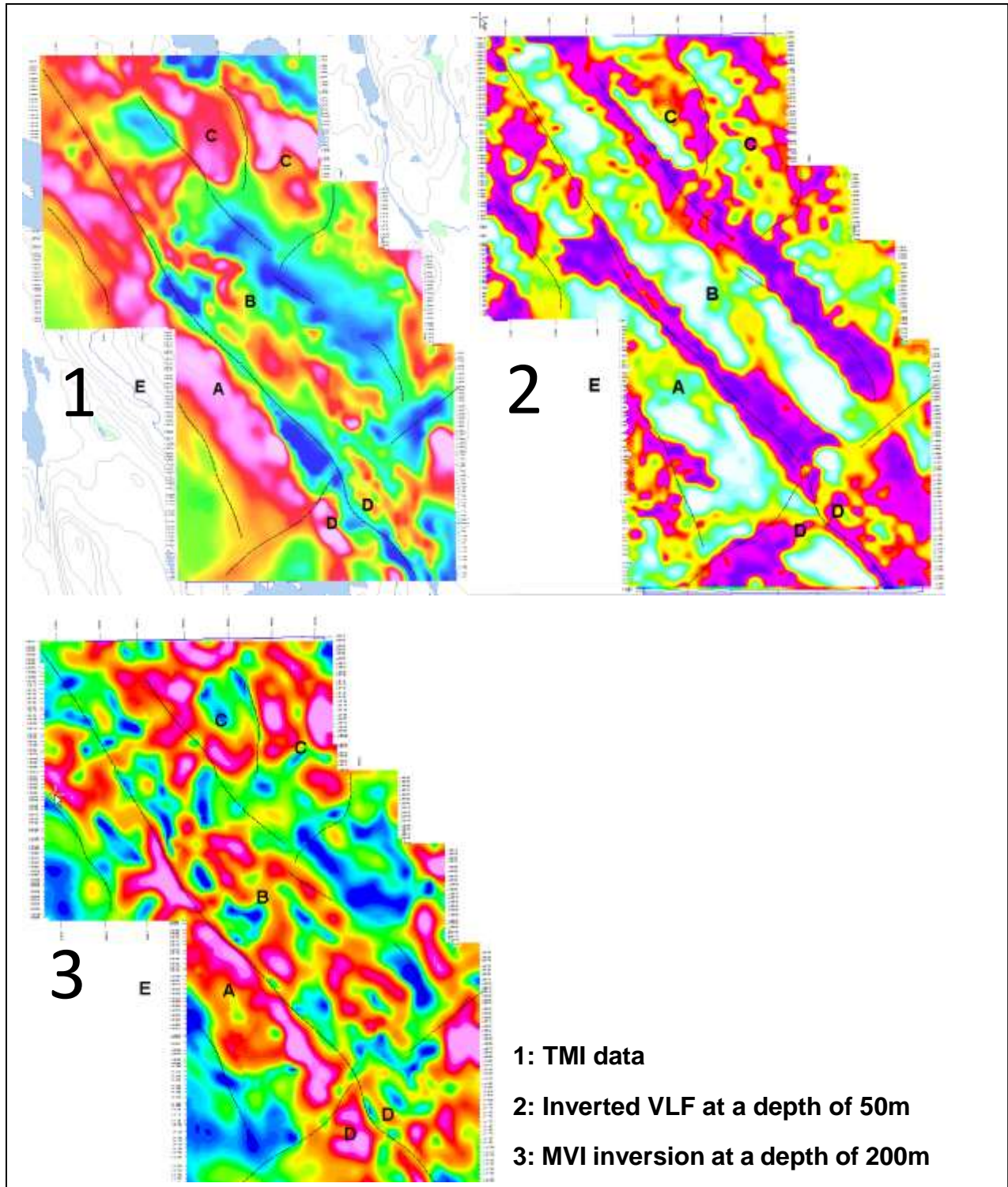




Figure 11. 2017 Airborne Geophysics Simcoe Geoscience Litho-geophysical Domains



### 2017 and 2018 Soil Geochemical Surveys

The 2017 soil geochemical survey was completed west of Bass Lake, covering an area containing historical shafts and pits. The survey grid covered an area of approximately 1.14 ha. Samples were collected along east-west or north-south oriented lines with a line spacing of 100 m and a sample spacing of 25 m. A total of 428 samples were collected from B horizon soils. Summary statistics for cobalt (Co), copper (Cu), silver (Ag), arsenic (As) and nickel (Ni) are presented in Table 6. A plan maps showing the 2017 analytical results for cobalt (Co) is presented in Figure 12.

The 2018 survey was also west of Bass Lake, covering an area of approximately 1.6 ha. Samples were collected along east-west or north-south oriented lines with a line spacing of 100 m and a sample spacing of 50 m. Some samples could not be collected due to surface disturbance (logging activities, trails, swampy areas, ponds, undeveloped soil profile). A total of 203 samples were collected from Ah horizon soils (humus). Summary statistics for cobalt (Co), copper (Cu), silver (Ag), arsenic (As), nickel (Ni) and lead (Pb) are presented in Table 7. Plan maps showing the 2018 analytical results for cobalt (Co) copper (Cu), and silver (Ag) are presented in Figures 13 to 15.

**Table 6. 2017 Soil Sample Geochemistry Summary Statistics**

Statistics	Co (ppm)	Cu (ppm)	Ag (ppm)	As (ppm)	Ni (ppm)
Mean	13.61	15.06	0.27	4.02	32.00
Median	12.25	10.05	0.24	3.10	30.50
Minimum	4.28	0.90	0.09	0.40	10.90
Maximum	43.10	180.00	2.23	78.20	95.90
70 <sup>th</sup> Percentile	14.90	16.18	0.29	4.20	35.29
90 <sup>th</sup> Percentile	20.29	30.65	0.39	6.80	44.49
95 <sup>th</sup> percentile	23.47	43.93	0.48	8.60	50.26

**Table 7. 2018 Soil Sample Geochemistry Summary Statistics**

Statistics	Co (ppm)	Cu (ppm)	Ag (ppm)	As (ppm)	Ni (ppm)	Pb (ppm)
Mean	6.24	36.44	1.17	18.05	25.50	63.00
Median	4.40	32.10	0.93	13.40	23.20	59.80
Minimum	1.40	4.40	0.06	1.30	6.40	6.00
Maximum	98.20	240.00	5.48	290.00	88.70	199.00
70 <sup>th</sup> Percentile	5.70	42.58	1.48	18.68	29.46	82.68
90 <sup>th</sup> Percentile	10.12	64.58	2.46	30.52	40.44	122.80
95 <sup>th</sup> percentile	13.06	83.50	2.97	39.34	50.84	144.10

Figure 12. 2017 B Horizon Soil Geochemistry for Cobalt (Co)

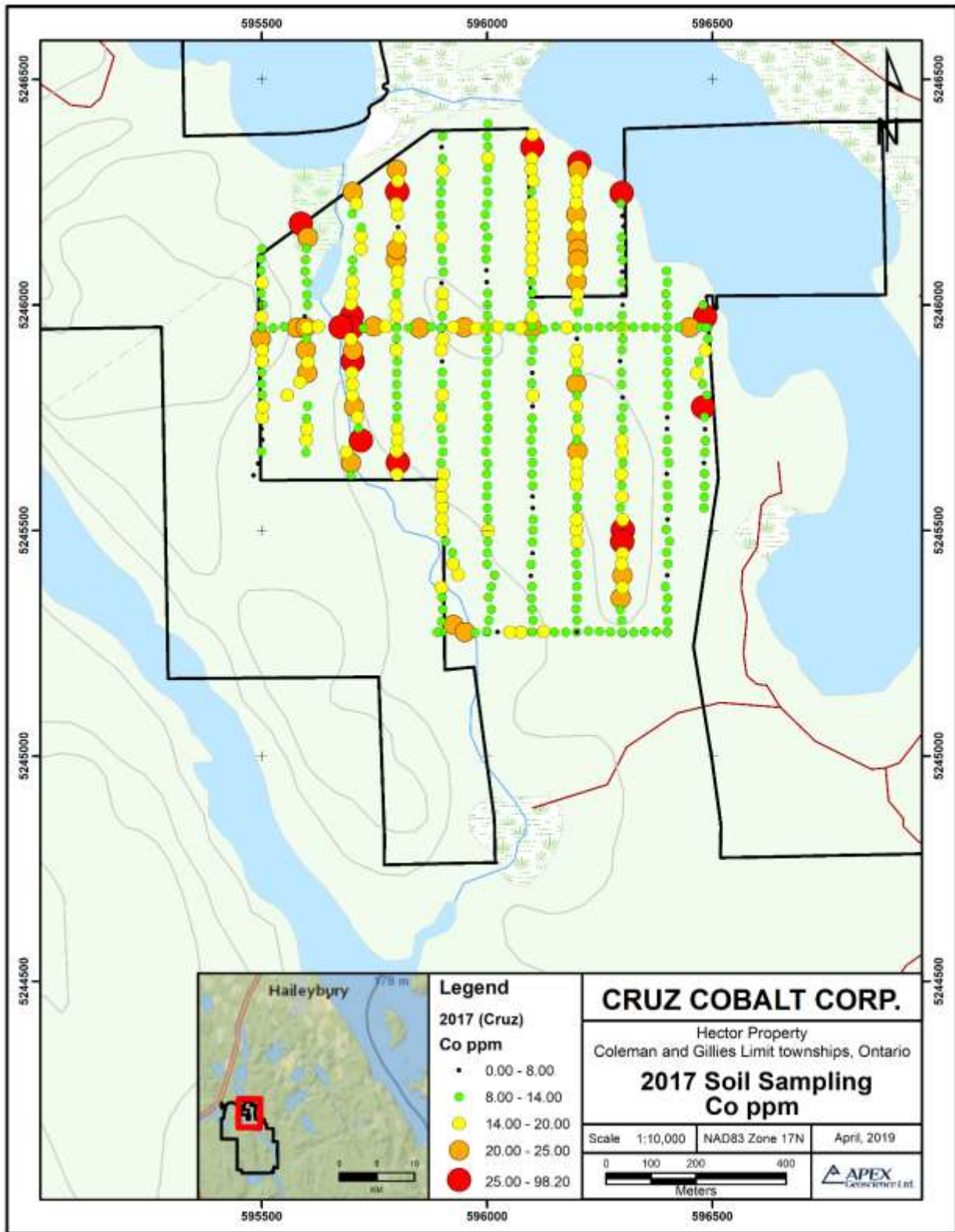


Figure 13. 2018 Ah Horizon Soil Geochemistry for Cobalt (Co)

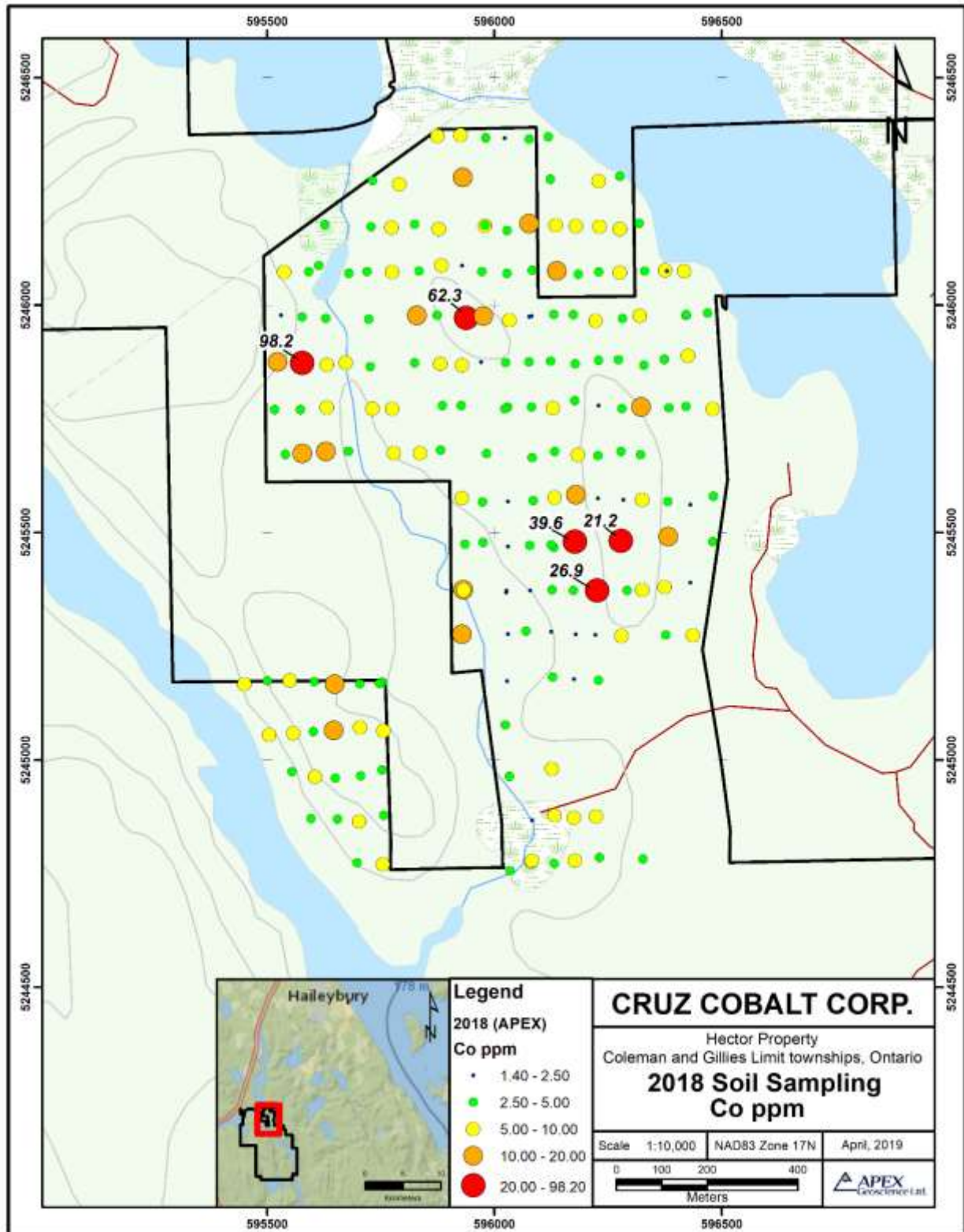


Figure 14. 2018 Ah Horizon Soil Geochemistry for Copper (Cu)

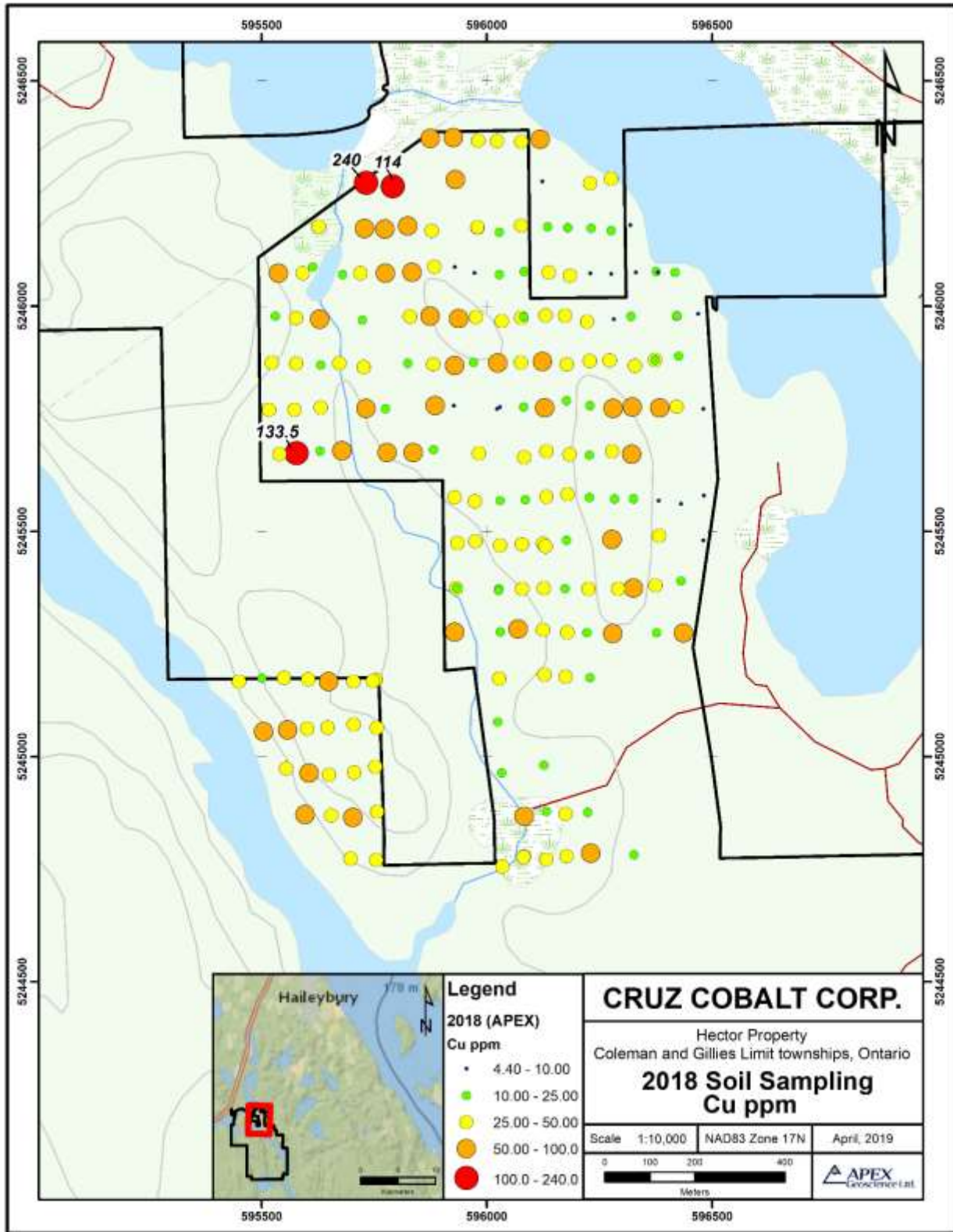
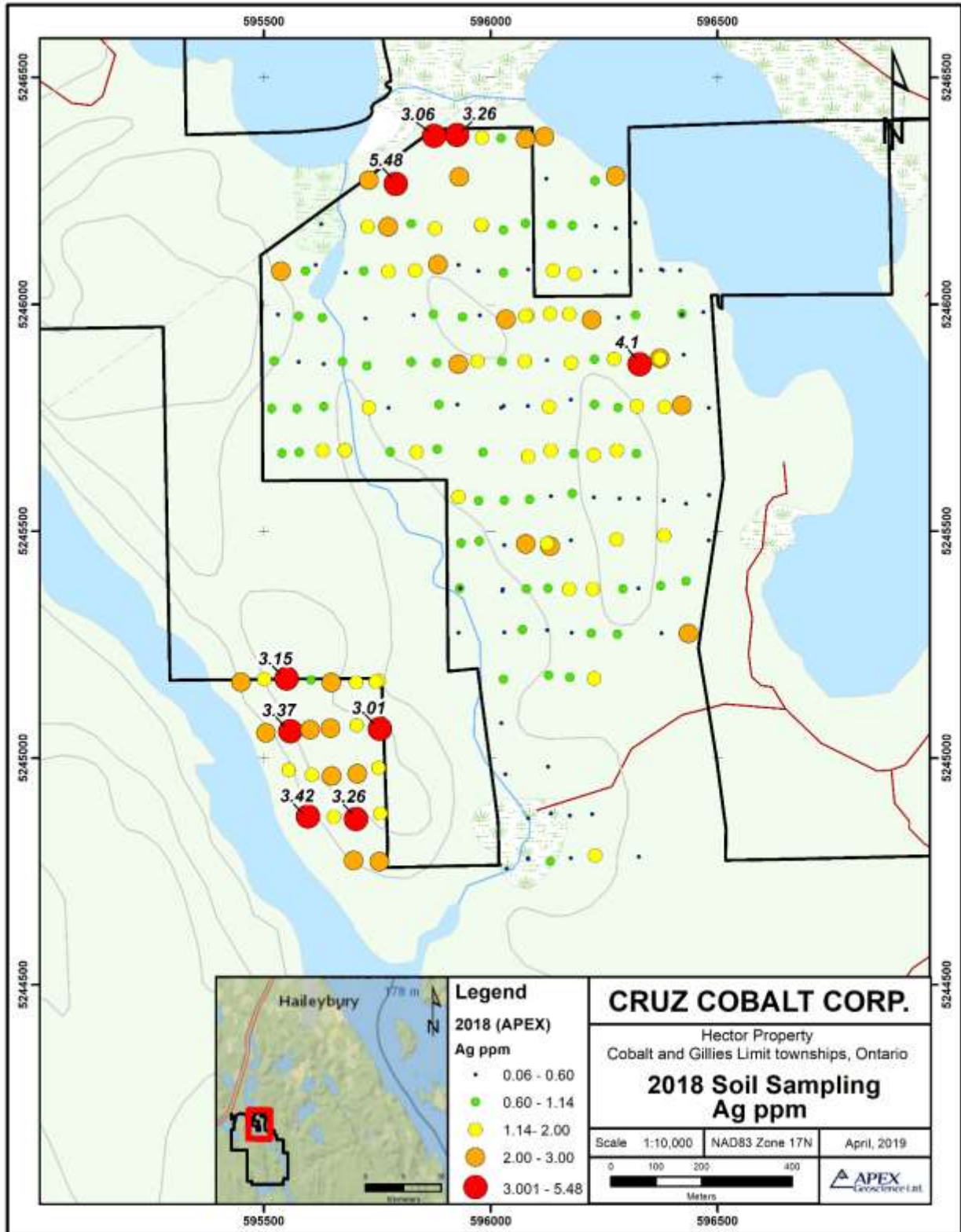


Figure 15. 2018 Ah Horizon Soil Geochemistry for Silver (Ag)



A total of 631 soil samples were collected during the 2017 and 2018 surveys. Soil geochemical results have defined several north-northwest trending geochemical anomalies within the Nipissing diabase in and/or near historical pits, shafts and mineralized veins. Cobalt, copper, silver anomalies are observed at the Gillies West, Gillies East and Hector. The Hector Anomaly is a 200 by 200 m soil anomaly occurring approximately 300 m northwest of the historic Hector silver mine shaft, and returned 4 samples with values greater than 25 ppm cobalt. The Gillies East Anomaly is approximately 600 m northwest of the Hector Anomaly, and returned 6 samples with values greater than 25 ppm cobalt. The Gillies West Anomaly is proximal to Gillies Creek, at the western margin of the survey area, and returned the highest cobalt value of 98 ppm.

### **2018 Rock Geochemical Survey**

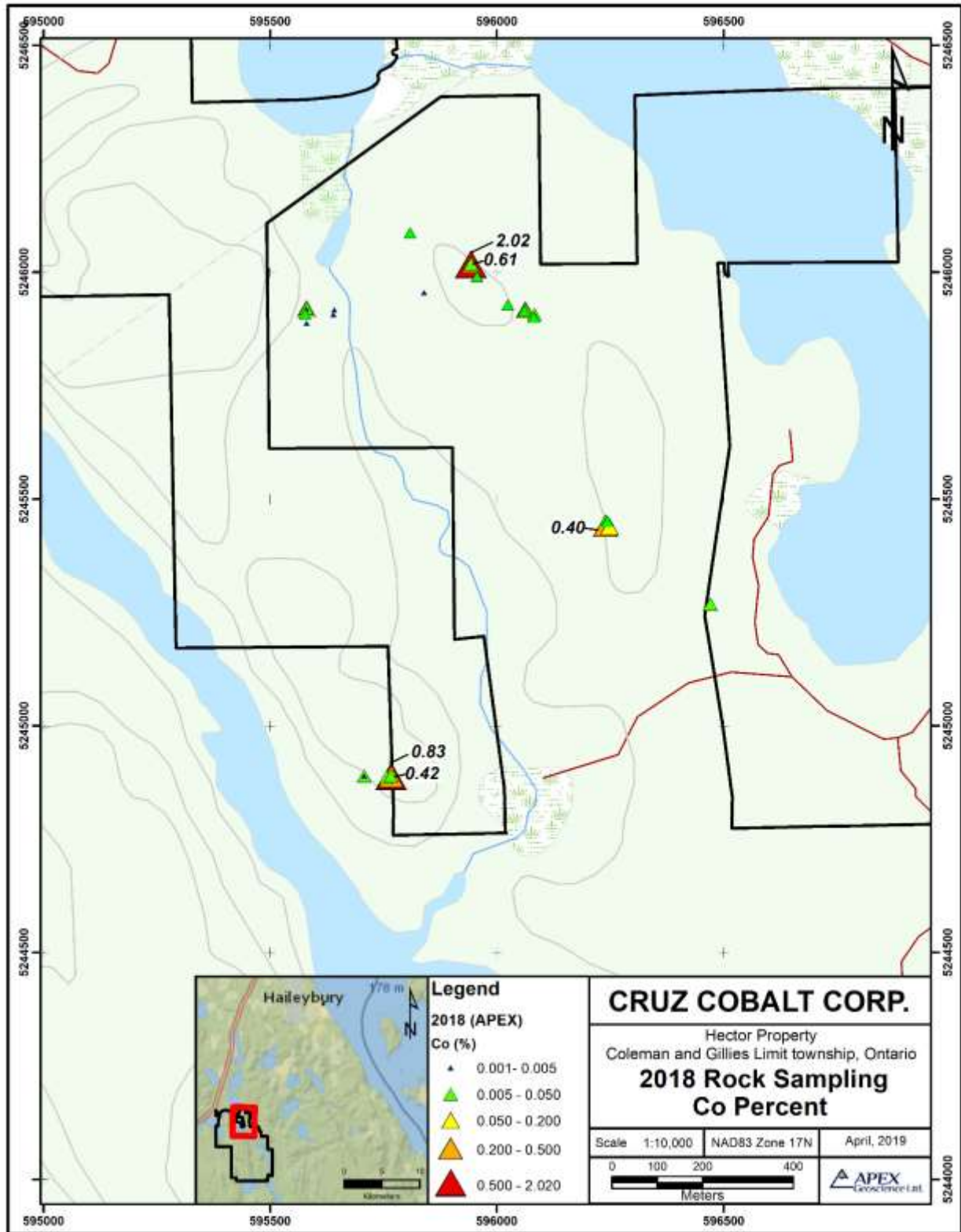
A total of 43 rock grab samples were collected during 2018 in the vicinity of Bass Lake, in the northeast part of the Hector Property. Rock samples tested historical occurrences, known pits, shafts and mineralized veins, and new sites of interest. Collected rock samples were representative of the mineralized vein systems within the property and typically found in outcrops, talus and floats.

Seven rock grab samples returned values greater than 0.1% cobalt, and up to 2.02% cobalt from the Gillies East, Gillies West and Hector anomalies. Anomalous silver (up to 13.1 ppm) and gold (up to 0.37 ppm) values were also returned (Table 8). Summary statistics for cobalt (Co), copper (Cu), silver (Ag), arsenic (As), gold (Au) and nickel (Ni) are presented in Table 9. A plan maps showing the 2018 analytical results for cobalt (Co) is presented in Figure 16.

**Table 8. 2018 Anomalous Rock Sample Results**

Sample ID	Prospect	Sample Type	Co (%)	Ag (g/t)	Au (g/t)	Cu (g/t)
2018KBP040	Gillies East	Prospect Pit Float	2.02	13.1	-	-
2018KBP042		Outcrop	0.61	4.1	-	-
2018KBP034	Gillies West	Outcrop	0.82	-	-	-
2018KBP033		Outcrop	0.42	-	-	-
18MAP075	Hector	Prospect Pit Float	0.4	0.4	-	-
18KRP601		Prospect Pit Float	0.19	-	-	-
2018KBP037	Gillies West	Prospect Pit Float	0.19	-	-	-
2018KBP061		Outcrop	-	-	0.37	-
18KRP604	Gillies East	Prospect Pit Float	-	0.5	-	0.107

Figure 16. 2018 Rock Geochemistry for Cobalt (Co)





**Table 9. 2018 Rock Sample Geochemistry Summary Statistics**

<b>Statistics</b>	<b>Co (%)</b>	<b>Cu (%)</b>	<b>Ag (g/t)</b>	<b>Au (g/t)</b>	<b>Ni (%)</b>
Mean	0.12	0.02	0.61	0.01	0.01
Median	0.01	0.01	0.10	0.00	0.01
Minimum	0.00	0.00	0.10	0.00	0.00
Maximum	2.02	0.11	13.10	0.37	0.16
70th Percentile	0.03	0.02	0.20	0.00	0.01
90th Percentile	0.41	0.05	0.94	0.03	0.04
95th percentile	0.78	0.06	3.54	0.04	0.09

The Gillies East anomaly returned the highest assay values for cobalt, silver and copper while the Gillies West anomaly have returned the highest assay value for gold. The Hector anomaly returned a moderate assay value for both cobalt and silver.

### **2018 Ground Magnetometer Survey**

A 23 line-km ground magnetic (magnetometer) survey was completed at the Hector Property as part of the 2018 exploration program between July 25<sup>th</sup>, 2018 and August 2<sup>nd</sup>, 2018. The ground magnetic survey was conducted to augment the soil sampling survey and to map the extents of the Nipissing diabase in the northwest area of the Property. The survey grid was composed of 33 traverse lines, with lines ranging in length from 215 m to 1030 m, spaced at 50 m, and oriented east-west.

#### *Equipment and Procedures*

The ground magnetic survey was conducted on foot using a “walking” magnetometer capable of acquiring nearly continuous data. No line-cutting or grid making was required for the survey work to be completed, rather, the traverse lines were established on-the-go using handheld GPS receivers that were pre-loaded with the proposed survey line paths. The GPS operator did not use flagging tape to mark the traverse lines as the magnetometer operator was always within view of the GPS operator.

The survey was completed using a Gem Systems Inc. GSM-19W CDGPS magnetometer collecting readings of the total magnetic field in walking mode at a 1 Hz frequency. A Gem Systems GSM-19 magnetometer was set up at a fixed location near the grid to record the diurnal variation at a fixed location (base station). The base station was positioned at approximately 596699E, 5244799N.

The GSM-19W walking magnetometers have a built-in GPS receiver which is used to affix a GPS location to each magnetic intensity measurement. The station locations were recorded using NAD27 datum UTM Zone 17 projection, then immediately re-projected to NAD 83 datum UTM Zone 17 projection.

Equipment and software used:

Base Magnetometer:	GemSystem Overhauser GSM-19
Rover Magnetometer:	GemSystem Overhauser GSM-19W
Handheld GPS Receiver:	Garmin GPSmap 64
QA/QC and Processing:	Geosoft Oasis montaj

GSM-19W magnetometer specifications:

Sensitivity:	0.022 nT @ 1 Hz, (0.015 nT option)
Resolution:	0.01 nT
Absolute Accuracy:	+/- 0.1 nT
Dynamic Range:	20,000 to 120,000 nT
Gradient Tolerance:	Over 10,000 nT/m
Sampling Intervals:	60+, 5, 3, 2, 1, 0.5, 0.2 sec

Metal cultural features (cabins, metal drums, pipelines, power lines, etc.) were rarely observed in the field during the survey. A power line near traverse lines in the southern part of the block had no effect on geophysical results.

During the survey, small lakes / ponds, streams and marshy areas within the grid area were avoided and as a result, traverse lines were adjusted accordingly. The majority of traverse lines did not significantly deviate from the proposed lines, except where topography or private properties were a factor.

#### *Data Processing and QA/QC*

The quality of the data collected by both the base and walking magnetometers were assessed for excessive noise based on the recorded signal quality, the 4<sup>th</sup> difference noise levels, and the presence of high-frequency and high-amplitude signals in the magnetic intensity survey readings. The base magnetometer data was additionally reviewed for excessive space weather noise (due to solar events such as mass coronal ejections, etc.). The data collected by the base magnetometer was found to be sufficient for all diurnal corrections. The quality of the station coordinates recorded by the walking magnetometer was assessed for low confidence (less than 4 satellites visible to the GPS antenna) and unlikely positions (jumps in position that were not humanly possible). Poor quality data was then either removed from the database or filtered to assign more realistic station locations.

Diurnal corrections were performed by subtracting the magnetic field intensity readings recorded by the base magnetometer from the coincident magnetic field intensity readings recorded by the walking magnetometer – linear interpolation of the base magnetometer data was carried out to match the cycling rate of the walking magnetometer.

The survey was completed over multiple days, therefore an overlap line of more than 100 metres was traversed at the start and end of each day to facilitate levelling of the survey data to a common datum. To perform the levelling, the average magnetic intensity was calculated from each traverse of the overlap line, and then this value was subtracted from each corresponding dataset.

The diurnally corrected and leveled survey data was then merged into a single database; corrected and leveled data is labelled residual magnetic intensity (RMI). A simple moving window mean filter was also applied to the dataset to help smooth out high frequency noise; ideal window size was subjectively determined to be 5 to 7 readings.

Data was processed and gridded using Geosoft Oasis Montaj. The grids were created using the minimum curvature method, also called RANGRID, with 15 m cell size. GeoTIFF images of the grids was exported from Geosoft and imported into ArcGIS 10.3 to generate the geophysical survey figures for this Report.

#### *Survey Results*

Residual magnetic intensity (RMI; Figure 17) and RMI first vertical derivative (1VD; Figure 18) data show laterally persistent linear highs and corresponding lows paralleling the structural trend at the Property. The high anomalies may represent stronger magnetic phases within the diabase complex; the magnetic lows are interpreted as structural jointing and/or localized offsets (faults).

The magnetic survey results provide a significant improvement in resolution versus the existing airborne magnetic data, defining local structural features and magnetic anomalies that may have exploration potential. Two primary anomalies of interest were identified west of Bass Lake:

- 1) A strong, arcuate, NNW-trending magnetic high anomaly at the center of the Nipissing diabase. The anomaly is most pronounced near the lower contact of the Nipissing diabase to the southeast and covers the historical Hector Silver Mine shaft (Hector Anomaly) and Gillies East.
- 2) A smaller NNW-trending anomaly to the west, proximal to the top of the sill and covering the northern part of the Gillies West anomaly.

Both anomalies are coincident with cobalt in soil anomalies from the 2017 and 2018 geochemical surveys and/or historical workings or mineral occurrences (Figure 19).

Figure 17. 2018 Ground Magnetic Survey Residual Magnetic Intensity (RMI)

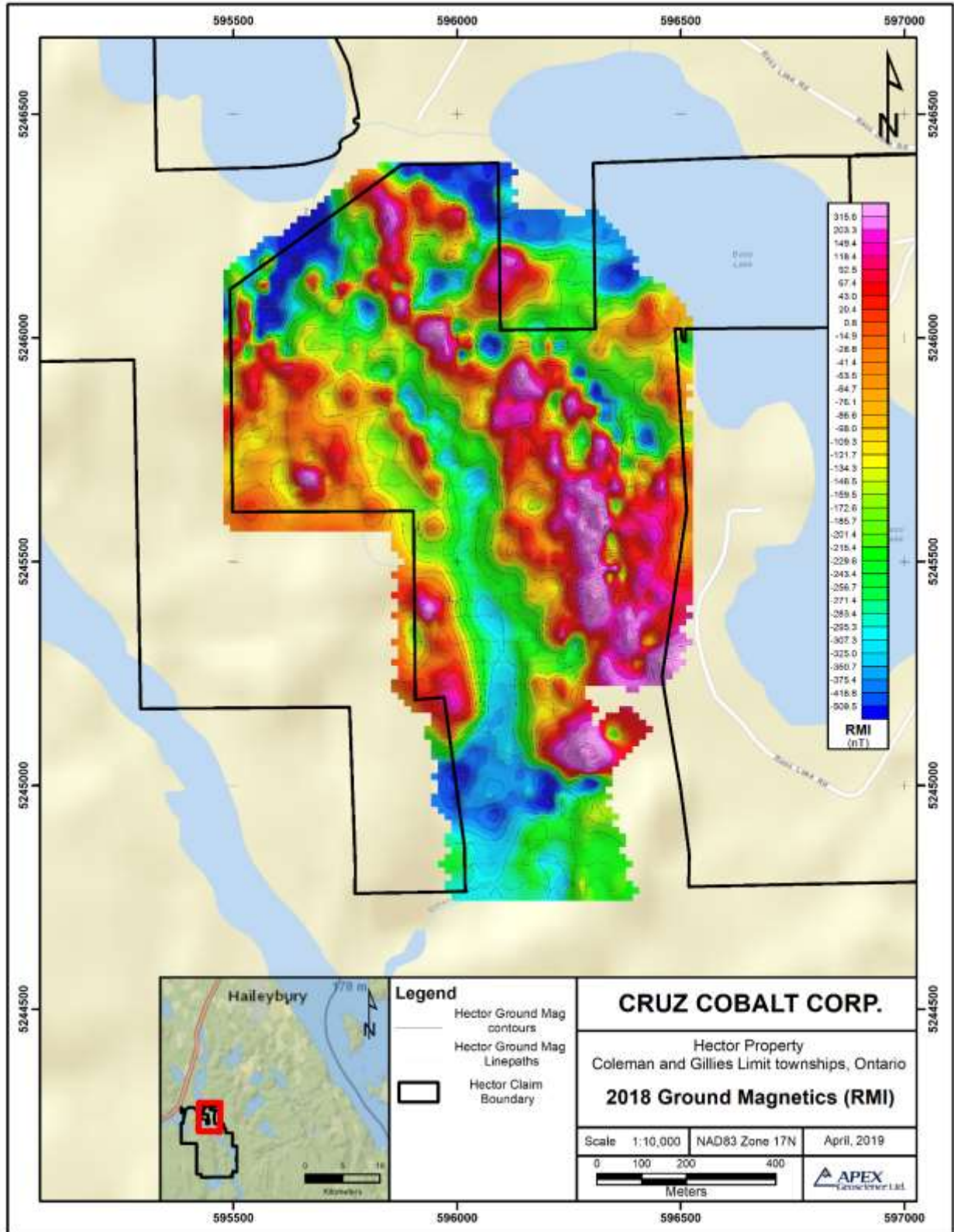


Figure 18. 2018 Ground Magnetic Survey Residual Magnetic Intensity First Vertical Derivative (RMI 1VD)

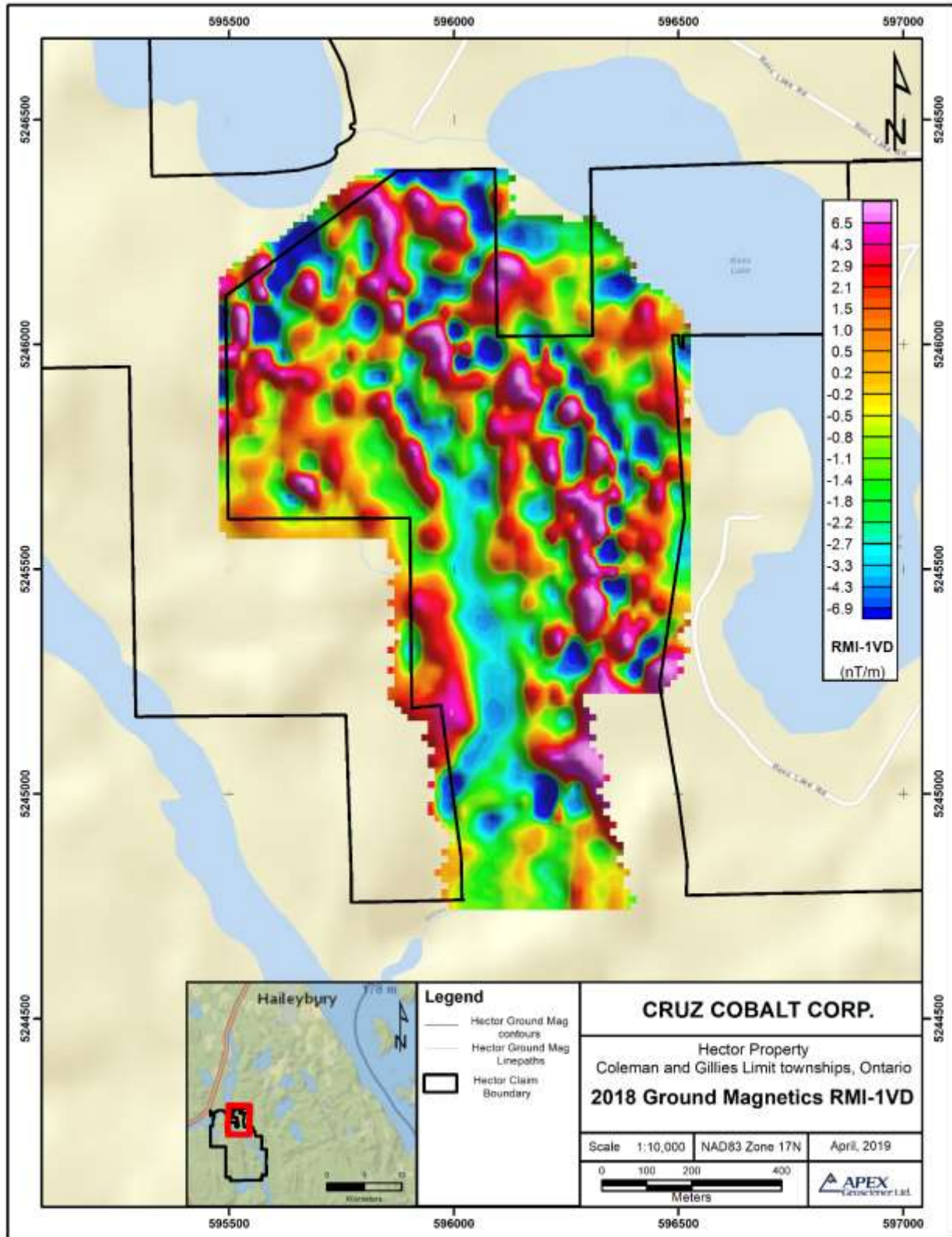
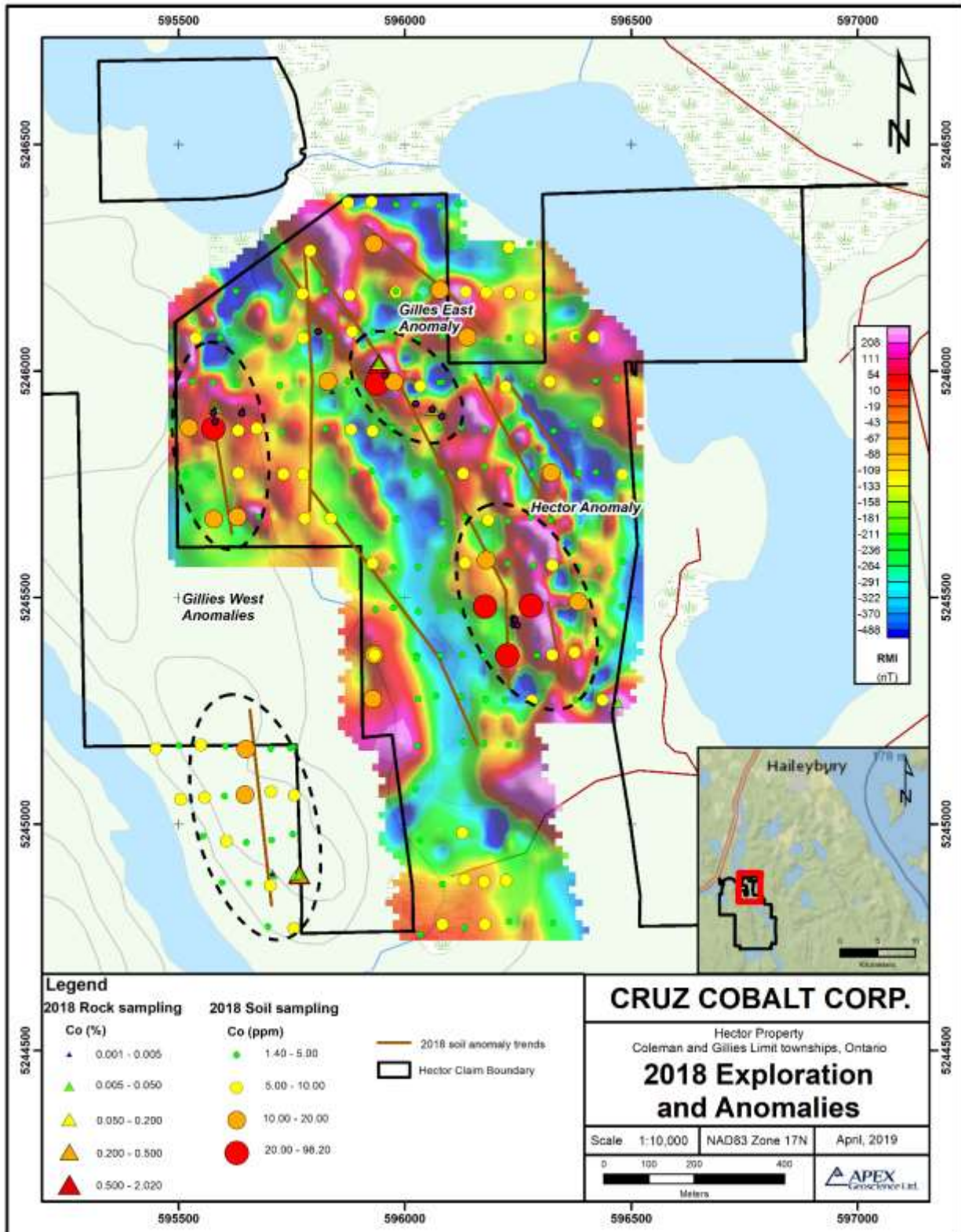


Figure 19. 2018 Geochemical Anomalies with Ground Magnetic Survey RMI



## Drilling

In 2018, Cruz Cobalt completed a diamond drilling program at the Hector Property comprising ten NQ diameter diamond drill holes, totalling 843 m. (Table 10; Figure 20). The drilling program tested historical cobalt results, in addition to 2017 and 2018 surface geochemical anomalies and ground magnetic anomalies at the Hector and Gillies East targets. Four drill holes totalling 395 m tested the Hector anomaly, 3 holes totalling 264 m tested the Gillies East 1 anomaly, and 3 holes totalling 185 m targeted the Gillies East 2 anomaly.

**Table 10. 2018 Diamond Drill Hole Details**

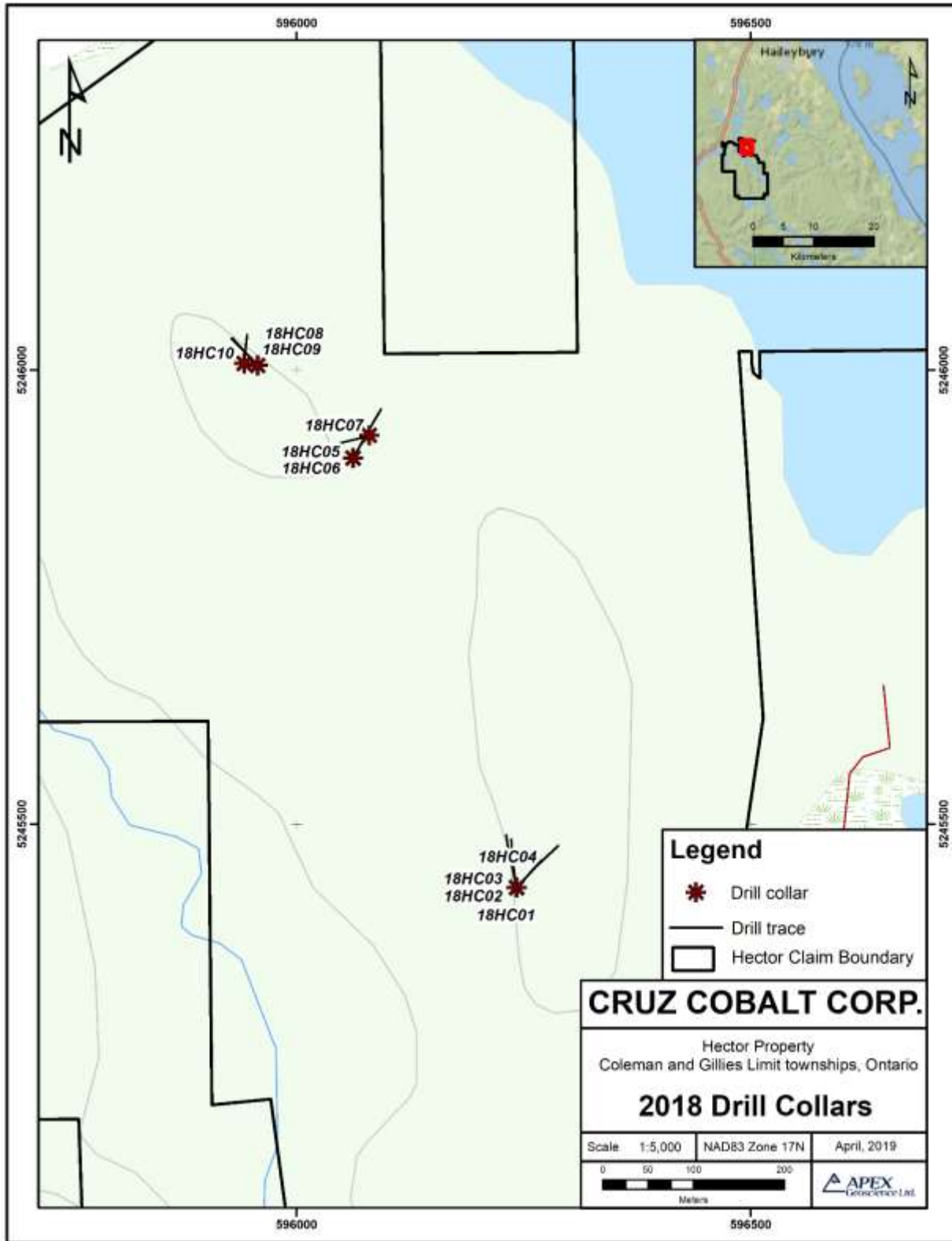
Hole ID	Easting	Northing	Elevation (m)	Azimuth	Dip	Depth (m)
18HC01	596242	5245430	294	350	-45	85.7
18HC02	596242	5245430	294	350	-60	105
18HC03	596242	5245430	294	40	-50	105
18HC04	596242	5245430	294	40	-65	99
18HC05	596062	5245903	303	30	-45	91.5
18HC06	596062	5245903	303	30	-60	98.5
18HC07	596080	5245928	294	255	-45	74
18HC08	595957	5246005	295	315	-45	59
18HC09	595957	5246005	295	315	-60	80
18HC10	595942	5246007	295	5	-45	45.5
					<b>Total:</b>	<b>843.2</b>

The drilling program was executed by APEX personnel and Vital Drilling Services of Sudbury, Ontario. Drill core logging and sampling was completed by APEX geological staff. For each drill hole, geological observations were recorded comprising lithology, mineralization, alteration, veining and structural measurements. Geotechnical data were recorded comprising core recovery, rock quality designation (RQD) and magnetic susceptibility. The drilling program was completed between October 29<sup>th</sup> and December 19<sup>th</sup>, 2018.

### *Hector Anomaly Results*

Drill holes 18HC01 through 18HC04 targeted historical trenches and cobalt in rock and soil geochemical anomalies. All holes drilled through variable phases of the Nipissing diabase without reaching the lower contact with the Archean rocks. The holes intersected moderate to strong alteration and near surface anomalous cobalt (Co) and copper (Cu) values beneath the vertical projection of the historical trench. Mineralization was present as disseminated to clotty pyrite-chalcopyrite and is associated with moderate to intense chlorite-silica and potassic alteration of diabase host-rocks and narrow carbonate-quartz-potassium feldspar vein zones.

Figure 20. 2018 Diamond Drill Hole Locations





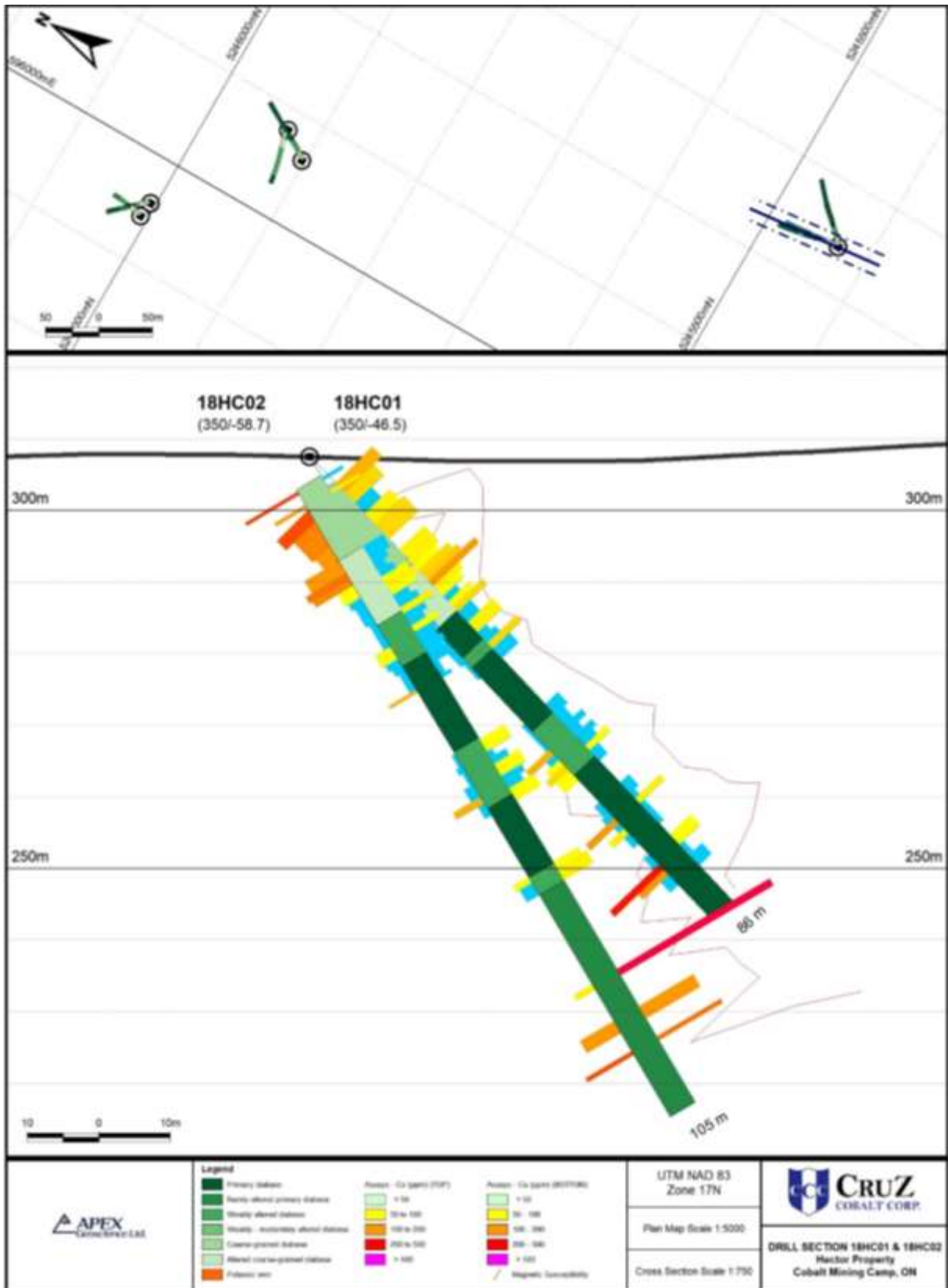
Drill hole 18HC01 returned 66 ppm Co and 132 ppm Cu over 10.88 m core length from a depth of 5.12 m. Drill holes 18HC02, 18HC03, and 18HC04 intersected a second zone of mineralization from 80 to 95 m depth. Drill hole 18HC02 returned 310 ppm Co over 1 m core length starting at a depth of 83.45 m down hole. Hole 18HC03 returned 300 ppm Cu and 90 ppm Co over 2.1 m core length starting at 93.4 m down hole, and 410 ppm Cu and 80 ppm Co over 1 m core length starting at 92 m down hole. Significant drill hole intercepts are presented in Table 11. Cross sections for the Hector Anomaly holes are presented in Figures 21 and 22.

**Table 11. 2018 Diamond Drill Hole Significant Intercepts**

Target	Drill Hole	From (m)	To (m)	Interval (m)*	Co (ppm)	Cu (ppm)	Au (ppb)	Ag (ppm)
Hector	18HC01	5.12	16	10.88	66	132	-	-
	<i>and</i>	24	25	1	110	-	-	-
	18HC02	83.45	84.45	1	310	60	-	-
	<i>and</i>	89.45	91.45	2	110	110	-	-
	<i>and</i>	94.33	95.02	0.69	130	150	-	-
	18HC03	11.8	17	5.2	-	127	-	-
	<i>and</i>	89.1	89.6	0.5	130	240	-	-
	<i>and</i>	93.4	95.5	2.1	90	300	-	-
Gillies East 1	18HC04	92	93	1	80	410	-	-
	18HC05	12	14	2	70.00	50.00	-	-
	<i>and</i>	30.8	31.3	0.5	40.00	230.00	-	-
	18HC06	10.5	15.5	5	42	162	-	-
	<i>and</i>	50	51	1	50	650	-	-
	<i>and</i>	32	33	1	40.00	110.00	-	-
Gillies East 2	18HC07	4.0	4.5	0.5	30.00	110.00	-	-
	<i>and</i>	8	9	1	-	-	37	1.3
	<i>and</i>	18	21	3	97	57	-	-
	18HC09	18	23	5	-	472	-	-
	<i>including</i>	18	19	1	-	1420	-	-
	<i>and</i>	74.15	74.65	0.5	120	-	21	-
	18HC10	15	16	1	110	-	33	-
<i>and</i>	18	21	3	-	283	-	-	
<i>including</i>	19	20	1	-	560	-	-	

\*The true width of mineralization is estimated to be 70-80% of the drilled interval.

Figure 21. Drill Cross Section 18HC01 and 18HC02





### *Gillies East 1 Anomaly Results*

The Gillies East 1 target is a northwest trending, sub-vertical vein zone intermittently exposed on the surface over a 100 m strike length. It is associated with anomalous cobalt in rock and soil values. Hole 18HC06 drilled across the projected strike of the vein at a -60° dip. The drill hole intersected a broad zone of anomalous copper returning 162 ppm Cu and 42 ppm Co over 5 m core length starting at a depth of 10.5 m down hole. The zone is associated with moderate chlorite-potassic alteration and disseminated pyrite-chalcopyrite mineralization. A deeper, narrow zone of pyrite-chalcopyrite vein mineralization, coincident with the vertical projection of surface mineralization, returned 650 ppm Cu over 1 m core length starting at a depth of 50 m down hole. Drill hole 18HC05 returned 230 ppm Cu over 0.5 m starting at 30.8 m down hole. A cross section for the Gillies East 1 Anomaly holes is presented in Figure 23.

### *Gillies East 2 Anomaly Results*

The Gillies East 2 target is centred over an area of historic prospect pits and shallow vertical shafts. The previous exploration was driven by a series of narrow, northwest trending fracture-controlled pyrite-chalcopyrite-erythrite (hydrous cobalt-arsenite) mineralized potassic altered quartz veins that returned cobalt values of 2.02% and 0.61% in float and rock outcrop. Mineralization intersected in 18HC08, 18HC09 and 18HC10 is coincident with the vertical projection of the vein system and is strongly associated with moderate to intense alteration haloes surrounding carbonate-potassium feldspar-silica ( $\pm$ chlorite) veins, and clotty pyrite-chalcopyrite.

Hole 18HC08 drilled oblique across the area of the historic trenches at a -45° dip. The hole returned 97 ppm Co over 3 m core length starting at a depth of 18 m down hole, coincident with the vertical projection of surface mineralization. Hole 18HC09 drilled at a -60° dip intersected a broader zone of copper mineralization, returning 472 ppm Cu over 5 m core starting at a depth of 18 m down hole, including 0.14% Cu over 1 m. Hole 18HC10 drilled to the north at a -45° dip, and intersected the same zone returning 283 ppm Cu over 3.0 m; including 560 ppm Cu over 1 m core length starting at a depth of 18.00 m down hole. A cross section for the Gillies East 2 Anomaly holes is presented in Figure 24.

Figure 23. Drill Cross Section 18HC05, 18HC06 and 18HC07

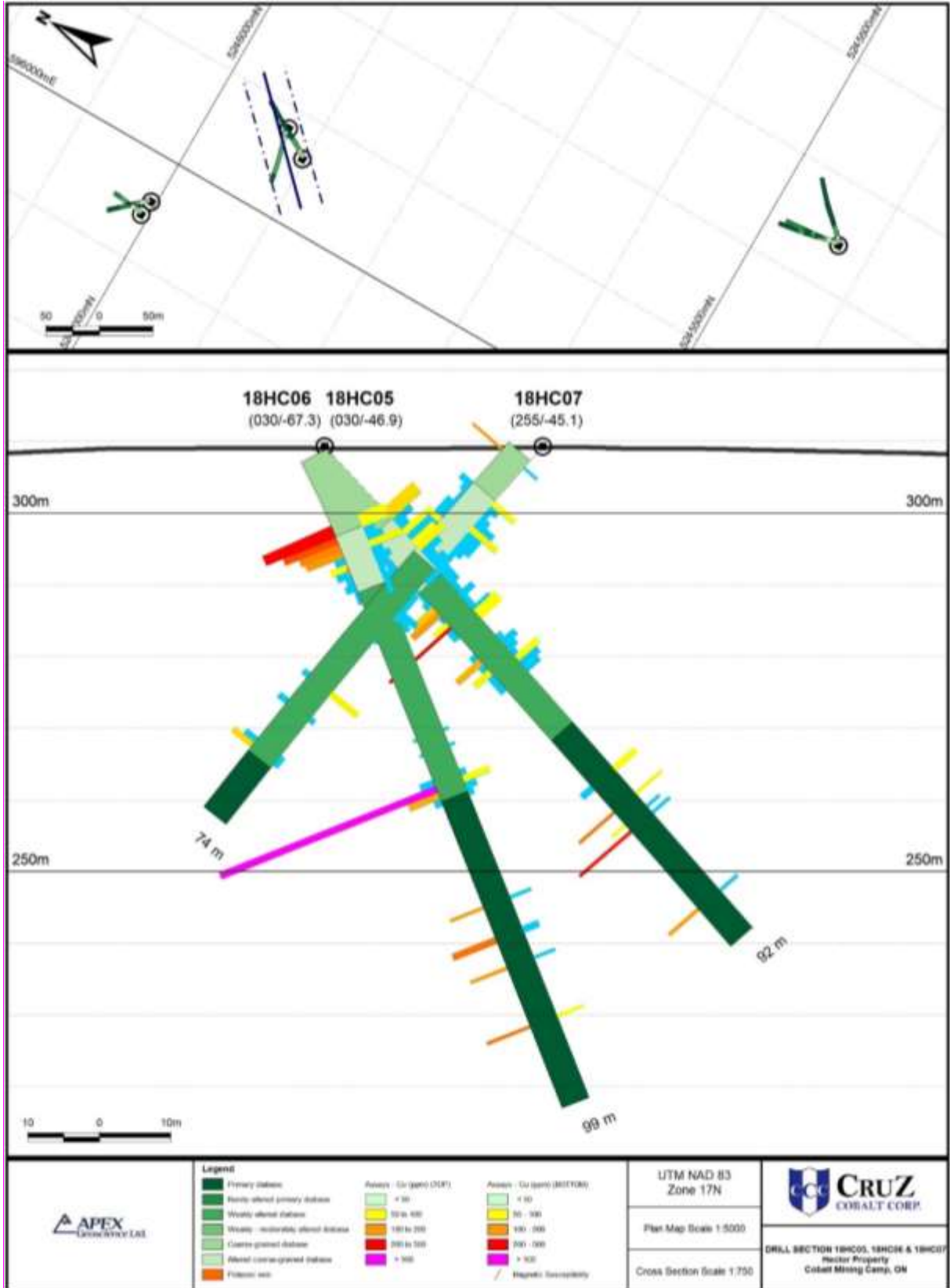
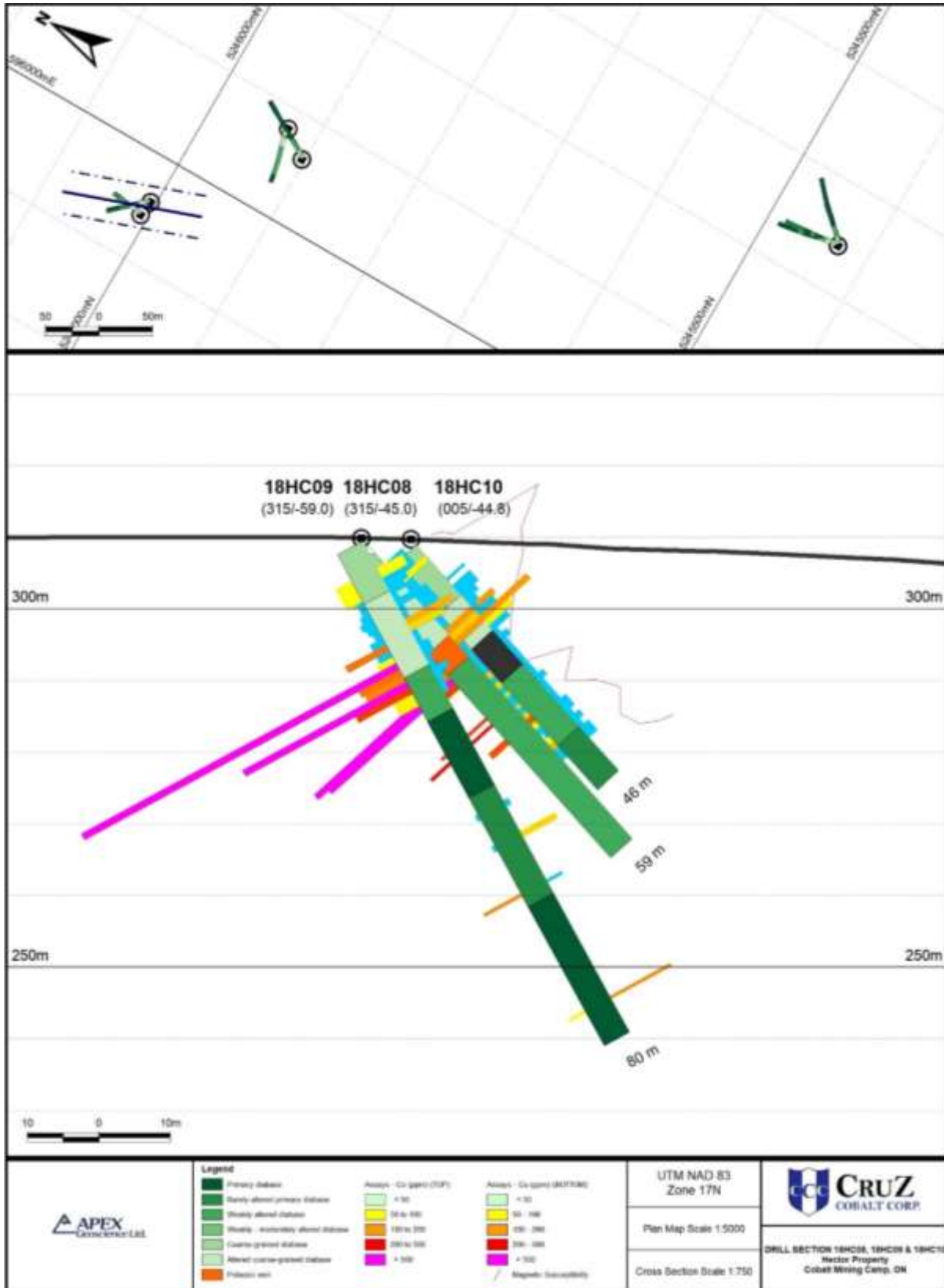


Figure 24. Drill Cross Section 18HC08, 18HC09 and 18HC10



## **SAMPLE PREPARATION, ANALYSES AND SECURITY**

### **2017 Soil Samples**

#### *Sample Collection and Shipping*

A total of 428 soil samples were collected by Jean Marc Gaudreau at the Hector Property in 2017, primarily targeting the B horizon. A shovel or auger was used to dig a small hole to reach the B horizon. Depending on ground conditions and vegetation, the hole depth ranged from a few centimetres (cm) up to 61 cm, but was typically 10 to 12 cm. Samples weighing approximately 50 to 100 grams (g) were placed in labelled sample bags and sealed. Sample locations were recorded with a handheld GPS device and written in a notebook along with the matching sample number and a description of the sample, and later transcribed to an Excel spreadsheet. Handheld GPS devices are accurate to  $\pm 5$  m.

From the field, samples were transported to AGAT laboratories in Mississauga, Ontario for analysis. The authors of this Report consider the measures employed in the chain of custody of the samples to be sufficient for this stage of exploration.

#### *Sample Preparation and Analysis*

Once received by AGAT, the soil samples were dried and screened to -180 microns (80 mesh). The prepared samples were analyzed by AGAT method number 201-071 (Metals Package by 4 Acid Digest, ICP/ICP-MS Finish). A prepared sample is digested with hydrochloric, perchloric, nitric and hydrofluoric acids. The final solution is then analyzed by inductively coupled plasma mass spectrometry (ICP-MS).

#### *Quality Assurance and Quality Control*

For the 2017 soil sampling program, Cruz Cobalt relied on the internal quality assurance and quality control (QA/QC) measures employed by AGAT laboratories. QA/QC measures at AGAT include routine screen tests to verify crushing and pulverizing efficiency, sample preparation duplicates, and analytical quality controls (blanks, standards, and duplicates). AGAT Mississauga is certified with ISO/IEC 17025:2005 and ISO 9001:2008 accreditation from the Standards Council of Canada.

It is the authors' opinion that the sample collection, preparation, security, analytical and QA/QC measures used during the 2017 soil sampling program were adequate for this stage of exploration at the Hector Property.

### **2018 Soil Samples**

#### *Sample Collection and Shipping*

A total of 203 soil samples were collected by APEX personnel at the Hector Property in 2018, primarily targeting the Ah horizon (humus). A shovel was used to clear the sample area of surface material and dig a small hole to reach the Ah horizon. Depending on ground conditions and vegetation, the hole depth ranged from a few centimetres (cm) up to 30 cm, but was typically 4 to 6 cm. Samples weighing approximately 50 to 100 grams (g) were placed in labelled sample bags along with a sample tag inscribed with the unique sample number, and sealed. Sample locations were recorded with a handheld GPS device and on a tablet device along with the matching sample number, the date, the sampler's name and a description of the sample. Additional details, such as site disturbance, ground cover, vegetation and landform were also recorded on the tablet device. All data recorded on the tablet was later copied into an Excel spreadsheet. Handheld GPS and tablet devices are accurate to  $\pm 5$  m and  $\pm 7$  m respectively.

Soil samples were placed into woven poly (rice) bags for shipment to the analyzing laboratory. Cable ties were used to securely close the rice bags. Samples were transported by APEX personnel to the ALS geochemistry

laboratory in Sudbury, Ontario for preparation. From there, the samples were transported within the ALS network to the ALS geochemistry laboratory in North Vancouver, British Columbia for analysis.

#### *Sample Preparation and Analysis*

Once received by ALS, the soil samples were logged in to the ALS computerized tracking system, assigned bar code labels and weighed. The samples were then dried at 60°C and weighed again. Each sample was screened to -180 micron (80 mesh). The plus fraction was retained for storage and the minus fraction was split to obtain a 0.5 gram sample for analysis. All rejects were retained for storage.

The prepared samples were analyzed by ALS Geochemistry Method ME-MS41 (Ultra Trace Analysis by Aqua Regia Digestion and ICP-MS). A prepared sample (nominal 0.5 g) is digested with 75% aqua regia (3:1 ratio of HCl:HNO<sub>3</sub>) in a graphite heating block. The solution is then analyzed by inductively coupled plasma mass spectrometry (ICP-MS) with results corrected for spectral inter-element interferences.

#### *Quality Assurance and Quality Control*

Quality assurance and quality control (QA/QC) measures at ALS include routine screen tests to verify crushing and pulverizing efficiency, sample preparation duplicates (every 50 samples), and analytical quality controls (blanks, standards, and duplicates). Quality control samples are inserted with each analytical run, with the minimum number of QC samples dependant on the rack size specific to the chosen analytical method. Results for quality control samples that fall beyond the established limits are automatically red-flagged for serious failures and yellow-flagged for borderline results. Every batch of samples is subject to a dual approval and review process, both by the individual analyst and the Department Manager, before final approval and certification. ALS Sudbury is certified with ISO/IEC 17025:2017 and ISO 9001:2015 accreditation from the Standards Council of Canada.

The QA/QC measures employed by APEX in the field during the 2018 soil sampling program comprised inserting field duplicate samples at a rate of approximately 1 duplicate per 20 samples. Duplicate sample were collected to assess the repeatability of individual analytical values. A total of 11 duplicate samples were collected and analyzed. No significant QA/QC issues were detected during review of the soil sampling data.

It is the authors' opinion that the sample collection, preparation, security, analytical and QA/QC measures used during the 2018 soil sampling program were adequate for this stage of exploration at the Hector Property.

### **2018 Rock Samples**

#### *Sample Collection and Shipping*

A total of 43 rock samples were collected by APEX personnel at the Hector Property in 2018. One representative rock sample, weighing no more than 2.5 kg, was collected from each sample site. Samples were placed in labelled sample bags along with a sample tag inscribed with the unique sample number and sealed. Sample locations were recorded with a handheld GPS device and written on a sample card bearing the matching sample number, the date and the sampler's name. Rock samples were described in terms of lithology, mineralization, alteration, mineralogy, grain size and texture. These observations were recorded on the sample card and later transcribed to an Excel spreadsheet. Handheld GPS devices are accurate to  $\pm 5$  m.

Rock samples were placed into woven poly (rice) bags for shipment to the analyzing laboratory. Cable ties were used to securely close the rice bags. Samples were transported by APEX personnel to the ALS geochemistry laboratory in Sudbury, Ontario for preparation. From there, the samples were transported within the ALS network to the ALS geochemistry laboratory in North Vancouver, British Columbia for analysis.

The authors did not have control over the rock samples at all times during transport, and therefore cannot personally verify what happened to the samples from shipping up to the time they were received by ALS. However,



the authors have no reason to believe that the security of the samples was compromised in any way during transport or once they entered the ALS chain of custody.

#### *Sample Preparation and Analysis*

Once received by ALS, the rock samples were logged in to the ALS computerized tracking system, assigned bar code labels and weighed. The samples were then dried and crushed to pass a U.S. Standard No. 10 mesh, or 2 mm screen (70% minimum pass). A 500 g split is taken and pulverized to pass a U.S. Standard No. 200 mesh, or 75 micron screen (85% minimum pass). All rejects were retained for storage.

The prepared samples were analyzed by ALS Geochemistry Methods ME-ICP81 (Cobalt, Copper and Nickel by Sodium Peroxide Fusion and ICP-AES), PGM-ICP23 (Platinum, Palladium and Gold by Fire Assay and ICP-AES, and Ag-AA45 (Silver by Aqua Regia Digestion and AAS). For ME-ICP81, a prepared sample (nominal 0.2 g) is subject to sodium peroxide fusion and analysis by inductively coupled plasma atomic emission spectroscopy (ICP-AES). For PGM-ICP23, a prepared sample (nominal 30 g) is subject to standard lead oxide collection fire assay and analysis by ICP-AES. For Ag-AA45, a prepared sample (nominal 0.5 g) is digested with 75% aqua regia (3:1 ratio of HCl:HNO<sub>3</sub>) in a graphite heating block. The solution is then analyzed atomic absorption spectroscopy.

#### *Quality Assurance and Quality Control*

For the 2018 rock sampling program, Cruz Cobalt and APEX relied on the internal quality assurance and quality control (QA/QC) measures employed by AGAT laboratories. Quality assurance and quality control (QA/QC) measures at ALS include routine screen tests to verify crushing and pulverizing efficiency, sample preparation duplicates (every 50 samples), and analytical quality controls (blanks, standards, and duplicates). Quality control samples are inserted with each analytical run, with the minimum number of QC samples dependant on the rack size specific to the chosen analytical method. Results for quality control samples that fall beyond the established limits are automatically red-flagged for serious failures and yellow-flagged for borderline results. Every batch of samples is subject to a dual approval and review process, both by the individual analyst and the Department Manager, before final approval and certification. ALS Sudbury is certified with ISO/IEC 17025:2017 and ISO 9001:2015 accreditation from the Standards Council of Canada.

It is the authors' opinion that the sample collection, preparation, security, analytical and QA/QC measures used during the 2018 soil sampling program were adequate for this stage of exploration at the Hector Property.

### **2018 Diamond Drilling**

#### *Sample Collection and Shipping*

Ten NQ diameter diamond drill holes, totalling 843 m, were completed during the 2018 program. Once extracted, drill core was placed in wooden core boxes, sealed with wooden lids and transported to a core logging tent. For each drill hole, geological observations were recorded comprising lithology, mineralization, alteration, veining and structural measurements. Geotechnical data were recorded comprising core recovery, rock quality designation (RQD) and magnetic susceptibility. Down-hole survey directional data was collected using a Reflex EZ-Shot instrument.

A total of 292 drill core intervals were selected and sent for analysis, totalling 320.57 metres of core length. Sample lengths ranged from 0.5 m to 2.0 m, depending on the intensity of visual mineralization and alteration. The average sample length was 1.0 m. The sample intervals were marked out and tagged by APEX geologists, and the core was then photographed. Samples were sawed in half longitudinally using a core saw. For each sample, one half core was sent for analysis and the other was left in the box. Duplicate samples were cut into quarters, where one quarter of the core was used as the "original" sample and the other quarter was used as the "duplicate" sample. The remaining half core was left in the box.

Drill core samples were placed into labelled plastic sample bags along with a sample tag inscribed with the unique sample number. The samples were placed into woven poly (rice) bags for shipment to the analyzing laboratory. Cable ties were used to securely close the rice bags. Samples were transported by APEX personnel to the ALS geochemistry laboratory in Sudbury, Ontario for preparation. From there, the samples were transported within the ALS network to the ALS geochemistry laboratory in North Vancouver, British Columbia for analysis.

#### *Sample Preparation and Analysis*

Once received by ALS, the drill core samples were logged in to the ALS computerized tracking system, assigned bar code labels and weighed. The samples were then dried and crushed to pass a U.S. Standard No. 10 mesh, or 2 mm screen (70% minimum pass). A 500 g split is taken and pulverized to pass a U.S. Standard No. 200 mesh, or 75 micron screen (85% minimum pass). All rejects were retained for storage.

The prepared samples were analyzed by ALS Geochemistry Methods ME-ICP81 (Cobalt, Copper and Nickel by Sodium Peroxide Fusion and ICP-AES), PGM-ICP23 (Platinum, Palladium and Gold by Fire Assay and ICP-AES, and Ag-AA45 (Silver by Aqua Regia Digestion and AAS). For ME-ICP81, a prepared sample (nominal 0.2 g) is subject to sodium peroxide fusion and analysis by inductively coupled plasma atomic emission spectroscopy (ICP-AES). For PGM-ICP23, a prepared sample (nominal 30 g) is subject to standard lead oxide collection fire assay and analysis by ICP-AES. For Ag-AA45, a prepared sample (nominal 0.5 g) is digested with 75% aqua regia (3:1 ratio of HCl:HNO<sub>3</sub>) in a graphite heating block. The solution is then analyzed atomic absorption spectroscopy.

#### *Quality Assurance and Quality Control*

Quality assurance and quality control (QA/QC) measures at ALS include routine screen tests to verify crushing and pulverizing efficiency, sample preparation duplicates (every 50 samples), and analytical quality controls (blanks, standards, and duplicates). Quality control samples are inserted with each analytical run, with the minimum number of QC samples dependant on the rack size specific to the chosen analytical method. Results for quality control samples that fall beyond the established limits are automatically red-flagged for serious failures and yellow-flagged for borderline results. Every batch of samples is subject to a dual approval and review process, both by the individual analyst and the Department Manager, before final approval and certification. ALS Sudbury is certified with ISO/IEC 17025:2017 and ISO 9001:2015 accreditation from the Standards Council of Canada.

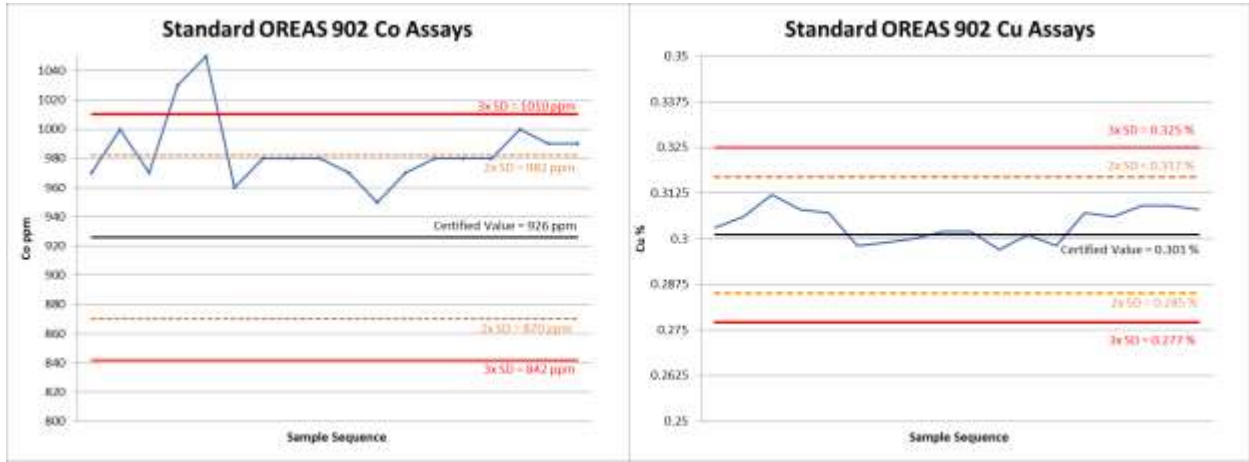
The QA/QC measures employed in the field by APEX during the 2018 diamond drilling programs comprised inserting analytical standards, blanks and duplicate samples into the sample stream, each at an approximate rate of 1 QA/QC sample per 20 samples. Standards and blanks are compared to expected values to ensure the lab results fall within the acceptable margin of error. Similarly, duplicate sample results are compared to originals to test the repeatability of lab results.

In the author's opinion, the QA/QC procedures are reasonable for this type of deposit and the current level of exploration. Based on the results of the QA/QC sampling summarized below, the analytical data is considered to be accurate; the analytical sampling is considered to be representative of the drill sample, and the analytical data to be free from contamination.

#### **Standards**

Analytical standards were inserted into the sample stream to verify the accuracy of the laboratory analysis. OREAS 902 Certified Reference Materials (CRMs) were selected for the diamond drilling program. QA/QC summary charts for cobalt and copper are presented in Figure 25. The charts indicate the measured values for each standard in addition to the certified value, and the second and third "between laboratory" standard deviation for cobalt (Co) and copper (Cu).

Figure 25. QA/QC Analytical Standards (Co and Cu)



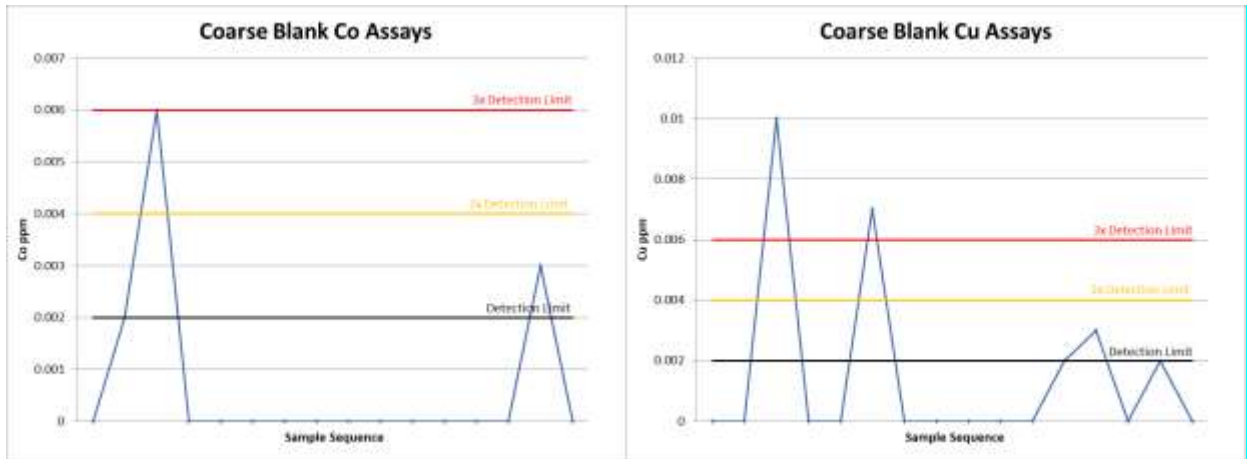
Standards are assigned a “pass” or “reviewable” status. A “reviewable” standard is defined as any standard occurring anywhere in the sample sequence returning a value greater than three standard deviations (>3SD) above or below the accepted value. QA/QC samples falling outside the established limits are flagged and subject to review and possible re-analysis, along with the 10 preceding and succeeding samples.

A total of 18 standards were inserted into the sample stream of 292 drill core samples. Two samples were considered reviewable for returning values >3SD above the certified value for Co.

**Blanks**

Barren coarse material was used for coarse “blank” samples to monitor potential contamination during the sample preparation procedure. Analytical Solutions Ltd. (ASL) coarse silica blanks were used, sourced from Carboniferous sedimentary rocks of the Maritimes Basin in New Brunswick. QA/QC summary charts for the blanks are presented in Figure 26. The charts indicate the measured values for each blank in addition to the analytical method detection limit, 2x the detection, and 3x the detection limit for cobalt (Co) and copper (Cu). A blank is considered “reviewable” if it returns a value greater than 3x the detection limit of the analytical method.

Figure 26. QA/QC Blank Samples (Co and Cu)

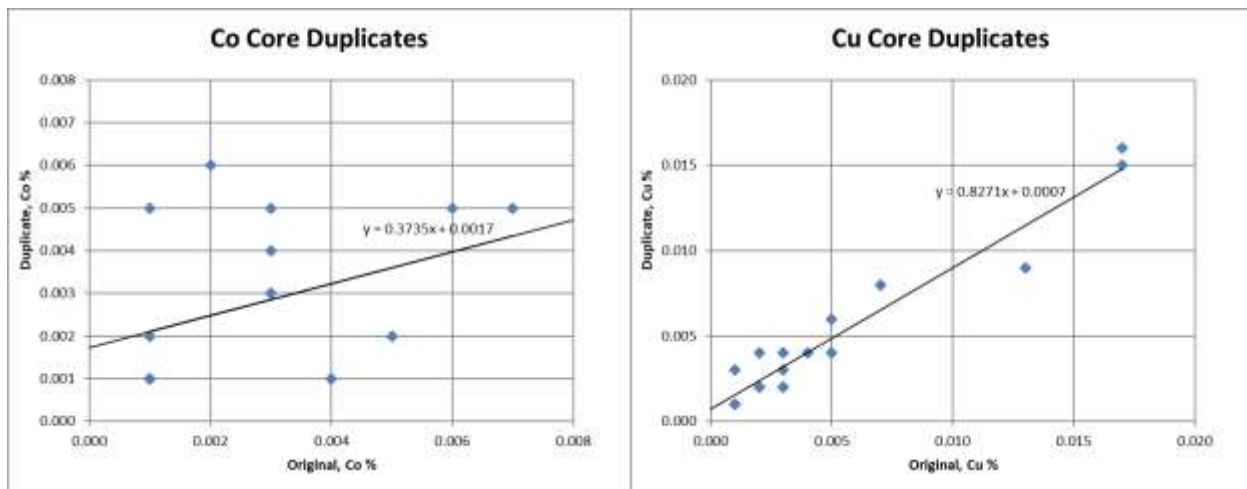


A total of 16 blanks were inserted into the sample stream of 292 drill core samples. Two samples were initially considered reviewable for returning values greater than 3x the detection limit for Cu. Upon review, the results were deemed to be acceptable. All other blanks were assigned a “pass” status according to the criteria outlined above.

**Duplicates**

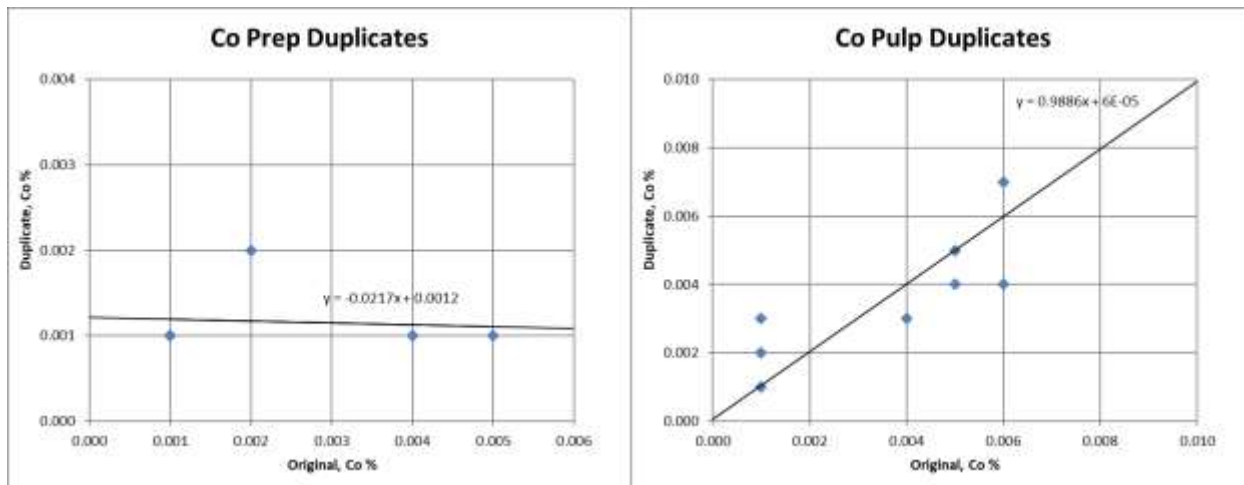
Duplicate (quartered drill core) samples were collected to assess the repeatability of individual analytical values. A total of 17 duplicate samples were collected and analyzed. Figure 27 shows the original versus duplicate core duplicate values for cobalt (Co) and copper (Cu). The results indicate a good overall repeatability of the copper values. This is interpreted to indicate a low “nugget” effect with respect to copper analysis. Excluding primary geological heterogeneity (quarter-core), the data show a homogenous distribution of copper values within the Hector drill core. There is a higher variability of the cobalt values, which is amplified by the generally low values returned for duplicate analysis.

**Figure 27. QA/QC Quartered Core Duplicate Samples (Co and Cu)**



As part of their internal QA/QC program, ALS completed routine re-analysis of prep (coarse reject) and pulp duplicates to monitor precision. Only the prep and pulp duplicates for the 2018 soil sampling program are available. ALS analyzed a total of 6 prep duplicates and 9 pulp duplicates for cobalt, for a total of 15 prep/pulp duplicates analyzed. Figure 28 shows the original versus duplicate prep and pulp values for cobalt (Co).

Figure 28. QA/QC Prep and Pulp Duplicate Samples (Co and Cu)



#### DATA VERIFICATION

A site visit to the Property was completed by Mr. Raffle during October 2018. During the site visit Mr. Raffle completed traverses within the Hector Property, and visited historically documented silver-cobalt mineral occurrences throughout the Bass Lake area, collected surface rock grab samples designed to confirm the historically reported mineralization, completed ground checks of significant 2018 cobalt in soil geochemical anomalies, and reviewed and observed the proposed diamond drill sites.

Based on the results of the traverse, the author has no reason to doubt the reported exploration results. Slight variation in assays is expected however the analytical data are considered to be representative. The level of data verification adequately reflects the early stage exploration status of the Hector Property.

#### MINERAL PROCESSING AND METALLURGICAL TESTING

No metallurgical testing analysis has been carried out on the Property as of the Effective Date.

#### MINERAL RESOURCE ESTIMATES

No mineral resource estimates are available for the Property as of the Effective Date.

#### ADJACENT PROPERTIES

Cruz Cobalt holds 100% interest in 387 additional claims, located north of the Hector Property within a distance of 10 km. The claims are located in the Bucke, Coleman, Firstbrook, Gillies Limit, and Lorrain townships. Cruz Cobalt has focused its early exploration activities on the Hector Property since 2017 and as such, these additional claims do not currently represent a Property of material interest to Cruz Cobalt, in accordance to the guidelines set out by the NI 43-101 guidelines.

The Author has been unable to verify the following information and the information is not necessarily indicative to the mineralization on the Hector Property that is the subject of the Technical Report.

## **First Cobalt Corp.**

First Cobalt Corp. (“First Cobalt”) assembled a property package to facilitate an exploration program in 2018 across approximately 10,000 ha. The property package is divided into three exploration properties: the Cobalt North, Cobalt Central and Cobalt South Properties. First Cobalt carried out a drilling program on its properties in 2017, completing 61 diamond drill holes, totaling 6,361m (Faure et al., 2017).

### *Cobalt North Property*

The Cobalt North Property is located 2 km to the east of the Hector Property, made up of 49 mining claims and 8 leases held by First Cobalt. Past producing mines are present in the Cobalt North area, the Silverfields, Ophir, Kerr Lake, and Lawson mines. The Silverfields mine was owned by Teck Resources Ltd., at was shutdown in 1983. Guindon et al. (2016) reported total production from 1964 to 1983 at 1,200,035 tonnes with 17,793,862 ounces of Ag, 357,501 pounds of Co, 493,255 pounds of Ni, and 238,893 pounds of Cu. Full details of the Ophir Mine are unknown. Guindon et al (2016) reported Ophir Mine production of 69 ounces of Ag in 1921. The Kerr Lake deposit was discovered in 1904 and production from the Kerr Lake Mine commenced in 1905. The mine operated intermittently until closure in 1964. From 1905 to 1956, the deposit produced 28,502,037 ounces of Ag (Cunningham, 1963). The Lawson deposit was discovered in 1905 and production commenced in 1909. At closure in 1919, a total of 4,213,553 ounces of Ag had been produced (Cunningham, 1963). Between 1922 and 1944, the Lawson Mine was operated under several leases. The mine was later re-opened in 1953 and operated through 1960 by Silver Miller Mines Ltd., however records of silver production are not available.

### *Cobalt Central Property*

The Cobalt Central Property is located 8 km to the southeast of the Hector Property. The Cobalt Central Property consists of 42 unpatented mining claims held by First Cobalt. One mine was operational in the Cobalt Central property, the Lang-Caswell mine. Guindon et al. (2016) reported minor production of 46.8 kg Ag and 2,237 kg Co from the mine in 1936.

### *Cobalt South Property*

The Cobalt South Property is located 20 km to the southeast of the Hector Property and consists of a total of 38 unpatented mining claims, 5 patented surface and mining rights, and 12 mining leases.

Three mines were historically operational on the Cobalt South Property: the Keeley Mine, Frontier Mine, and Bellellen Mine. The Keeley Mine, operated by Keeley Silver Mines, produced intermittently from 1908 to 1942. Total reported production was 12,154,353 oz Ag and 1,617,684 lbs Co. The Frontier Mine was operated by Mining Corporation of Canada Ltd. From 1921 to 1943 and produced 6,695,415 oz Ag, 1,683,796 lb Co and 12,158 lb Ni. Keeley Frontier Mines Ltd./ Canadian Keeley Mines Ltd. operated the combined Keeley and Frontier Mines from 1963 to 1965 and produced 347,645 oz Ag, 9,003 lb Co and 14,358 lb Ni. The Bellellen Mine operated between 1910 and 1943 intermittently, producing 1,182,772 g Ag, 12,930 kg Co and 6,085 kg Ni (Guindon et al., 2016).

## **Cobalt Power Group**

Cobalt Power Group (“CPG”) has two properties in the area of the Hector Property: The Smith Cobalt Property and the Canadian Cobalt Property. These properties were acquired prior to Ontario’s conversion to an online system for claim registration using the cell-based provincial grid.

### *Smith Cobalt Property*

The Smith Cobalt Property comprises 13 unpatented claims (56 units totalling approximately 880 ha) and 19 patent claims (approximately 234.3 ha), in addition to two surface rights-only patents which overlie the Smith Cobalt unpatented mining claims.

The historic Smith Mine is located within the CPG's Smith Cobalt Property, with development beginning in 1927. Approximately 4,350 kg (9,570 lbs) of cobalt-mineralized rock was extracted in 1935 and additional production in 1939 and 1940 was reported to be 126 and 331 lbs, respectively (Trinder, 2018).

#### *Canadian Cobalt Property*

The Canadian Cobalt Property comprises 57 unpatented claims (674 units totalling approximately 10,784 ha), and one mining lease (approximately 15 ha).

The Wettlaufer mine lies partially outside CPG's mining lease. A total production of 7,989 oz of silver was reported in 1918 (Trinder, 2018).

### **OTHER RELEVANT DATA AND INFORMATION**

The author has not identified any other relevant data or information that is required to summarize the exploration status of the Hector Property. All relevant data and information regarding the Property have been disclosed under the relevant sections of the Technical Report.

### **INTERPRETATION AND CONCLUSIONS**

#### **Results and Interpretations**

This Technical Report was prepared by APEX to present the Hector Property for Cruz Cobalt, the issuer. Cruz Cobalt acquired the project in August 2016 and currently holds 100% ownership of the 126 mining claims, totalling 2,243 ha, which are active and in good standing.

The Hector Property is an early stage exploration project with historical development and small-scale production in the 1920s and early 1930s that yielded mineralized rock containing silver and cobalt. The Property is located within the Cobalt Embayment, associated with the structurally significant Montreal River fault system. The Cobalt Embayment is recognized for its occurrence of and potential to host arsenide silver-cobalt vein deposits.

The majority of mineral occurrences with the Hector Property consist of narrow fracture controlled northwest-southeast, or northeast-southwest striking, sub-vertical to steeply dipping, quartz-carbonate-potassium feldspar veins containing variable percentages of disseminated to clotted pyrite, chalcopyrite, pyrrhotite, and erythrite (hydrous cobalt arsenate) mineralization. Veins range in width from less than 5 cm up to 25 cm in width. The majority of historically reported mineral occurrences are represented by one or more shallow prospect pits and trenches, or water-filled shafts.

The results of the 2017 and 2018 soil and rock geochemical campaigns have defined cobalt in soil and rock anomalies west of Gillies Creek that warrant follow-up exploration. Airborne and ground magnetic geophysical surveys reveal diabase sills present strong positive magnetic anomalies in comparison to Archean basement. Internal magnetic variation of the diabase sill, which comprises one or more parallel linear of sinuous magnetic trends, indicates it is a multi-phase composite intrusion.

The results of 2018 diamond drill testing of the Hector and Gillies east targets were disappointing, however the area tested represents only approximately 10% of the total Hector Property. Importantly, given the reconnaissance nature of the 2018 diamond drill program, no drill hole pierced lower contact of the diabase into the underlying Coleman Member and/or Archean basement. Surface soil and rock geochemical anomalies and cobalt in diamond drill intercepts returned from the Bass Lake area are interpreted to represent high-level expressions of potential Archean unconformity-associated silver-cobalt vein mineralization; the geologic setting from which the majority of historic Cobalt Camp silver production occurred.

The distribution of historic mineral occurrences throughout the Hector Property is coincident with interpreted structural lineaments within the Nipissing Diabase sill, for example between the Williamson to Brewster occurrences, and in the case of the Bass Lake area showings they appear to be locally spatially associated with the margins of a relatively more magnetic phase of the diabase. The majority of historic silver-cobalt vein showings within the Hector Property occur within the Nipissing Diabase, and are spatially related to one of two parallel northwest trending structural lineaments coincident with the trace of the Kelvin Lake fault, and an interpreted Archean basement topographic high and anticlinal fold axis subparallel to the Montreal River fault. In the area east of the Montreal River there is a close spatial relationship between Archean volcanic, basal Coleman Member sediments and diabase rocks, which is considered highly prospective within the context of the silver-cobalt arsenide vein deposit model.

Additional follow-up exploration within the both the Kelvin Lake and Montreal River fault and anticline areas are warranted where a close spatial relationship between the Archean-Huronian unconformity and diabase sill is predicted by prior geologic mapping.

### **Risks and Uncertainties**

The Property is subject to the typical external risks that apply to all mining projects, such as changes in metal prices, availability of investment capital, changes in government regulations, community engagement and general environmental concerns.

There is no guarantee that further diamond drilling of soil, rock, and geophysical anomalies will result in the discovery of additional silver-cobalt mineralization, definition of a mineral resource, or an economic mineral deposit. However, in the Author's opinion there are no significant risks or uncertainties that could reasonably be expected to affect the reliability or confidence in the presently available exploration information with respect to the Hector Property.

### **RECOMMENDATIONS**

Based on the presence of silver-cobalt arsenide vein intersects in drill core and numerous historic occurrences, airborne and ground magnetic geophysical anomalies, cobalt and silver in rock and soil geochemical anomalies, and favourable geology; the Hector Property is of a high priority for follow-up exploration.

The 2019 exploration program should include but not be limited to:

**Phase 1:** A surface exploration program of rock and soil geochemical sampling, ground magnetic surveys, and geologic mapping designed to evaluate the silver-cobalt arsenide vein potential of the Kelvin Lake and Montreal River fault zones. Geologic mapping should focus on defining the geometry of the Nipissing Diabase sills, and on identifying areas with the potential to host Coleman Member sediments overlain by diabase; in particular in proximity to exposed Archean basement and the Huronian unconformity in the Montreal River area. The results of geologic mapping should be used to prioritize rock, soil and ground magnetic surveys over geologically perspective targets.

**Phase 2:** The Phase 2 exploration is contingent on the results of the Phase 1 exploration. Diamond drilling of approximately 10 holes totaling 2,000 m designed to test priority targets defined by the Phase 1 exploration. The estimated cost to complete the Phase 2 exploration is \$500,000.00 (Table 12).



**Table 12. Recommended 2019 Budget for Hector Property**

<u>Budget Item</u>	<u>Estimated Cost</u>
<b><u>Soil and Rock Geochemical Sampling, Ground Magnetic Survey, Geologic Mapping (4 weeks)</u></b>	
PHASE 1:	
Salaries Field - Senior Supervision, 2 Project Geologists and 2 Field Assistants for 30 days	\$55,000.00
Flights/Accommodations and Meals	\$10,000.00
Fuel (gas, diesel)	\$1,000.00
Field Rentals – magnetometer, laptop/software, GPS, sample bags, etc.	\$5,000.00
Truck rental	\$4,000.00
Analytical (50 rocks, 500 soils)	
Rock Samples - ALS (PREP-31, ME-MS61) Soil Samples - ALS (PREP-41, ME-MS41L)	\$20,000.00
Miscellaneous Field Supplies - fuel, field supplies, freight	\$2,000.00
Office and Logistics	\$3,000.00
<b>TOTAL PHASE 1:</b>	<b>\$100,000.00</b>
PHASE 2: : (Contingent on the results of Phase 1) Diamond drilling of priority targets (2000 metres @ \$250/metre all up)	<b>\$500,000.00</b>
<b>Total Project Costs, Excluding GST</b>	<b>\$600,000.00</b>

## Exploration Costs

In the last 36 months, the Company has incurred a total of \$358,040 in exploration costs on the Hector Property, including \$309,812 in the nine months ended April 30, 2019 comprised of consulting geologist, a magnetic geophysical survey, sampling, assaying, and an exploration diamond drill program expenses.

While the Author has prepared this estimate with care, he does not guarantee that the program can be completed for the costs estimated above. Budgeting should be reviewed when contracts are let.

### 4.4 Companies with Oil and Gas Operations

The Company does not have oil and gas operations.

## 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 5.1 Consolidated Financial Information - Annual Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Company and related notes thereto appearing elsewhere in this Listing Statement. This information should only be read in conjunction with the financial statements, and accompanying notes, included elsewhere in this Listing Statement. The selected financial information is derived from the audited financial statements for the Company for the years ended July 31, 2018, 2017 and 2016 as well as the unaudited quarterly financial statements for the periods ended April 30, 2019, January 31, 2019 and October 31, 2018, and are attached in Appendix 2 to the Listing Statement. This information should only be read in conjunction with the audited financial statements, and accompanying notes, included on SEDAR.

	For the Year Ended July 31 (audited)			For the Quarter Ended April 30 (unaudited)	For the Quarter Ended January 31 (unaudited)	For the Quarter Ended October 31 (unaudited)
	2018	2017	2016	2019	2019	2018
<b>Operating Data:</b>						
Total Revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Income (Loss) From Operations (before tax)	\$(1,624,098)	\$(1,370,667)	\$(388,852)	\$(185,645)	\$(200,646)	\$(164,401)
Net Income (Loss) for the period	\$(1,988,331)	\$(1,138,590)	\$(594,155)	\$(177,846)	\$(192,026)	\$(155,362)
Income (Loss) per share – Basic and diluted	\$(0.03)	\$(0.02)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)
Cash Dividends	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Balance Sheet Data:</b>						
Total Assets	\$4,836,901	\$3,871,932	\$206,329	\$4,291,061	\$4,490,597	\$4,687,004
Total Long-term Liabilities	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Shareholders' Equity (deficit)	\$4,793,747	\$3,114,398	\$(1,373,055)	\$4,268,513	\$4,446,359	\$4,638,385

## 5.2 Consolidated Financial Information – Quarterly Information

The results for each of the eight most recently completed quarters ending at the end of the most recently completed fiscal year, namely July 31, 2018, are summarized below:

	2018 Fourth	2018 Third	2018 Second	2018 First	2017 Fourth	2017 Third	2017 Second	2017 First
Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net comprehensive loss	\$(496,783)	\$(302,658)	\$(967,964)	\$(220,926)	\$(401,333)	\$(265,998)	\$(234,402)	\$(236,857)
Basic and diluted loss per share	\$(0.01)	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

## 5.3 Dividends

The Company does not have a dividend policy and does not pay dividends to its shareholders.

## 5.4 Foreign Generally Accepted Accounting Principles (GAAP)

Section 5.4 is not applicable to the Company.

## 6. **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis of our financial statements for the years ended July 31, 2018, 2017 and 2016, and for the quarter ended April 30, 2019, January 31, 2019 and October 31, 2018, are incorporated into the Listing Agreement by reference and are attached in Appendix 3 to the Listing Statement.

## 7. **MARKET FOR SECURITIES**

Prior to being listed on the Exchange, the Shares of the Company were listed and posted for trading on the TSXV under the symbol "CUZ". The Company will use symbol "CRUZ" for trading on the Canadian Securities Exchange.

## 8. **CONSOLIDATED CAPITALIZATION**

The following table summarizes our consolidated capitalization as at the date of this Listing Statement:

Designation of Security	Number of Authorized	Number of Shares Issued and Outstanding
Shares	Unlimited number without par value	78,646,890 <sup>(1)</sup>
Warrants	N/A	17,171,848
Stock Options	N/A	Nil

<sup>(1)</sup> Does not include Shares reserved for issuance pursuant to outstanding warrants or options.

There have been no changes in the number of issued and outstanding shares of the Company as of the date of this Listing Statement.

## 9. OPTIONS TO PURCHASE SECURITIES

As of the date of this Listing Statement, the Company does not have any options issued and outstanding.

## 10. DESCRIPTION OF THE SECURITIES

### 10.1 Description of the Company's Securities

The Company is authorized to issue an unlimited number of Shares without par value. As at the date of this Listing Statement, there are 78,646,890 Shares issued and outstanding as fully paid and non-assessable. A further 17,171,848 Shares have been reserved and allotted for issuance upon the due and proper exercise of the Company's currently outstanding warrants. Each warrant entitles the holder the right to purchase one Share of the Company as follows:

Number of Outstanding Warrants	Exercise Price	Expiry Date
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
4,505,000	\$0.05	June 13, 2021

The holders of Shares are entitled to dividends if, as and when declared by the Board. The holders of the Shares are also entitled to one vote per Share at meetings of the shareholders and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of Shares.

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or other distribution of assets or property of the Company amongst its Shareholders for the purpose of winding up its affairs, Shareholders shall be entitled to receive all property and assets of the Company properly distributable to the Shareholders.

The holders of the Shares shall be entitled to vote at all meetings of the Shareholders of the Company and at all such meetings each such holder has one (1) vote for each Share held.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

### 10.2 – 10.7 Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.7 of CSE Form 2A are applicable to the share structure of the Company.

### 10.8 Stock Exchange Price

The Company's Shares were listed on TSXV under the stock symbol "CUZ". The following table sets out the price ranges and trading volume on the TSXV of the Company's Shares for the periods indicated:

Period	High (\$)	Low (\$)	Trading Volume
Period from July 1 – July 15	\$0.045	\$0.04	449,615
Period from June 1 – June 30	\$0.05	\$0.04	983,997
Period from May 1 – May 31	\$0.05	\$0.045	1,350,612
Period from April 1 – April 30	\$0.055	\$0.045	1,958,436
Period from March 1 – March 31	\$0.055	\$0.05	2,885,605
Period from February 1 – February 28	\$0.055	\$0.05	2,164,268
Quarter ended January 31, 2019	\$0.09	\$0.05	9,330,857
Quarter ended October 31, 2018	\$0.12	\$0.07	13,292,741
Quarter ended July 31, 2018	\$0.22	\$0.105	18,932,569
Quarter ended April 30, 2018	\$0.385	\$0.205	51,213,824
Quarter ended January 31, 2018	\$0.415	\$0.18	92,760,830
Quarter ended October 31, 2017	\$0.24	\$0.18	29,522,080
Quarter ended July 31, 2017	\$0.245	\$0.175	40,467,783

## 11. ESCROWED SECURITIES

### 11.1 Escrowed Securities

To the knowledge of the Company, none of the Company's Shares are currently held in escrow or under any escrow agreement.

## 12. PRINCIPAL SHAREHOLDERS

### 12.1 Principal Shareholders

To the knowledge of the directors and senior officers of the Company, no person or company will beneficially own, directly or indirectly, or exercise control or direction over, shares of the Company carrying more than 10% of the voting rights attached to all outstanding shares of the Company.

## 13. DIRECTORS AND OFFICERS

### 13.1 – 13.5 Directors and Officers

The following table sets out the names, municipalities of residence, the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held in the Company and the principal occupation of the directors and senior officers during the past five years:

Name & Municipality of Residence and Position <sup>(1)</sup>	Present Occupation and Positions Held During the Last Five Years <sup>(1)</sup>	Period served as Director/ Officer and when his/her term with the Company will expire	Number of Shares of the Company Owned <sup>(2)</sup>	Percentage of Issued and Outstanding Shares of the Company
James Nelson <sup>(3)</sup> Coquitlam, BC  <i>CEO, Secretary and Director</i>	Self-employed businessman from 1996 to present offering consulting services to public companies; CEO, Secretary and Director of Spearmint Resources Inc.; Secretary and Director of YDX Innovation Corp. (formerly YDreams Global Interactive Technologies Inc.); and former director of Halio Energy Inc. (formerly Everest Ventures Inc.) from February 9, 2010 to March 3, 2017.	Director from May 17, 2010 to present.  CEO and Secretary from April 24, 2015 to present.	3,750	0.00%
Gregory Thomson <sup>(3)</sup> Langley, BC  <i>Director</i>	Consulting mineral exploration geologist; Director of Sienna Resources Inc. and Spearmint Resources Inc.; former director of YDX Innovation Corp. (formerly YDreams Global Interactive Technologies Inc.) from July 8, 2013 to July 15, 2016; former director of Halio Energy Inc. from July 13 to April 2016; former director of Victory Ventures Inc. from December 2011 to June 2016; former director of Willow Biosciences Inc. (formerly Makena Resources Inc.) from November 2010 to April 2019; and former director of Moag Copper Gold Resources Inc. from May 2010 to October 2015.	July 8, 2013 to present.	Nil	N/A

Seth Kay <sup>(3)</sup> Vancouver, BC  <i>Director</i>	Self-employed businessman from 2009 to present offering consulting services to public companies; current COO of Spearmint Resources Inc. from October 11, 2018; former CEO and Secretary of Willow Biosciences Inc. (formerly Makena Resources Inc.) from March 10, 2017 to November 15, 2017; and former director of Willow Biosciences Inc. (formerly Makena Resources Inc.) from May 7, 2015 to November 15, 2017.	April 24, 2015 to present.	150,000	0.00%
Yangping (Cindy) Cai Vancouver, BC  <i>CFO</i>	Current CFO of Spearmint Resources Inc. from October 8, 2013 and Sienna Resources Inc. from August 18, 2010; former CFO and Secretary of YDreams Global Interactive Technologies Ltd. from July 15, 2016 to September 30, 2017; and former CFO of Willow Biosciences Inc. (formerly Makena Resources Inc.) from January 6, 2010 to April 3, 2018.	September 13, 2010 to present.	Nil	N/A
<b>TOTAL</b>			<b>153,750</b>	<b>0.20%</b>

<sup>(1)</sup> The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.

<sup>(2)</sup> The information as to shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.

<sup>(3)</sup> Member of the Audit Committee.

#### **13.4 Committees**

The Company has an audit committee that is comprised of three members consisting of James Nelson, Gregory Thomson and Seth Kay. James Nelson is the Audit Committee Chair. Gregory Thomson and Seth Kay are independent members of the audit committee and James Nelson is not independent because he is the CEO and Secretary of the Company.

#### **13.6 Corporate Cease Trade Orders or Bankruptcies**

No proposed director of the Company is, or within the ten years before the date of this Listing Statement has been, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Company is, or within ten years before the date of this Listing Statement, has been a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

### **13.7, 13.8 Penalties or Sanctions**

No proposed director of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **13.9 Personal Bankruptcies**

No proposed director of the Company has, or within ten years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcies or insolvency, or become subject to or instituted proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### **13.10 Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under BCBCA.

### **13.11 Management**

#### **James Nelson, age 42, CEO, Secretary and Director**

Mr. Nelson has been the CEO and Secretary of the Company since April 24, 2015 and a director of the Company since May 17, 2010. Mr. Nelson has been a director of Spearmint Resources Inc., a mineral exploration company listed on the CSE, from May 22, 2014 and as President and Corporate Secretary from November 18, 2016 to present. From July 18, 2013 and October 3, 2017 respectively, Mr. Nelson has also served as director and Corporate Secretary of YDreams Global Interactive Technologies Inc., a TSXV listed technology company. From February 9, 2010 to March 3, 2017, Mr. Nelson also served as director of Halio Energy Inc. (formerly Everest Ventures Inc.), a junior mining company listed on the TSXV. Mr. Nelson has been a self-employed businessman from 1996 to present offering consulting services to public companies.



Mr. Nelson will devote approximately 50% of his time to perform the work required in connection with acting as the CEO, Secretary and as a director of the Company. Mr. Nelson is not a party to any employment, non-competition or confidentiality agreement with the Company.

**Gregory R. Thomson, age 71, Director**

Mr. Thomson has been a consulting mineral exploration geologist for over 30 years. He has been a director of the Company since July 8, 2013, Spearmint Resources Inc. from February 3, 2012 to present, Makena Resources Inc. from November 17, 2010 to present, Sienna Resources Inc. from November 20, 2014 to present, Moag Copper Gold Resources Inc. from May 2010 to October 2015, Victory Ventures Inc. from December 2011 to June 2016, and Halio Energy Inc. for the periods September 2011 to December 2012 and October 2013 to April 2016; all mineral exploration companies listed on the TSXV or CSE. Mr. Thomson also served as a director of YDreams Global Interactive Technologies Inc., a TSXV listed company, from July 2013 to July 2016. Mr. Thomson was employed as a Consulting Senior Geologist with Huakan International Mining, a mineral exploration company listed on the TSXV from August 2010 to October 2012. Mr. Thomson holds a Bachelor of Science degree in Geology from the University of British Columbia. Mr. Thomson is a registered member of the Association of Professional Engineers and Geoscientists of British Columbia.

Mr. Thomson will devote approximately 33% of his time to perform the work required in connection with acting as a director of the Company. Mr. Thomson is not a party to any employment, non-competition or confidentiality agreement with the Company.

**Seth Kay, age 36, Director**

Mr. Kay has been a director of the Company since April 24, 2015. He has been the COO of Spearmint Resources Inc. since October 11, 2018. From May 7, 2015 to November 15, 2017 and March 10, 2017 to November 15, 2017 respectively, Mr. Kay also served as director, and CEO and Corporate Secretary of Makena Resources Inc..

Mr. Kay will devote approximately 33% of his time to perform the work required in connection with acting as a director of the Company. Mr. Kay is not a party to any employment, non-competition or confidentiality agreement with the Company.

**Yangping (Cindy) Cai, age 48, CFO**

Ms. Cai has been the CFO of the Company since September 13, 2010. Ms. Cai is currently CFO of both Sienna Resources Inc., since August 18, 2010, and Spearmint Resources Inc., since October 8, 2013. From January 6, 2010 to April 3, 2018, Ms. Cai served as CFO of Makena Resources Inc.. Ms. Cai also served as CFO and Secretary of YDreams Global Interactive Technologies Inc. from July 15, 2016 to September 30, 2017 and CFO of Halio Energy Inc. from December 13, 2012 to April 29, 2016. Ms. Cai graduated with a Bachelor Degree in Electrical Engineering from Zhongshan University of China and she holds a diploma in Accounting from the University of British Columbia. She is a designated CPA in the United States.

Ms. Cai will devote approximately 40% of her time to perform the work required in connection with acting as the CFO of the Company. Ms. Cai is not a party to any employment, non-competition or confidentiality agreement with the Company.

## 14. CAPITALIZATION

### 14.1 Issued Capital

As at the date of this Listing Statement, the share capital of the Company on a non-diluted and fully-diluted basis will be as follows:

<b>Issued Capital</b>	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully-diluted)</b>	<b>% (non-diluted)</b>	<b>% (fully diluted)</b>
<u>Public Float</u>				
Total Outstanding <b>(A)</b>	78,646,890	95,818,738	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) <b>(B)</b>	153,750	228,750	0.2%	0.2%
Total Public Float <b>(A-B)</b>	78,493,140	95,589,988	99.8%	99.8%
<u>Freely Tradable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders <b>(C)</b>	Nil	Nil	0%	0%
Total Tradable Float <b>(A-C)</b>	78,646,890	95,818,738	100%	100%

\*Figures are reported to the best of the knowledge of management of the Company.

Public Securityholders (Registered)

For the purposes of this table, “public securityholders” does not include persons enumerated in section (B) the *Issued Capital* table above:

Shares

<u>Size of Holdings</u>	<u>Number of Holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	1	300
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	5	78,492,840
<b>TOTAL</b>	<b>6</b>	<b>78,493,140</b>

\*Information determined to the best of the Company’s knowledge from information provided by its registrar and transfer agent.

Public Securityholders (Beneficial)

For the purposes of this table, “public securityholders” does not include persons enumerated in section (B) the *Issued Capital* table above:

**Shares**

<b><u>Size of Holdings</u></b>	<b><u>Number of Holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	119	5,807
100 – 499 securities	487	134,738
500 – 999 securities	391	258,298
1,000 – 1,999 securities	690	828,591
2,000 – 2,999 securities	413	915,401
3,000 – 3,999 securities	286	921,277
4,000 – 4,999 securities	168	707,269
5,000 or more securities	1,646	70,634,790
<b>TOTAL</b>	<b>4,200</b>	<b>74,396,171</b>

\*Information determined to the best of the Company’s knowledge from information provided by its registrar and transfer agent and from previously obtained information from Broadridge.

### Non-Public Securityholders (Registered and Beneficial)

For the purposes of this chart, “non-public securityholders” are persons enumerated under (B) in the *Issued Capital* table above.

#### Shares

<u>Size of Holdings</u>	<u>Number of Holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	1	3,750
4,000 – 4,999 securities	-	-
5,000 or more securities	1	150,000
<b>TOTAL</b>	<b>2</b>	<b>153,750</b>

#### **14.2** Convertible / Exchangeable Securities

As at the date of the Listing Statement, the following table sets out information regarding any securities convertible or exchangeable into any class of listed securities:

<b>Description of Security</b>	<b>Number of Convertible / Exchangeable Securities Outstanding</b>	<b>Number of Listed Securities Issuable Upon Conversion / Exercise</b>
Stock Options	Nil	Nil
Warrants	17,171,848	17,171,848

#### **14.3** Other Listed Securities

The Company has no other listed securities reserved for issuance that are not included in section 14.1 or 14.2.

### **15. EXECUTIVE COMPENSATION**

#### **15.1** Compensation of Executive Officers and Directors

##### **General**

For the purpose of this Statement of Executive Compensation:

**“compensation securities”** includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Company or any of its subsidiaries (if any);

**“NEO” or “named executive officer”** means:

- (a) each individual who served as CEO of the Company, or who performed functions similar to a CEO, during any part of the most recently completed financial year,
- (b) each individual who served as CFO of the Company, or who performed functions similar to a CFO, during any part of the most recently completed financial year,
- (c) the most highly compensated executive officer of the Company or any of its subsidiaries (if any) other than individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year, and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries (if any), nor acting in a similar capacity, at the end of that financial year;

**“plan”** includes any plan, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

**“underlying securities”** means any securities issuable on conversion, exchange or exercise of compensation securities.

#### **Director and Named Executive Officer Compensation, excluding Compensation Securities**

The following table sets forth all direct and indirect compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company or any subsidiary thereof to each NEO and each director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Company or any subsidiary thereof:

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission	Bonus	Committee or Meeting Fees	Value of Perquisites <sup>(1)</sup>	Value of All Other Compensation	Total Compensation
James Nelson <sup>(2)</sup> <i>President, CEO, Secretary and Director</i>	2018	\$60,500 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$60,500
	2017	\$54,500 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$54,500
Cindy Cai <sup>(4)</sup> <i>CFO</i>	2018	\$60,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	\$60,000
	2017	\$19,500 <sup>(5)</sup>	Nil	Nil	Nil	Nil	\$19,500
Gregory Thomson <sup>(6)</sup> <i>Director</i>	2018	\$2,500 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$2,500
	2017	\$2,500 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$2,500
Seth Kay <sup>(7)</sup> <i>Director</i>	2018	\$62,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$62,000
	2017	\$54,450 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$54,450

(1) "Perquisites" include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director's total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director's salary for the financial year if the NEO or director's total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director's total salary for the financial year is \$500,000 or greater.

(2) James Nelson was appointed a director on May 17, 2010. Mr. Nelson was appointed as the President, CEO and Secretary on April 24, 2015.

(3) Management and director's fees.

(4) Cindy Cai was appointed as the CFO on September 13, 2010.

(5) Accounting fees.

(6) Gregory Thomson was appointed a director on July 8, 2013.

(7) Seth Kay was appointed a director on April 24, 2015.

### Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each director and NEO by the Company or any subsidiary thereof in the year ended July 31, 2018 for services provided, or to be provided, directly or indirectly, to the Company or any subsidiary thereof:

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price	Closing Price of Security or Underlying Security on Date of Grant	Closing Price of Security or Underlying Security at Year End	Expiry Date
James Nelson <sup>(1)(2)</sup> <i>CEO, Secretary, and Director</i>	Stock Options	50,000 / *	November 9, 2017	\$0.20	\$0.195	\$0.11	November 9, 2018
Cindy Cai <sup>(3)</sup> <i>CFO</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Gregory Thomson <sup>(4)</sup> <i>Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Seth Kay <sup>(5)(6)</sup> <i>Director</i>	Stock Options	50,000 / *	November 9, 2017	\$0.20	\$0.195	\$0.11	November 9, 2018

\* Represents less than 1% of the issued and outstanding common shares.

(1) As of July 31, 2018, James Nelson held 15,075 stock options which are exercisable at \$0.67 per Share until expiry on September 3, 2018 and 50,000 stock options which are exercisable at \$0.20 per Share until expiry on November 9, 2018.

(2) On November 9, 2017, James Nelson was granted 50,000 stock options which are exercisable at \$0.20 per Share until expiry on November 9, 2018.

(3) As of July 31, 2018, Cindy Cai held 15,000 stock options which are exercisable at \$0.67 per Share until expiry on September 3, 2018.

(4) As of July 31, 2018, Gregory Thomson held 15,000 stock options which are exercisable at \$0.67 per Share until expiry on September 3, 2018.

(5) As of July 31, 2018, Seth Kay held 50,000 stock options which are exercisable at \$0.20 per Share until expiry on November 9, 2018.

(6) On November 9, 2017, Seth Kay was granted 50,000 stock options which are exercisable at \$0.20 per Share until expiry on November 9, 2018.

#### Exercise of Compensation Securities by Directors and NEOs

No director or NEO exercised any compensation securities, being solely comprised of stock options, during the year ended July 31, 2018.

#### Stock Option Plans and Other Incentive Plans

The Company has in effect a 10% rolling stock option plan (the “10% Rolling Option Plan”) in order to provide effective incentives to directors, officers, senior management personnel and employees of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Company’s shareholders. As at the date hereof, there are Nil options outstanding under the 10% Rolling Option Plan. The 10% Rolling Option Plan is subject to yearly approval by the Company’s shareholders.



The purpose of the 10% Rolling Option Plan is to provide the directors, officers and key employees of, and certain other persons who provide services to, the Company and its subsidiaries with an opportunity to purchase shares of the Company and benefit from any appreciation in the value of the Company's shares. This will provide an increased incentive for these individuals to contribute to the future success and prosperity of the Company, thus enhancing the value of the Company's shares for the benefit of all the shareholders and increasing the ability of the Company and its subsidiaries to attract and retain skilled and motivated individuals in the service of the Company.

The 10% Rolling Option Plan is a "rolling" plan that provides that the aggregate number of shares reserved for issuance under it, and all of the Company's other previously established and outstanding stock option plans or grants, is 10% of the Company's issued Shares at the time of the grant of a stock option under the 10% Rolling Option Plan.

Under the 10% Rolling Option Plan, the option exercise price must not be less than the closing price of the Company's Shares on the Exchange on the day immediately preceding the date of grant, less the applicable discount permitted by the policies of the Exchange. An option granted under the 10% Rolling Option Plan must be exercised within a period of five years from the date of granting. Within this five-year period, the board of directors of the Company may determine the limitation period during which an option may be exercised and, notwithstanding that none is required by the policies of the Exchange because the 10% Rolling Option Plan is a "rolling" plan, whether a particular grant will have a minimum vesting period. As a "rolling" plan, any amendment to the 10% Rolling Option Plan requires the approval of the Exchange and may require shareholder approval. Under the policies of the Exchange, if the grants of options under the 10% Rolling Option Plan to "insiders" of the Company, together with all of the Company's outstanding stock options, could result at any time in: (a) the number of shares reserved for issuance pursuant to stock options granted to insiders of the Company exceeding 10% of the issued Shares of the Company; or (b) the grant to insiders of the Company, within a 12-month period, of a number of options exceeding 10% of the issued Shares of the Company; such shareholder approval must be "disinterested shareholder approval". The policies of the Exchange and the terms of the 10% Rolling Option Plan also provide that "disinterested shareholder approval" will be required for any agreement to decrease the exercise price of options previously granted to insiders of the Company.

A copy of the 10% Rolling Option Plan is available for review on the Company's profile at [www.sedar.com](http://www.sedar.com) and at the office of the Company at Suite 1470 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6 or at the registered records offices of the Company, at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 during normal business hours.

### **Employment, Consulting and Management Agreements**

The Company does not have any employment, consulting or management agreements or arrangements with any of the Company's current NEOs or directors.

### **Oversight and Description of Director and NEO Compensation**

The Company's compensation program is intended to attract, motivate, reward and retain the management talent needed to achieve the Company's business objectives of improving overall corporate performance and creating long-term value for the Company's shareholders. The compensation program is intended to reward executive officers on the basis of individual performance and achievement of corporate objectives, including the advancement of the exploration and development goals of the Company. The Company's current compensation program is comprised of base salary or fees, short term incentives such as discretionary bonuses and long term incentives such as stock options.

The Company's board of directors has not created or appointed a compensation committee given the Company's current size and stage of development. All tasks related to developing and monitoring the Company's approach to the compensation of the Company's NEOs and directors are performed by the members of the board of directors.

The compensation of the NEOs, directors and the Company's employees or consultants, if any, is reviewed, recommended and approved by the board of directors without reference to any specific formula or criteria. NEOs that are also directors of the Company are involved in discussion relating to compensation, and disclose their interest in and abstain from voting on compensation decisions relating to them, as applicable, in accordance with the applicable corporate legislation.

#### **Pension Plan Benefits**

The Company has no pension, defined benefit or defined contribution plans in place.

### **16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or officer of the Company, or person who acted in such capacity in the last financial year, or any other individual who at any time during the most recently completed financial year of the Company was a director of the Company or any associate of the Company, is indebted to the Company, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

### **17. RISK FACTORS**

#### **17.1 Description of Risk Factors**

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Company and our business before making any investment decision in regards to the shares of the Company's Shares. The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair its business operations.

#### **Risks Relating to our Financial Condition**

*The Company has had a history of losses and minimal revenue to date, which trend may continue and may negatively impact its ability to achieve its business objectives.*

The Company has experienced net losses since inception, and expects to continue to incur substantial losses for the foreseeable future. As of July 15, 2019, the Company had accumulated losses of \$16,521,899 since inception. Management expects the business to continue to experience negative cash flow for the foreseeable future and cannot predict when, if ever, the Company's business might become profitable. The Company will require additional financing in order to conduct its future work programs on the exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. If the Company is unable to raise funds on acceptable terms, the Company may not be able to execute its business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This may seriously harm our business, financial condition and results of operations.

*The Company's proposed operations require significant capital expenditures for which the Company may not have sufficient funding and if the Company does obtain additional financing, its existing shareholders may suffer substantial dilution.*

The Company intends to make capital expenditures far in excess of its existing capital resources to acquire and explore its mineral properties. The Company intends to rely on external sources of financing to meet its capital requirements to continue acquiring, exploring and developing mineral properties and to otherwise implement its business plan. The Company plans to obtain such funding through the debt and equity markets, but the Company can offer no assurance that the Company will be able to obtain additional funding when it is required or that it will

be available to the Company on commercially acceptable terms, if at all. In addition, any additional equity financing may involve substantial dilution to our then existing shareholders.

### **Risk Factors Associated with the Business of the Company**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company faces a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intends to undertake on its properties and any additional properties that may be acquired. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of its properties may not result in the discovery of mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that it may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful exploration efforts. If the results of the Company's exploration do not reveal viable commercial mineralization, the Company may decide to abandon some or all of its property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that exploration activities will result in the discovery of any quantities of mineral deposits on the Company's current properties or any other additional properties it may acquire.*

The Company intends to continue exploration on its current properties and it may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on its current properties, or any other property that it may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on its properties, its ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as it conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which it may elect not to insure. At the present time the Company has no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if it discovers and exploits mineral deposits, the Company may never become commercially viable and it may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company

explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving an adequate return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to federal, state/provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to federal, state/provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment.

Environmental and other legal standards imposed by federal, state/provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase its costs of doing so, which would have material adverse effects on its business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company. Additionally, the Company may be subject to liability for pollution or other environmental damages that it may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on its business.

*Title to mineral properties is a complex process and the Company may suffer a material adverse effect in the event one or more of its property interests are determined to have title deficiencies.*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to one or more of its properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

#### *Aboriginal Land Claims*

Some of the Company's properties, located in Canada, may now or in the future be the subject of Aboriginal land claims. The legal nature of Aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's material interest in its Canadian properties and/or potential ownership interest in those properties in the future, cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of Aboriginal rights in the area in which its Canadian properties are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with and seek the approval of holders of Aboriginal interests in order to facilitate exploration and development work on such properties, there is no assurance that the Company will be able to establish a practical working relationship with the First Nations in the area which would allow it to ultimately develop the said properties.

Many lands in Canada and elsewhere are or could become subject to Aboriginal land claim to title, which could adversely affect the Company's title to its properties.

*The Company has a very small management team and the loss of any member of the team may prevent the Company from implementing its business plan in a timely manner.*

The Company has two executive officers and a limited number of additional consultants upon whom its success largely depends. The Company does not maintain key person life insurance policies on its executive officers or consultants, the loss of which could seriously harm its business, financial condition and results of operations. In such an event, the Company may not be able to recruit personnel to replace its executive officers or consultants in a timely manner, or at all, on acceptable terms.

*Because the Company's property interests may not contain mineral deposits and the Company has never made a profit from operations, its securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of operations. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but it does not have plans to acquire rights in any specific mineral properties as of the date of this report. Accordingly, the Company has not generated significant revenues nor has it realized a profit from its operations to date and there is little likelihood that it will generate any revenues or realize any profits in the short term. Any profitability in the future from its business will be dependent upon locating and exploiting mineral deposits on its current properties or mineral deposits on any additional properties that it may acquire. The likelihood that any mineral properties that it may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to its current properties or any other area, or it may do so and still not be commercially successful if it is unable to exploit those mineral deposits profitably.

*As the Company faces intense competition in the mineral exploration and exploitation industry, it will have to compete with its competitors for financing and for qualified managerial and technical employees.*

The Company's competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than it has. As a result of this competition, the Company may have to compete for financing and be unable to acquire financing on terms it considers acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, its exploration programs may be slowed down or suspended, which may cause it to cease operations as a company.

*The Company's future is dependent upon its ability to obtain financing and if it does not obtain such financing, it may have to cease exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and development of its properties. The Company will also require additional financing for the fees it must pay to maintain its status in relation to the rights to its properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than it has anticipated. The Company will require additional financing to sustain its business operations if it is not successful in earning revenues. The Company will also need further financing if it decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing and it may not be able to obtain financing when required. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*Complying with environmental and other government regulations could be costly and could negatively impact the Company's production.*

The Company's business is governed by numerous laws and regulations at various levels of government in both Canada and the United States. These laws and regulations govern the operation and maintenance of our mineral claims and mineral properties, the discharge of materials into the environment and other environmental protection issues. Such laws and regulations may, among other potential consequences, require that the Company acquire permits before commencing mining operations and restrict the substances that can be released into the environment.

Under these laws and regulations, the Company could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. Prior to commencement of mining operations, the Company may secure limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, the Company does not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost.

Accordingly, the Company could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm its business. Furthermore, future changes in environmental laws and regulations could result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on its financial condition or results of operations.

### ***Risks Related to its Shares***

*Because the Company does not intend to pay any cash dividends on its Shares in the near future, its shareholders will not be able to receive a return on their shares unless they sell them.*

The Company intends to retain any future earnings to finance the development and expansion of its business. The Company does not anticipate paying any cash dividends on its Shares in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless the Company pays dividends, its shareholders will not be able to receive a return on their shares unless they sell them.

*A decline in the price of the Company's Shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.*

A prolonged decline in the price of the Company's Shares could result in a reduction in the liquidity of its Shares and a reduction in its ability to raise capital. Because a significant portion of its operations have been and will be financed through the sale of equity securities, a decline in the price of its Shares could be especially detrimental to its liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on its business plan and operations, including its ability to develop new products and continue its current operations. If its stock price declines, the Company can offer no assurance

that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

The market price for its Shares may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its Shares.

### **17.2 Additional Securityholder Risk**

There is no risk that securityholders of the Company may become liable to make an additional contribution beyond the price of the security.

### **17.3 Other Risks**

Subject to the risk factors set out under Part 17.1 above, there are no other material risk factors that a reasonable investor would consider relevant to an investment in the Company's Shares.

## **18. PROMOTER**

### **18.1 – 18.2 Promoter Consideration**

The Company is not aware of any person who could be characterized as a promoter of the Company within the two years immediately preceding the date of this Listing Statement, other than the disclosure as below:

On December 1, 2017, the Company entered into two agreements with Market IQ Media Group Inc. ("**Market IQ**") and Vibraslim Sales Inc. ("**VSI**"), arm's length entities, for digital marketing, digital media, corporate advisory and branding and strategic business services over an 18 month period for a fee of \$350,000 and \$100,000 plus GST, respectively. These two contracts ended on May 31, 2019.

To the knowledge of the Company, Market IQ holds 1,555,556 share purchase warrants and VSI holds 444,444 share purchase warrants, all exercisable at a price of \$0.30 per share until December 22, 2019, as of the date of the Listing Statement.

To the knowledge of the Company, Market IQ owns 100,000 common shares of the Company; VSI does not beneficially own, directly or indirectly, common shares of the Company or any of its subsidiaries as of the date of the Listing Statement.

To the knowledge of the Company, neither Market IQ nor VSI is, as at the date hereof, or was within 10 years before the date hereof, a director, CEO, or CFO of any person or company that was subject to a cease trade order, or an order similar to a cease trade order, or an order that denied the relevant person or company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

## **19. LEGAL PROCEEDINGS**

### **19.1 Legal Proceedings**

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

## **19.2 Regulatory Actions**

The Company is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Company entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Company's securities or would be likely to be considered important to a reasonable investor making an investment decision.

## **20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Listing Statement, no director, officer, proposed management nominee for director or person who, to the knowledge of the directors or officers of the Company, beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the votes attached to all outstanding Shares of the Company, informed person or any Associate or Affiliate of the foregoing has any material interest, direct or indirect, in any transaction since the Company's inception or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company. See Item 12 – *Principal Shareholders*.

## **21. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **21.1 Auditor**

The auditor for the Company is Davidson & Company LLP (the "**Auditor**"), at its office located at Suite 1200 – 609 Granville Street, Vancouver, British Columbia. The Auditor is the independent registered certified auditor of the Company and was appointed on July 5, 2011.

### **21.2 Transfer Agent and Registrar**

The registrar and transfer agent of the Company's Shares is Computershare Investor Services Inc., at its Vancouver office located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

## **22. MATERIAL CONTRACTS**

### **22.1 Material Agreements**

The Company has not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business are discussed in this Listing Statement, and two contracts entered into with two arm's length promoters are disclosed in Part 18 above.

### **22.2 Special Agreements**

This section is not applicable to the Company.

## **23. INTEREST OF EXPERTS**

### **23.1 Interest of Experts**

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an Associate or Affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an Associate or Affiliate of the Company and no such person is a promoter of the Company or an Associate or



Affiliate of the Company. The Auditor is independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia. The Author of the Technical Report is independent of the Company in accordance with the requirements of NI 43-101.

**24. OTHER MATERIAL FACTS**

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Company and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its respective securities.

**25. FINANCIAL STATEMENTS**

**25.1 Financial Statements of the Company**

The Company's financial statements for the years ended July 31, 2018, 2017 and 2016 as well as the unaudited quarterly financial statements for the period ended April 30, 2019, January 31, 2019 and October 31, 2018, are attached in Appendix 2 to the Listing Statement and are also available on the SEDAR website under the Company's profile at [www.sedar.com](http://www.sedar.com).

**SCHEDULE A - CERTIFICATE OF THE ISSUER**

**CERTIFICATE OF THE ISSUER**

Pursuant to a resolution duly passed by its Board of Directors, Cruz Cobalt Corp. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Cruz Cobalt Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 15th day of July, 2019.

*"James Nelson"*

\_\_\_\_\_  
JAMES NELSON  
Chief Executive Officer, Secretary and Director

*"Cindy Cai"*

\_\_\_\_\_  
CINDY CAI  
Chief Financial Officer

*"Gregory Thomson"*

\_\_\_\_\_  
GREGORY THOMSON  
Director

*"Seth Kay"*

\_\_\_\_\_  
SETH KAY  
Director

**APPENDIX 1.**

**ASSAY RESULTS FOR HECTOR DRILL HOLES 18HC01 – 18HC10**



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: **CRUZ COBALT CORP.**  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 1  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 This copy reported on  
 21- JAN- 2019  
 Account: CCCCQZOS

**CERTIFICATE SD19009890**

Project: 99421

This report is for 342 Drill Core samples submitted to our lab in Sudbury, ON, Canada on 17- DEC- 2018.

The following have access to data associated with this certificate:

SETH KAY	JM NELSON	KRIS RAFFLE
----------	-----------	-------------

**SAMPLE PREPARATION**

ALS CODE	DESCRIPTION
WEI-21	Received Sample Weight
LOG-22	Sample login - Rcd w/o BarCode
CRU-31	Fine crushing - 70%<2mm
CRU-QC	Crushing QC Test
PUL-QC	Pulverizing QC Test
SPL-21	Split sample - riffle splitter
PUL-31	Pulverize split to 85%<75 um
LOG-23	Pulp Login - Rcvd with Barcode

**ANALYTICAL PROCEDURES**

ALS CODE	DESCRIPTION	INSTRUMENT
PGM- ICP23	Pt, Pd, Au 30g FA ICP	ICP- AES
Ag- AA45	Trace Ag - aqua regia/ AAS	AAS
ME- ICP81	ICP Fusion - Ore Grade	ICP- AES

This is the Final Report and supersedes any preliminary report with this certificate number. Results apply to samples as submitted. All pages of this report have been checked and approved for release.

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*

**Signature:**   
 Colin Ramshaw, Vancouver Laboratory Manager



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 2 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU- QC	FUL- QC
		Recvd Wt. kg	Co %	Cu %	Ni %	Au ppm	Pt ppm	Pd ppm	Ag ppm	Pass2mm %	Pass75um %
S886001		4.62	0.009	0.015	0.006	<0.001	<0.005	<0.001	<0.2	71.6	90.7
S886002		4.44	0.007	0.012	0.004	<0.001	<0.005	<0.001	<0.2		
S886003		4.85	0.004	0.012	<0.002	<0.001	<0.005	<0.001	<0.2		
S886004		5.02	0.006	0.011	0.002	<0.001	<0.005	<0.001	<0.2		
S886005		<0.02	0.097	0.303	0.017	NSS	NSS	NSS	0.2		
S886006		2.59	0.007	0.013	0.002	<0.001	<0.005	<0.001	0.2		
S886007		4.88	0.007	0.016	0.002	<0.001	<0.005	<0.001	0.2		
S886008		4.87	0.006	0.007	<0.002	<0.001	<0.005	<0.001	<0.2		
S886009		2.40	0.006	0.006	<0.002	<0.001	<0.005	<0.001	<0.2		
S886010		0.12	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886011		2.72	0.005	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886012		2.30	0.007	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886013		2.56	0.008	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886014		2.10	0.011	0.002	0.006	0.003	<0.005	<0.001	<0.2		
S886015		2.24	0.006	0.003	0.006	<0.001	<0.005	<0.001	<0.2		
S886016		1.07	0.005	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886017		1.07	0.006	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886018		2.41	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886019		2.10	0.005	0.002	<0.002	<0.001	<0.005	<0.001	0.4		
S886020		2.14	0.007	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886021		4.25	0.003	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886022		3.96	0.006	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886023		2.13	0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886024		2.10	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886025		<0.02	0.100	0.306	0.013	0.039	<0.005	<0.001	<0.2		
S886026		2.54	0.007	<0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886027		4.28	0.004	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886028		3.39	0.003	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886029		4.59	0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886030		0.13	0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886031		2.40	0.004	<0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886032		2.15	0.002	0.009	<0.002	<0.001	<0.005	<0.001	<0.2		
S886033		2.18	0.004	0.003	<0.002	<0.001	<0.005	0.001	<0.2		
S886034		2.31	0.003	0.005	<0.002	<0.001	<0.005	<0.001	0.3		
S886035		2.40	0.005	0.007	<0.002	<0.001	<0.005	<0.001	<0.2		
S886036		2.14	0.002	0.005	0.003	<0.001	<0.005	<0.001	<0.2		
S886037		2.11	<0.002	0.004	0.002	<0.001	<0.005	<0.001	<0.2		
S886038		4.90	0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886039		2.76	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886040		2.08	0.006	0.011	<0.002	<0.001	<0.005	0.001	<0.2	75.8	93.0

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 3 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEI-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU-QC	FUL-QC
		Revd Wt. kg	Co %	Cu %	Ni %	Au ppm	Pt ppm	Pd ppm	Ag ppm	Pass2mm %	Pass75um %
S886041		2.45	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886042		2.42	<0.002	0.006	0.002	<0.001	<0.005	0.001	<0.2		
S886043		4.64	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886044		4.76	0.005	0.002	0.004	<0.001	<0.005	<0.001	<0.2		
S886045		<0.02	0.097	0.312	0.019	0.049	<0.005	0.003	0.3		
S886046		2.03	<0.002	0.019	0.003	<0.001	<0.005	0.001	<0.2		
S886047		2.65	<0.002	0.010	0.005	<0.001	<0.005	0.001	<0.2		
S886048		4.78	0.003	0.003	<0.002	<0.001	<0.005	0.002	<0.2		
S886049		1.17	0.004	0.017	0.005	<0.001	<0.005	<0.001	<0.2		
S886050		1.23	0.006	0.010	0.005	<0.001	<0.005	0.001	<0.2		
S886051		4.54	0.004	0.011	0.002	<0.001	<0.005	<0.001	<0.2		
S886052		2.62	0.003	0.013	<0.002	<0.001	0.008	0.001	<0.2		
S886053		2.53	0.002	0.012	0.002	<0.001	<0.005	<0.001	<0.2		
S886054		2.15	0.003	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886055		1.17	0.003	0.006	<0.002	<0.001	<0.005	<0.001	<0.2		
S886056		1.17	0.005	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886057		2.11	0.006	0.004	<0.002	<0.001	<0.005	0.001	<0.2		
S886058		2.25	0.005	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886059		2.07	0.003	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886060		2.47	0.004	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886061		2.12	0.006	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886062		2.67	0.004	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886063		2.26	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886064		2.18	0.005	0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886065		<0.02	0.103	0.308	0.019	0.035	0.018	0.001	0.3		
S886066		2.45	0.004	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886067		2.20	0.003	0.005	<0.002	<0.001	<0.005	0.001	<0.2		
S886068		2.22	0.004	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886069		2.54	0.003	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886070		0.13	<0.002	<0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886071		2.38	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886072		4.67	<0.002	0.002	<0.002	0.004	<0.005	<0.001	<0.2		
S886073		0.98	0.002	0.009	<0.002	<0.001	<0.005	0.001	<0.2		
S886074		1.79	0.005	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886075		1.67	0.003	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886076		2.32	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886077		2.27	0.003	<0.002	<0.002	<0.001	<0.005	0.002	<0.2		
S886078		2.27	0.005	<0.002	0.006	<0.001	<0.005	0.001	<0.2		
S886079		2.34	0.005	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886080		0.16	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		

\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 4 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU-QC	FUL-QC
		Recvd Wt.	Co	Cu	Ni	Au	Pt	Pd	Ag	Pass2mm	Pass75um
		kg	%	%	%	ppm	ppm	ppm	ppm	%	%
		0.02	0.002	0.002	0.002	0.001	0.005	0.001	0.2	0.01	0.01
S886081		2.18	0.004	0.003	<0.002	<0.001	<0.005	0.001	<0.2	75.3	85.0
S886082		2.41	0.003	0.009	<0.002	<0.001	<0.005	<0.001	<0.2		
S886083		4.47	0.005	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886084		2.35	0.005	0.005	<0.002	<0.001	<0.005	0.001	<0.2		
S886085		<0.02	0.105	0.307	0.017	0.035	<0.005	0.006	0.2		
S886086		2.26	0.006	0.004	<0.002	<0.001	<0.005	0.001	<0.2		
S886087		2.40	0.006	0.004	0.020	<0.001	<0.005	0.001	<0.2		
S886088		2.55	0.031	0.006	0.005	0.002	<0.005	<0.001	<0.2		
S886089		5.35	0.011	0.011	0.002	<0.001	<0.005	<0.001	<0.2		
S886090		0.13	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886091		1.77	0.013	0.015	0.003	<0.001	<0.005	<0.001	<0.2		
S886092		1.38	0.007	0.016	0.004	<0.001	<0.005	<0.001	<0.2		
S886093		2.68	0.003	0.016	0.002	<0.001	<0.005	<0.001	<0.2		
S886094		2.34	0.002	0.017	0.006	<0.001	<0.005	<0.001	<0.2		
S886095		2.25	0.005	0.015	0.005	<0.001	<0.005	<0.001	<0.2		
S886096		2.59	0.004	0.013	0.003	<0.001	<0.005	<0.001	<0.2		
S886097		2.62	0.002	0.014	<0.002	<0.001	<0.005	<0.001	<0.2		
S886098		2.58	0.003	0.006	<0.002	<0.001	<0.005	<0.001	<0.2		
S886099		2.67	<0.002	0.006	0.002	<0.001	<0.005	<0.001	<0.2		
S886100		2.38	0.003	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886101		2.51	0.002	0.007	<0.002	0.001	<0.005	0.001	<0.2	84.7	
S886102		2.33	0.003	0.002	<0.002	0.001	<0.005	<0.001	<0.2		
S886103		2.50	<0.002	0.002	0.004	<0.001	<0.005	<0.001	<0.2		
S886104		2.48	0.003	0.002	<0.002	0.004	<0.005	0.001	<0.2		
S886105		<0.02	0.096	0.298	0.016	0.055	<0.005	0.007	0.2		
S886106		2.20	<0.002	0.003	<0.002	0.001	<0.005	0.001	<0.2		
S886107		2.40	0.002	<0.002	0.003	0.001	<0.005	<0.001	<0.2		
S886108		2.24	<0.002	0.002	0.002	0.001	<0.005	0.001	<0.2		
S886109		2.05	0.003	0.002	0.005	0.002	<0.005	0.001	<0.2		
S886110		1.77	<0.002	0.007	<0.002	<0.001	<0.005	0.001	0.2		
S886111		2.49	<0.002	0.002	0.003	<0.001	<0.005	0.001	0.2		
S886112		2.45	<0.002	0.003	0.002	0.001	<0.005	0.001	<0.2		
S886113		2.20	0.002	0.006	<0.002	0.002	<0.005	0.001	<0.2		
S886114		2.11	<0.002	0.002	0.002	0.001	<0.005	0.001	<0.2		
S886115		1.14	<0.002	0.002	0.002	0.002	<0.005	<0.001	<0.2		
S886116		1.51	<0.002	0.002	<0.002	0.002	<0.005	<0.001	<0.2		
S886117		2.45	<0.002	0.008	0.003	0.001	<0.005	0.001	<0.2		
S886118		2.69	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886119		2.56	<0.002	<0.002	0.003	<0.001	<0.005	0.001	<0.2		
S886120		2.13	<0.002	0.002	0.005	<0.001	<0.005	0.002	<0.2	82.6	91.7

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 5 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU-QC	FUL-QC
		Recvd Wt. kg	Co %	Cu %	Ni %	Au ppm	Pt ppm	Pd ppm	Ag ppm	Pass2mm %	Pass75um %
S886121		2.46	0.002	<0.002	<0.002	0.001	<0.005	0.001	<0.2		
S886122		2.26	<0.002	0.003	<0.002	<0.001	<0.005	0.001	<0.2		
S886123		2.20	0.002	0.003	<0.002	0.001	<0.005	0.003	<0.2		
S886124		2.48	<0.002	0.003	0.003	<0.001	<0.005	0.001	<0.2		
S886125		<0.02	0.098	0.299	0.019	0.050	<0.005	0.008	0.2		
S886126		2.19	0.002	0.002	<0.002	0.002	<0.005	0.001	<0.2		
S886127		2.26	<0.002	0.003	<0.002	0.001	<0.005	<0.001	<0.2		
S886128		2.34	0.002	0.002	0.003	0.001	<0.005	0.001	<0.2		
S886129		4.64	0.003	0.002	0.004	<0.001	<0.005	0.001	<0.2		
S886130		0.15	<0.002	<0.002	0.003	<0.001	<0.005	<0.001	<0.2		
S886131		2.58	0.002	0.004	0.005	<0.001	<0.005	0.001	<0.2	73.8	
S886132		1.29	0.013	0.024	<0.002	0.005	<0.005	0.001	<0.2		
S886133		2.78	0.009	0.023	0.005	0.001	<0.005	0.002	<0.2		
S886134		2.70	0.009	0.037	0.002	0.001	<0.005	0.002	<0.2		
S886135		1.13	0.005	0.017	0.007	<0.001	<0.005	0.001	<0.2		
S886136		1.20	<0.002	0.016	0.008	<0.001	<0.005	0.001	<0.2		
S886137		2.33	0.004	0.007	0.002	0.001	<0.005	<0.001	<0.2		
S886138		2.12	0.003	0.006	0.002	0.002	<0.005	0.001	<0.2		
S886139		2.47	0.004	0.007	0.002	0.001	<0.005	<0.001	<0.2		
S886140		0.12	<0.002	<0.002	0.003	<0.001	<0.005	0.001	<0.2		
S886141		2.26	0.004	0.005	0.003	0.002	<0.005	0.001	<0.2		
S886142		2.31	0.002	0.004	0.002	0.001	<0.005	<0.001	<0.2		
S886143		2.33	<0.002	0.003	<0.002	0.002	<0.005	<0.001	<0.2		
S886144		2.14	0.006	0.002	0.003	0.001	<0.005	0.001	<0.2		
S886145		<0.02	0.098	0.300	0.019	0.045	<0.005	0.005	<0.2		
S886146		5.03	0.002	<0.002	<0.002	0.002	<0.005	<0.001	<0.2		
S886147		2.15	<0.002	<0.002	<0.002	0.001	<0.005	0.001	<0.2		
S886148		2.16	0.003	<0.002	0.003	0.002	<0.005	0.002	<0.2		
S886149		2.33	0.004	0.003	0.002	0.008	<0.005	0.001	0.3		
S886150		0.15	<0.002	<0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886151		2.38	<0.002	<0.002	0.002	0.001	<0.005	0.001	<0.2		
S886152		2.17	0.003	0.006	0.003	0.001	<0.005	0.001	<0.2		
S886153		2.14	<0.002	<0.002	<0.002	0.001	<0.005	0.001	<0.2	89.8	
S886154		1.14	0.005	<0.002	0.002	0.001	<0.005	0.002	<0.2		
S886155		1.01	0.003	<0.002	0.003	0.001	<0.005	0.001	<0.2		
S886156		2.04	<0.002	<0.002	0.003	0.001	<0.005	0.001	<0.2		
S886157		2.15	0.002	0.004	0.002	<0.001	<0.005	0.002	<0.2		
S886158		3.82	0.003	<0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886159		3.69	0.004	0.004	0.003	0.001	<0.005	0.001	<0.2		
S886160		2.47	0.007	0.005	0.004	0.004	<0.005	0.001	<0.2	71.1	85.3

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 6 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU- QC	FUL- QC
		Recvd Wt. kg	Co %	Cu %	Ni %	Au ppm	Pt ppm	Pd ppm	Ag ppm	Pass2mm %	Pass75um %
S886161		2.46	0.002	0.004	0.004	0.001	<0.005	0.001	<0.2		
S886162		4.69	0.003	0.002	0.003	0.001	<0.005	0.001	<0.2		
S886163		2.54	0.006	0.005	0.004	0.001	<0.005	0.001	<0.2		
S886164		1.14	0.007	0.012	0.005	0.002	<0.005	<0.001	<0.2		
S886165		<0.02	0.098	0.302	0.019	0.059	<0.005	0.007	0.2		
S886166		2.42	0.008	0.041	0.009	0.001	<0.005	0.002	0.3		
S886167		4.87	0.007	0.005	0.013	0.001	<0.005	0.001	<0.2		
S886168		2.32	0.004	0.004	0.004	0.001	<0.005	0.001	<0.2		
S886169		2.50	0.002	0.006	0.005	0.001	<0.005	0.001	<0.2		
S886170		0.15	<0.002	<0.002	0.002	<0.001	<0.005	0.001	<0.2		
S886171		2.34	0.005	0.003	0.003	0.001	<0.005	0.002	<0.2		
S886172		2.23	0.004	0.002	<0.002	0.001	<0.005	<0.001	<0.2		
S886173		2.26	0.005	0.002	0.003	0.001	<0.005	0.001	<0.2		
S886174		1.06	0.006	0.003	0.005	0.001	<0.005	0.001	<0.2		
S886175		1.00	0.002	0.002	<0.002	0.001	<0.005	0.001	<0.2		
S886176		2.43	0.004	<0.002	0.002	0.001	<0.005	0.001	<0.2		
S886177		2.30	0.002	0.002	0.002	0.001	<0.005	<0.001	<0.2		
S886178		2.20	0.003	0.002	0.004	<0.001	<0.005	0.001	<0.2		
S886179		2.23	0.003	0.002	0.002	0.001	<0.005	0.001	<0.2		
S886180		4.46	0.002	<0.002	0.004	0.001	<0.005	0.001	<0.2		
S886181		2.27	<0.002	0.002	0.006	0.001	<0.005	0.001	0.3		
S886182		2.21	<0.002	0.008	0.004	0.002	<0.005	0.001	<0.2		
S886183		2.23	0.003	0.010	0.006	0.003	<0.005	0.001	<0.2		
S886184		2.35	<0.002	<0.002	0.002	0.001	<0.005	0.001	<0.2		
S886185		<0.02	0.097	0.302	0.022	0.045	<0.005	0.007	0.2		
S886186		1.78	<0.002	0.005	0.003	<0.001	<0.005	0.001	<0.2		
S886187		0.94	0.004	0.023	0.003	0.001	<0.005	0.001	<0.2		
S886188		3.79	0.005	0.002	0.004	0.001	<0.005	0.001	<0.2		
S886189		2.22	<0.002	0.002	0.002	<0.001	<0.005	0.002	<0.2		
S886190		0.16	<0.002	<0.002	0.004	<0.001	<0.005	<0.001	<0.2		
S886191		2.30	0.003	0.009	0.002	<0.001	<0.005	0.001	0.2		
S886192		2.36	0.002	0.002	0.002	0.001	<0.005	0.002	<0.2		
S886193		2.28	<0.002	0.006	<0.002	0.002	<0.005	0.001	<0.2		
S886194		1.05	0.005	0.002	<0.002	0.003	<0.005	0.001	0.2		
S886195		1.04	0.007	0.004	0.004	0.003	<0.005	0.001	0.3		
S886196		2.28	0.004	0.002	0.002	0.003	<0.005	0.001	0.3		
S886197		2.23	0.003	0.002	0.003	0.005	<0.005	0.001	0.3		
S886198		2.13	0.005	0.004	0.003	0.002	<0.005	0.001	<0.2	83.7	
S886199		1.12	0.006	0.013	0.003	0.005	<0.005	0.001	<0.2		
S886200		1.12	0.003	0.005	0.004	<0.001	<0.005	0.001	<0.2	86.2	88.9

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*





ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 7 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU- QC	FUL- QC
		Recvd Wt. kg	Co %	Cu %	Ni %	Au ppm	Pt ppm	Pd ppm	Ag ppm	Pass2mm %	Pass75um %
S886201		1.15	0.004	0.019	0.004	0.003	<0.005	0.001	<0.2		99.4
S886202		1.53	0.004	0.011	0.002	0.001	<0.005	0.001	<0.2		96.9
S886203		5.16	0.005	0.021	0.002	0.005	<0.005	<0.001	<0.2		
S886204		2.35	0.002	0.016	<0.002	0.001	<0.005	<0.001	0.2		
S886205		<0.02	0.095	0.297	0.019	0.045	<0.005	<0.001	0.2		
S886206		2.41	0.003	0.012	0.004	0.002	<0.005	0.001	<0.2		
S886207		2.71	0.006	0.011	<0.002	0.001	<0.005	<0.001	0.3		
S886208		2.09	0.002	0.003	<0.002	0.001	<0.005	0.001	<0.2		
S886209		2.32	0.003	0.005	0.004	0.001	<0.005	<0.001	<0.2		
S886210		0.15	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886211		2.35	<0.002	0.004	<0.002	0.001	<0.005	0.001	<0.2		
S886212		2.35	<0.002	0.002	<0.002	<0.001	<0.005	0.001	0.2		
S886213		2.35	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	0.2		
S886214		1.92	<0.002	<0.002	0.002	0.001	<0.005	0.001	<0.2		
S886215		2.16	<0.002	<0.002	<0.002	0.001	<0.005	0.001	0.2		
S886216		2.36	<0.002	<0.002	0.002	<0.001	<0.005	0.001	<0.2		
S886217		2.28	<0.002	<0.002	<0.002	0.001	<0.005	0.001	<0.2		
S886218		2.31	<0.002	<0.002	0.004	0.001	<0.005	0.001	<0.2		
S886219		1.14	<0.002	<0.002	0.003	0.001	<0.005	0.001	<0.2		
S886220		1.15	<0.002	<0.002	0.004	0.001	<0.005	0.001	<0.2		
S886221		2.42	<0.002	0.004	<0.002	0.001	<0.005	0.001	<0.2		
S886222		2.01	0.005	0.065	0.004	<0.001	<0.005	0.001	<0.2		
S886223		2.44	0.002	0.009	0.004	<0.001	<0.005	0.001	<0.2		
S886224		2.44	<0.002	0.002	<0.002	<0.001	<0.005	0.002	<0.2		
S886225		<0.02	0.097	0.301	0.018	0.043	<0.005	0.008	0.3		
S886226		1.36	0.004	0.010	0.003	0.001	<0.005	0.002	<0.2		
S886227		2.51	0.003	0.013	0.003	0.001	<0.005	0.001	<0.2		
S886228		1.15	0.004	0.011	0.005	0.001	<0.005	0.001	<0.2		
S886229		1.66	0.005	0.013	0.005	0.002	<0.005	<0.001	<0.2		
S886230		0.13	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886231		1.20	0.003	0.011	0.004	0.001	<0.005	<0.001	<0.2		
S886232		2.38	0.005	0.004	<0.002	<0.001	<0.005	0.001	<0.2		
S886233		2.44	0.002	0.002	0.002	0.001	<0.005	<0.001	<0.2		
S886234		1.09	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886235		1.12	0.002	<0.002	<0.002	0.001	<0.005	<0.001	0.2		
S886236		2.50	0.004	0.003	<0.002	0.001	<0.005	0.001	<0.2		
S886237		2.48	0.003	0.002	<0.002	<0.001	<0.005	0.001	<0.2		
S886238		2.49	0.006	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886239		2.45	0.003	0.003	<0.002	0.001	<0.005	<0.001	<0.2		
S886240		2.41	0.003	0.005	<0.002	0.001	<0.005	0.001	<0.2	83.4	98.0

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 8 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU-QC	FUL-QC
		Recvd Wt.	Co	Cu	Ni	Au	Pt	Pd	Ag	Pass2mm	Pass75um
		kg	%	%	%	ppm	ppm	ppm	ppm	%	%
		0.02	0.002	0.002	0.002	0.001	0.005	0.001	0.2	0.01	0.01
S886241		2.34	0.003	0.004	0.002	0.001	<0.005	0.001	<0.2		
S886242		2.46	0.002	0.003	<0.002	<0.001	<0.005	0.001	<0.2		
S886243		2.31	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886244		2.22	<0.002	<0.002	<0.002	0.002	<0.005	0.001	<0.2		
S886245		<0.02	0.098	0.298	0.016	0.046	<0.005	0.003	0.3		
S886246		2.21	0.004	<0.002	<0.002	0.001	<0.005	<0.001	0.3		
S886247		2.24	<0.002	<0.002	<0.002	0.001	<0.005	0.001	0.2		
S886248		4.57	<0.002	0.002	<0.002	0.001	<0.005	0.001	<0.2		
S886249		4.51	<0.002	0.003	<0.002	0.001	<0.005	0.002	<0.2		
S886250		2.30	<0.002	0.007	<0.002	0.003	<0.005	<0.001	<0.2		
S886251		2.31	0.004	0.011	<0.002	0.002	<0.005	0.001	<0.2		
S886252		4.64	<0.002	0.005	<0.002	0.001	<0.005	0.001	<0.2		
S886253		2.23	0.006	0.002	0.004	0.010	<0.005	<0.001	0.3		
S886254		1.94	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	0.3		
S886255		1.04	<0.002	0.004	<0.002	<0.001	<0.005	<0.001	0.2		
S886256		1.08	0.004	0.004	<0.002	<0.001	<0.005	0.001	<0.2		
S886257		2.78	<0.002	0.007	0.002	<0.001	<0.005	<0.001	0.2		
S886258		1.24	0.002	0.002	<0.002	<0.001	<0.005	0.001	0.2		
S886259		4.71	0.004	0.007	<0.002	<0.001	<0.005	<0.001	<0.2		
S886260		0.14	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886261		2.35	0.004	0.003	0.002	<0.001	<0.005	<0.001	0.2		
S886262		2.37	0.006	0.004	0.005	0.037	<0.005	<0.001	1.3		
S886263		2.22	0.002	0.005	0.006	<0.001	<0.005	<0.001	0.4		
S886264		2.29	0.002	0.002	<0.002	<0.001	<0.005	<0.001	0.3		
S886265		<0.02	0.098	0.307	0.016	0.032	<0.005	<0.001	0.3		
S886266		2.37	0.003	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886267		2.31	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886268		2.33	0.003	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886269		2.20	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886270		2.87	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886271		2.37	<0.002	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886272		2.38	<0.002	0.016	<0.002	<0.001	<0.005	0.001	<0.2		
S886273		1.39	0.011	0.009	0.003	<0.001	<0.005	<0.001	<0.2	72.1	
S886274		1.77	0.008	0.007	0.003	<0.001	<0.005	<0.001	<0.2		
S886275		2.29	0.010	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886276		2.12	<0.002	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886277		2.20	<0.002	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886278		2.22	<0.002	0.050	<0.002	<0.001	<0.005	0.001	0.3		
S886279		2.05	<0.002	0.007	<0.002	<0.001	<0.005	<0.001	<0.2		
S886280		1.88	<0.002	0.008	<0.002	<0.001	<0.005	<0.001	<0.2	74.2	89.0

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 9 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU- QC	FUL- QC
		Recvd Wt.	Co	Cu	Ni	Au	Pt	Pd	Ag	Pass2mm	Pass75um
		kg	%	%	%	ppm	ppm	ppm	ppm	%	%
		0.02	0.002	0.002	0.002	0.001	0.005	0.001	0.2	0.01	0.01
S886281		1.23	<0.002	0.017	<0.002	<0.001	<0.005	<0.001	<0.2		
S886282		1.11	<0.002	0.023	<0.002	<0.001	<0.005	0.001	<0.2		
S886283		3.92	0.005	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886284		4.28	0.004	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886285		<0.02	0.098	0.306	0.013	0.041	<0.005	0.003	0.2		
S886286		2.47	0.003	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886287		2.52	<0.002	0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886288		2.44	0.004	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886289		2.44	<0.002	0.004	<0.002	<0.001	<0.005	<0.001	0.3		
S886290		0.12	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886291		2.36	<0.002	0.003	<0.002	0.005	<0.005	<0.001	<0.2		
S886292		2.11	0.009	0.002	0.003	0.006	<0.005	<0.001	0.3		
S886293		2.38	0.007	0.004	0.003	0.010	<0.005	<0.001	0.3		
S886294		1.02	<0.002	0.013	<0.002	<0.001	<0.005	<0.001	<0.2		
S886295		0.95	<0.002	0.009	<0.002	<0.001	<0.005	<0.001	<0.2		
S886296		2.41	<0.002	0.004	<0.002	<0.001	<0.005	<0.001	<0.2		
S886297		1.41	0.002	0.005	<0.002	<0.001	<0.005	<0.001	<0.2		
S886298		1.99	0.002	0.142	<0.002	<0.001	<0.005	<0.001	0.2		
S886299		1.78	<0.002	0.013	<0.002	<0.001	<0.005	<0.001	<0.2		
S886300		2.29	<0.002	0.012	<0.002	<0.001	<0.005	<0.001	<0.2		
S886401		2.10	0.003	0.052	<0.002	<0.001	<0.005	<0.001	<0.2		
S886402		2.44	<0.002	0.017	<0.002	<0.001	<0.005	<0.001	<0.2		
S886403		4.61	<0.002	0.006	<0.002	<0.001	<0.005	<0.001	<0.2		
S886404		2.41	<0.002	<0.002	<0.002	<0.001	<0.005	<0.001	<0.2		
S886405		<0.02	0.100	0.309	0.017	0.044	<0.005	<0.001	0.4		
S886406		2.26	0.007	<0.002	0.004	<0.001	<0.005	<0.001	<0.2		
S886407		1.21	0.003	0.012	0.005	<0.001	<0.005	0.001	<0.2		
S886408		1.06	0.012	0.005	0.006	0.021	<0.005	<0.001	<0.2		
S886409		1.15	0.004	0.008	0.007	<0.001	<0.005	<0.001	<0.2		
S886410		0.15	<0.002	<0.002	0.002	<0.001	<0.005	<0.001	<0.2		
S886411		4.97	0.004	0.006	0.003	<0.001	<0.005	<0.001	<0.2		
S886412		2.41	0.003	0.002	0.002	<0.001	<0.005	<0.001	<0.2		
S886413		2.46	0.002	0.003	0.004	<0.001	<0.005	<0.001	<0.2		
S886414		1.10	<0.002	0.003	0.004	<0.001	<0.005	<0.001	<0.2	80.7	
S886415		1.12	0.004	0.003	<0.002	<0.001	<0.005	<0.001	<0.2		
S886416		2.37	0.004	0.004	0.003	<0.001	<0.005	<0.001	<0.2		
S886417		2.20	0.011	<0.002	0.003	0.033	<0.005	<0.001	<0.2		
S886418		2.42	0.006	0.004	0.005	0.004	<0.005	<0.001	<0.2		
S886419		2.24	0.004	0.005	0.002	<0.001	<0.005	<0.001	<0.2		
S886420		1.96	<0.002	0.012	0.002	<0.001	<0.005	<0.001	<0.2	82.3	87.4

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: 10 - A  
 Total # Pages: 10 (A)  
 Plus Appendix Pages  
 Finalized Date: 15- JAN- 2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

Sample Description	Method Analyte Units LOD	WEL-21	ME-ICP81	ME-ICP81	ME-ICP81	PGM-ICP23	PGM-ICP23	PGM-ICP23	Ag-AA45	CRU-QC	FUL-QC
		Recvd Wt.	Co	Cu	Ni	Au	Pt	Pd	Ag	Pass2mm	Pass75um
		kg	%	%	%	ppm	ppm	ppm	ppm	%	%
S886421		1.80	0.002	0.056	0.004	<0.001	<0.005	<0.001	0.5		
S886422		2.37	<0.002	0.017	0.005	<0.001	<0.005	<0.001	<0.2		
S886423		2.21	<0.002	0.004	0.003	<0.001	<0.005	0.001	<0.2		
S886424		2.29	<0.002	0.008	0.004	<0.001	<0.005	<0.001	<0.2		
S886425		<0.02	0.099	0.309	0.019	0.041	<0.005	0.001	0.2		
S886426		2.26	<0.002	0.003	0.003	<0.001	<0.005	<0.001	<0.2		
S886427		2.21	<0.002	0.007	0.004	<0.001	<0.005	<0.001	<0.2		
S886428		2.27	<0.002	0.003	0.003	<0.001	<0.005	<0.001	<0.2		
S886429		2.18	<0.002	0.007	0.004	<0.001	<0.005	<0.001	<0.2		
S886430		<0.02	0.099	0.308	0.023	0.042	<0.005	0.001	0.3		
S886431		2.28	0.002	0.004	0.003	<0.001	<0.005	<0.001	<0.2		
S886432		2.23	<0.002	0.007	0.003	0.004	<0.005	<0.001	<0.2		
S886433		1.13	<0.002	0.003	0.003	<0.001	<0.005	<0.001	<0.2		
S886434		1.03	<0.002	0.004	0.004	<0.001	<0.005	<0.001	<0.2		
S886435		2.10	<0.002	0.008	0.002	<0.001	<0.005	0.001	<0.2		
S886436		2.27	<0.002	0.016	0.005	<0.001	<0.005	0.001	<0.2		
S886437		2.20	0.002	0.006	0.002	<0.001	<0.005	0.001	<0.2		
S886438		2.32	0.002	0.003	0.004	<0.001	<0.005	<0.001	<0.2		
S886439		2.12	<0.002	<0.002	0.005	<0.001	<0.005	0.001	<0.2		
S886440		2.35	0.002	0.005	0.003	<0.001	<0.005	0.001	<0.2		
S886441		2.37	<0.002	0.009	0.007	<0.001	<0.005	0.001	<0.2		
S886442		4.42	0.002	0.002	0.002	<0.001	<0.005	<0.001	<0.2		

\*\*\*\*\* See Appendix Page for comments regarding this certificate \*\*\*\*\*



ALS Canada Ltd.  
 2103 Dollarton Hwy  
 North Vancouver BC V7H 0A7  
 Phone: +1 (604) 984 0221 Fax: +1 (604) 984 0218  
 www.alsglobal.com/geochemistry

To: CRUZ COBALT CORP.  
 1470 - 701 WEST GEORGIA STREET  
 PO BOX 10112  
 VANCOUVER BC V7Y 1C6

Page: Appendix 1  
 Total # Appendix Pages: 1  
 Finalized Date: 15-JAN-2019  
 Account: CCCOQZOS

Project: 99421

**CERTIFICATE OF ANALYSIS SD19009890**

	<b>CERTIFICATE COMMENTS</b>								
	<b>ANALYTICAL COMMENTS</b>								
Applies to Method:	NSS is non-sufficient sample. ALL METHODS								
	<b>LABORATORY ADDRESSES</b>								
	Processed at ALS Sudbury located at 1351-B Kelly Lake Road, Unit #1, Sudbury, ON, Canada.								
Applies to Method:	<table style="width: 100%; border: none;"> <tr> <td>CRU- 31</td> <td>CRU- QC</td> <td>LOG- 22</td> <td>LOG- 23</td> </tr> <tr> <td>PUL- 31</td> <td>PUL- QC</td> <td>SPL- 21</td> <td>WEI- 21</td> </tr> </table>	CRU- 31	CRU- QC	LOG- 22	LOG- 23	PUL- 31	PUL- QC	SPL- 21	WEI- 21
CRU- 31	CRU- QC	LOG- 22	LOG- 23						
PUL- 31	PUL- QC	SPL- 21	WEI- 21						
	Processed at ALS Vancouver located at 2103 Dollarton Hwy, North Vancouver, BC, Canada.								
Applies to Method:	<table style="width: 100%; border: none;"> <tr> <td>Ag- AA45</td> <td>ME- ICP81</td> <td>PGM- ICP23</td> </tr> </table>	Ag- AA45	ME- ICP81	PGM- ICP23					
Ag- AA45	ME- ICP81	PGM- ICP23							

**APPENDIX 2.**  
**FINANCIAL STATEMENTS**

**CRUZ COBALT CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

April 30, 2019

**NOTICE OF NO AUDITOR REVIEW**

The unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the periods ended April 30, 2019 and 2018 have not been reviewed by the Company's external auditor.



**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	April 30, <u>2019</u>	July 31, <u>2018</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents – Note 5	\$ 2,187,528	\$ 2,807,027
Receivables – Note 6	19,483	35,102
Prepaid expenses – Note 7	37,775	264,055
<b>Total current assets</b>	<u>2,244,786</u>	<u>3,106,184</u>
<b>Non-current assets</b>		
Rent deposit	29,620	29,620
Exploration and evaluation assets – Note 8	2,016,655	1,701,097
<b>Total assets</b>	<u>\$ 4,291,061</u>	<u>\$ 4,836,901</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities – Notes 9 and 13	\$ 22,548	\$ 43,154
<b>SHAREHOLDERS' EQUITY</b>		
Share capital – Note 11	19,087,872	19,087,872
Reserves – Note 11	1,581,249	1,581,249
Accumulated deficit	(16,400,608)	(15,875,374)
<b>Total shareholders' equity</b>	<u>4,268,513</u>	<u>4,793,747</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 4,291,061</u>	<u>\$ 4,836,901</u>

Nature and Continuation of Operations (Note 1)  
Commitment (Note 16)

APPROVED BY THE DIRECTORS:

<i>"Seth Kay"</i> Seth Kay	Director	<i>"James Nelson"</i> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Three months ended April 30,		Nine months ended April 30,	
	2019	2018	2019	2018
<b>Operating expenses</b>				
Consulting	\$ 23,820	\$ 34,550	\$ 65,820	\$ 104,988
Corporate branding	17,072	116,609	23,072	459,320
Investor relations	75,000	75,000	225,000	125,000
Management fees – Note 13	24,000	25,500	92,000	93,500
Office and miscellaneous	26,242	23,509	60,678	64,937
Professional fees – Note 13	15,164	24,424	61,240	64,258
Shareholder information	-	7,674	3,303	24,249
Share-based payments – Notes 11 and 13	-	-	-	364,182
Transfer agent and filing fees	3,515	6,594	14,309	23,051
Travel and misc	832	1,500	5,270	9,541
	(185,645)	(315,360)	(550,692)	(1,333,026)
Interest income	7,799	8,577	25,458	17,359
Other income on settlement of flow-through share premium – Note 10	-	4,125	-	45,098
	7,799	12,702	25,458	62,457
<b>Net comprehensive loss for the period</b>	\$ (177,846)	\$ (302,658)	\$ (525,234)	\$ (1,270,569)
Loss per share – basic and diluted – Note 12	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted – Note 12	78,646,890	77,632,676	78,646,890	69,991,887

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

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Nine months ended April 30,	
	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Loss for the period	\$ (525,234)	\$ (1,270,569)
Adjustments for non-cash items:		
Share-based payments	-	364,182
Other income on settlement of flow-through share premium	-	(45,098)
Changes in non-cash working capital items:		
Receivables	15,619	(13,927)
Prepaid expenses	226,280	(307,270)
Accounts payable and accrued liabilities	(31,425)	(615,482)
<b>Cash used in operating activities</b>	<u>(314,760)</u>	<u>(1,888,164)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	<u>(304,739)</u>	<u>(348,141)</u>
<b>Cash used in investing activities</b>	<u>(304,739)</u>	<u>(348,141)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	-	3,356,268
Share issue costs	-	(52,770)
<b>Cash provided by financing activities</b>	<u>-</u>	<u>3,303,498</u>
Change in cash during the period	(619,499)	1,067,193
Cash, beginning of the period	<u>2,807,027</u>	<u>1,926,311</u>
<b>Cash, end of the period</b>	<u>\$ 2,187,528</u>	<u>\$ 2,993,504</u>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Accumulated Deficit	Total
	Number of shares	Amount			
<b>Balance, July 31, 2017</b>	60,341,046	\$ 15,544,490	\$ 1,456,951	\$ (13,887,043)	\$ 3,114,398
Shares issued for private placement	4,619,047	1,000,000	-	-	1,000,000
Share issue costs	-	(52,770)	-	-	(52,770)
Shares purchase warrants exercised	9,686,797	1,556,268	-	-	1,556,268
Stock options exercised	4,000,000	800,000	-	-	800,000
Broker warrants issued for private placement	-	(37,781)	37,781	-	-
Stock options issued	-	-	364,182	-	364,182
Transfer of reserves on options exercised	-	242,788	(242,788)	-	-
Transfer of reserves on warrants exercised	-	34,877	(34,877)	-	-
Loss for the period	-	-	-	(1,270,569)	(1,270,569)
<b>Balance, April 30, 2018</b>	78,646,890	19,087,872	1,581,249	(15,157,612)	5,511,509
Loss for the period	-	-	-	(717,762)	(717,762)
<b>Balance, July 31, 2018</b>	78,646,890	19,087,872	1,581,249	(15,875,374)	4,793,747
Loss for the period	-	-	-	(525,234)	(525,234)
<b>Balance, April 30, 2019</b>	78,646,890	\$ 19,087,872	\$ 1,581,249	\$ (16,400,608)	\$ 4,268,513

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

**CRUZ COBALT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

April 30, 2019 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Cobalt Corp. (the “Company”) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol "CUZ". The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At April 30, 2019, the Company had exploration and evaluation assets located in Canada and the U.S.A.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At April 30, 2019, the Company had not yet achieved profitable operations, incurred a net loss of \$525,234 during the nine months ended April 30, 2019 and had an accumulated deficit of \$16,400,608 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed consolidated interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed consolidated interim financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS34”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s most recently issued audited financial statements for the year ended July 31, 2018, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of these audited financial statements, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 21, 2019.

## 2. BASIS OF PREPARATION (continued)

### b) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

### c) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of April 30, 2019 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Place of Incorporation</b>	<b>Ownership Interest April 30, 2019</b>	<b>Ownership Interest July 31, 2018</b>
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

## 3. NEW ACCOUNTING STANDARDS ADOPTED DURING THE PERIOD

### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company’s condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

*IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its condensed consolidated interim financial statements.

**5. CASH AND CASH EQUIVALENTS**

The Company’s cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	April 30, <u>2019</u>	July 31, <u>2018</u>
Cash at bank	\$ 13,028	\$ 32,527
Short-term deposits	2,174,500	2,774,500
	<u>\$ 2,187,528</u>	<u>\$ 2,807,027</u>

**6. RECEIVABLES**

The Company’s receivables comprise of goods and services tax (“GST”) receivable due from Canadian government taxation authorities and accrued interest on short-term deposits.

	April 30, <u>2019</u>	July 31, <u>2018</u>
Related party receivable	\$ -	\$ 3,512
Accrued interest on short-term deposits	13,202	25,260
GST recoverable	6,281	6,330
	<u>\$ 19,483</u>	<u>\$ 35,102</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company’s receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**7. PREPAIDS**

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	April 30, <u>2019</u>	July 31, <u>2018</u>
Corporate branding	\$ 7,500	\$ 1,373
Investor relations *	25,000	250,000
Other prepaids	<u>5,275</u>	<u>12,682</u>
Total prepaids	<u>\$ 37,775</u>	<u>\$ 264,055</u>

\* On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid the full amount to these two entities. This balance relates to services to be provided over the remaining contract period.



## 8. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	Yukon Quartz Claims	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2017	\$ 13,512	\$ 282,032	\$ 692,370	\$ 16,133	\$ 66,377	\$ 731,079	\$ 34,701	\$ 1,836,204
Acquisition costs								
Staking costs	7,283	7,197	60,890	-	-	-	-	75,370
Deferred exploration expenditures								
Geological expenses	2,283	1,217	49,123	-	-	-	-	52,623
Geological report	1,500	1,500	-	-	-	-	-	3,000
Geophysical expenses	-	-	3,300	-	-	-	-	3,300
Claim maintenance fees	-	-	-	210	8,921	18,837	2,603	30,571
Field supplies and equipment	-	-	2,581	-	-	-	-	2,581
Lab and assay	-	-	13,482	-	-	-	-	13,482
Prospecting	-	-	3,313	-	-	-	-	3,313
Sampling	-	-	14,040	-	-	-	-	14,040
Survey	13,500	13,500	117,304	-	-	-	-	144,304
Travel & misc	1,536	768	16,700	-	-	-	-	19,004
Advance for exploration	-	-	11,413	-	-	-	-	11,413
Prior year advance for exploration	-	-	(52,108)	-	-	-	-	(52,108)
Write-down of exploration and evaluation assets	(19,999)	(306,214)	(2,300)	-	(68,452)	(59,035)	-	(456,000)
Balance, July 31, 2018	19,615	-	930,108	16,343	6,846	690,881	37,304	1,701,097
Deferred exploration expenditures								
Geological expenses	-	-	89,756	-	-	-	-	89,756
Geological report	-	-	32,143	-	-	-	-	32,143
Claim maintenance fees	-	-	-	210	832	13,425	2,692	17,159
Drilling	-	-	115,147	-	-	-	-	115,147
Field supplies and equipment	-	-	9,547	-	-	-	-	9,547
Lab and assay	-	-	25,733	-	-	-	-	25,733
Travel & misc	-	-	37,486	-	-	-	-	37,486
Prior year advance for exploration	-	-	(11,413)	-	-	-	-	(11,413)
Balance, April 30, 2019	\$ 19,615	\$ -	\$ 1,228,507	\$ 16,553	\$ 7,678	\$ 704,306	\$ 39,996	\$ 2,016,655

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$7,283.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

As at April 30, 2019, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. (the "Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario (the "Coleman Cobalt Prospect", the "Bucke Cobalt Prospect", the "Hector Cobalt Prospect", and the "Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Cobalt Locaters SPA. Cobalt Locaters Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties. During the nine months ended April 30, 2019, the Company acquired the remaining 50% interest in the above four Ontario cobalt prospects from an arm's length vendor at no costs. As of today, the Company holds a 100% interest in the above four Ontario cobalt prospects.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of \$19,500.

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$2,300. Subsequent to July 31, 2018, the Company decided to drop these claims. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking (continued)

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of \$45,600.

In April 2018, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect for staking costs of \$15,290.

As at April 30, 2019, the Company had spent a total of \$589,515 in exploration expenditures on the ON Cobalt Prospects.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

As at April 30, 2019, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon Quartz claims.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

As at April 30, 2019, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of \$25,426.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking (continued)

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

As at April 30, 2019, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm’s length vendor (the “Vendor”) to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

As of April 30, 2019, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	April 30, <u>2019</u>	July 31, <u>2018</u>
Trade payables	\$ 22,548	\$ 18,654
Accrued liabilities	-	24,500
	<hr/>	<hr/>
Total payables	<u>\$ 22,548</u>	<u>\$ 43,154</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

## 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

---

Balance at July 31, 2017	\$ 48,508
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(48,508)</u>
Balance at July 31, 2018 and April 30, 2019	\$ -

---

During the year ended July 31, 2018, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$48,508 and recognized it as other income.

## 11. SHARE CAPITAL AND RESERVES

**Authorized:** An unlimited number of common shares, without par value

### (a) Private placements

*Nine months ended April 30, 2019:*

The Company did not close any private placements during the nine months ended April 30, 2019.

*Nine months ended April 30, 2018:*

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at \$37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

**11. SHARE CAPITAL AND RESERVES (continued)**

**(b) Share purchase warrants**

The following is a summary of changes in share purchase warrants from July 31, 2017 to April 30, 2019:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2017	25,477,587	\$0.22
Issued	2,183,333	\$0.29
Exercised	(9,686,797)	\$0.16
Expired	<u>(802,275)</u>	\$1.33
Balance, July 31, 2018 and April 30, 2019	<u><u>17,171,848</u></u>	\$0.20

At April 30, 2019, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u><u>17,171,848</u></u>		

**(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2017 to April 30, 2019:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2017	4,334,125	\$0.28
Granted	6,000,000	\$0.20
Exercised	(4,000,000)	\$0.20
Expired	<u>(4,004,350)</u>	\$0.25
Outstanding and exercisable, July 31, 2018	2,329,775	\$0.27
Expired	<u>(2,329,775)</u>	\$0.27
Outstanding and exercisable, April 30, 2019	<u><u>-</u></u>	\$Nil

**11. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

At April 30, 2019, there was no share purchase options outstanding and exercisable.

During the nine months ended April 30, 2019, Nil stock options were exercised.

During the nine months ended April 30, 2018, 4,000,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$800,000. The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of \$242,788.

During the nine months ended April 30, 2019, the Company did not grant any stock options (nine months ended April 30, 2018, 6,000,000 stock options were granted with an exercise price at \$0.20 per share and an expiry date of November 9, 2018). The weighted average fair value of the options issued in the nine months ended April 30, 2018 was estimated at \$0.06 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	Nine months ended <u>April 30, 2019</u>	Nine months ended <u>April 30, 2018</u>
Weighted average expected dividend yield	N/A	0.0%
Weighted average expected volatility *	N/A	81.05%
Weighted average risk-free interest rate	N/A	1.53%
Weighted average expected term	N/A	1 year

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the nine months ended April 30, 2019 were \$Nil (nine months ended April 30, 2018: \$364,182).

**12. LOSS PER SHARE**

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

	Nine months ended April 30,	
	<u>2019</u>	<u>2018</u>
Net Loss	\$ (525,234)	\$ (1,270,569)
Weighted average number of common shares for the purpose of basic and diluted loss per share	78,646,890	69,991,887

**12. LOSS PER SHARE (continued)**

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 11) were anti-dilutive for the nine months ended April 30, 2019 and 2018.

The loss per share for the nine months ended April 30, 2019 was \$0.01 (nine months ended April 30, 2018: \$0.02).

**13. RELATED PARTY TRANSACTIONS**

*Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Nine months ended April 30,	
	<u>2019</u>	<u>2018</u>
Management fees	\$ 92,000	\$ 93,500
Professional fees	52,500	46,500
Share-based payments *	<u>-</u>	<u>9,752</u>
	<u>\$ 144,500</u>	<u>\$ 149,752</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

*Related party balances*

At April 30, 2019, accounts payable and accrued liabilities include \$397 (July 31, 2018: \$7,500) payable to one director for unpaid office expenses. These amounts are unsecured, non-interest bearing and payable on demand.

At April 30, 2019, related party receivables include \$Nil (July 31, 2018: \$3,512) recoverable office expenses.



**14. SEGMENTAL REPORTING**

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	April 30, <u>2019</u>	July 31, <u>2018</u>
Canada	\$ 1,264,675	\$ 966,066
U.S.A.	<u>751,980</u>	<u>735,031</u>
	<u>\$ 2,016,655</u>	<u>\$ 1,701,097</u>

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Nine months ended April 30, 2019:*

- a) Included in accounts payable and accrued liabilities was \$10,819 for exploration and evaluation assets.

*Nine months ended April 30, 2018:*

- b) Included in accounts payable and accrued liabilities was \$7,471 for exploration and evaluation assets.

**16. COMMITMENT**

During the year ended July 31, 2017, the Company entered into a lease agreement (the "Agreement") for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. As of April 30, 2019, amounts under the Agreement terms (net of taxes) are as follows:

	<u>Amounts</u>
July 31, 2019	\$ 20,920
July 31, 2020	<u>85,227</u>
	<u>\$ 106,147</u>

**CRUZ COBALT CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

January 31, 2019

### **NOTICE OF NO AUDITOR REVIEW**

The unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the periods ended January 31, 2019 and 2018 have not been reviewed by the Company's external auditor.

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	ASSETS	January 31, <u>2019</u>	July 31, <u>2018</u>
<b>Current assets</b>			
Cash and cash equivalents – Note 5		\$ 2,342,497	\$ 2,807,027
Receivables – Note 6		22,354	35,102
Prepaid expenses – Note 7		111,614	264,055
<b>Total current assets</b>		<u>2,476,465</u>	<u>3,106,184</u>
<b>Non-current assets</b>			
Rent deposit		29,620	29,620
Exploration and evaluation assets – Note 8		1,984,512	1,701,097
<b>Total assets</b>		<u>\$ 4,490,597</u>	<u>\$ 4,836,901</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 9 and 13		\$ 44,238	\$ 43,154
<b>SHAREHOLDERS' EQUITY</b>			
Share capital – Note 11		19,087,872	19,087,872
Reserves – Note 11		1,581,249	1,581,249
Accumulated deficit		(16,222,762)	(15,875,374)
<b>Total shareholders' equity</b>		<u>4,446,359</u>	<u>4,793,747</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 4,490,597</u>	<u>\$ 4,836,901</u>

Nature and Continuance of Operations (Note 1)  
Commitment (Note 16)

APPROVED BY THE DIRECTORS:

<i>"Seth Kay"</i> Seth Kay	Director	<i>"James Nelson"</i> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
<b>Operating expenses</b>				
Consulting	\$ 21,000	\$ 32,801	\$ 42,000	\$ 70,438
Corporate branding	3,000	196,783	6,000	342,711
Investor relations	75,000	50,000	150,000	50,000
Management fees – Note 13	44,000	44,000	68,000	68,000
Office and miscellaneous	19,987	24,956	34,436	41,428
Professional fees – Note 13	26,431	29,657	46,076	39,834
Shareholder information	1,207	9,815	3,303	16,575
Share-based payments – Notes 11 and 13	-	364,182	-	364,182
Transfer agent and filing fees	5,812	9,280	10,794	16,457
Travel and misc	4,209	8,041	4,438	8,041
	(200,646)	(769,515)	(365,047)	(1,017,666)
Interest income	8,620	5,703	17,659	8,782
Other income on settlement of flow-through share premium – Note 10	-	16,827	-	40,973
	8,620	22,530	17,659	49,755
<b>Net comprehensive loss for the period</b>	\$ (192,026)	\$ (746,985)	\$ (347,388)	\$ (967,911)
Loss per share – basic and diluted – Note 12	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding – basic and diluted – Note 12	78,646,890	69,526,252	78,646,890	66,296,069

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

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Six months ended January 31,	
	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Loss for the period	\$ (347,388)	\$ (967,911)
Adjustments for non-cash items:		
Share-based payments	-	364,182
Other income on settlement of flow-through share premium	-	(40,973)
Changes in non-cash working capital items:		
Receivables	12,748	(58,702)
Prepaid expenses	152,441	(422,473)
Accounts payable and accrued liabilities	(6,316)	(8,937)
<b>Cash used in operating activities</b>	<u>(188,515)</u>	<u>(1,134,814)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	<u>(276,015)</u>	<u>(327,470)</u>
<b>Cash used in investing activities</b>	<u>(276,015)</u>	<u>(327,470)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	-	2,876,923
Share issue costs	-	(52,770)
<b>Cash provided by financing activities</b>	<u>-</u>	<u>2,824,153</u>
Change in cash during the period	(464,530)	1,361,869
Cash, beginning of the period	<u>2,807,027</u>	<u>1,926,311</u>
<b>Cash, end of the period</b>	<u>\$ 2,342,497</u>	<u>\$ 3,288,180</u>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Accumulated Deficit	Total
	Number of shares	Amount			
<b>Balance, July 31, 2017</b>	60,341,046	\$ 15,544,490	\$ 1,456,951	\$ (13,887,043)	\$ 3,114,398
Shares issued for private placement	4,619,047	1,000,000	-	-	1,000,000
Share issue costs	-	(52,770)	-	-	(52,770)
Shares purchase warrants exercised	7,256,798	1,186,923	-	-	1,186,923
Stock options exercised	3,450,000	690,000	-	-	690,000
Broker warrants issued for private placement	-	(37,781)	37,781	-	-
Stock options issued	-	-	364,182	-	364,182
Transfer of reserves on options exercised	-	189,149	(189,149)	-	-
Transfer of reserves on warrants exercised	-	34,877	(34,877)	-	-
Loss for the period	-	-	-	(967,911)	(967,911)
<b>Balance, January 31, 2018</b>	75,666,891	18,554,888	1,634,888	(14,854,954)	5,334,822
Shares purchase warrants exercised	2,429,999	369,345	-	-	369,345
Stock options exercised	550,000	110,000	-	-	110,000
Transfer of reserves on options exercised	-	53,639	(53,639)	-	-
Loss for the period	-	-	-	(1,020,420)	(1,020,420)
<b>Balance, July 31, 2018</b>	78,646,890	19,087,872	1,581,249	(15,875,374)	4,793,747
Loss for the period	-	-	-	(347,388)	(347,388)
<b>Balance, January 31, 2019</b>	78,646,890	\$ 19,087,872	\$ 1,581,249	\$ (16,222,762)	\$ 4,446,359

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

**CRUZ COBALT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

January 31, 2019 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Cobalt Corp. (the “Company”) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol "CUZ". The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At January 31, 2019, the Company had exploration and evaluation assets located in Canada and the U.S.A.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At January 31, 2019, the Company had a working capital of \$2,432,227, had not yet achieved profitable operations and had an accumulated deficit of \$16,222,762 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed consolidated interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed consolidated interim financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS34”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s most recently issued audited financial statements for the year ended July 31, 2018, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of these audited financial statements, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 27, 2019.



## 2. BASIS OF PREPARATION (continued)

### b) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

### c) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of January 31, 2019 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Place of Incorporation</b>	<b>Ownership Interest January 31, 2019</b>	<b>Ownership Interest July 31, 2018</b>
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

## 3. NEW ACCOUNTING STANDARDS ADOPTED DURING THE PERIOD

### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company’s condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

#### 4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

##### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its condensed consolidated interim financial statements.

#### 5. CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	January 31, <u>2019</u>	July 31, <u>2018</u>
Cash at bank	\$ 57,997	\$ 32,527
Short-term deposits	2,284,500	2,774,500
	<u>\$ 2,342,497</u>	<u>\$ 2,807,027</u>

#### 6. RECEIVABLES

The Company’s receivables comprise of goods and services tax (“GST”) receivable due from Canadian government taxation authorities and accrued interest on short-term deposits.

	January 31, <u>2019</u>	July 31, <u>2018</u>
Related party receivable	\$ -	\$ 3,512
Accrued interest on short-term deposits	6,173	25,260
GST recoverable	16,181	6,330
	<u>\$ 22,354</u>	<u>\$ 35,102</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company’s receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**7. PREPAIDS**

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	January 31, <u>2019</u>	July 31, <u>2018</u>
Corporate branding	\$ 9,617	\$ 1,373
Investor relations *	100,000	250,000
Other prepaids	<u>1,997</u>	<u>12,682</u>
Total prepaids	<u>\$ 111,614</u>	<u>\$ 264,055</u>

\* On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid the full amount to these two entities. This balance relates to services to be provided over the remaining contract period.

## 8. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	Yukon Quartz Claims	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2017	\$ 13,512	\$ 282,032	\$ 692,370	\$ 16,133	\$ 66,377	\$ 731,079	\$ 34,701	\$ 1,836,204
Acquisition costs								
Staking costs	7,283	7,197	60,890	-	-	-	-	75,370
Deferred exploration expenditures								
Geological expenses	2,283	1,217	49,123	-	-	-	-	52,623
Geological report	1,500	1,500	-	-	-	-	-	3,000
Geophysical expenses	-	-	3,300	-	-	-	-	3,300
Claim maintenance fees	-	-	-	210	8,921	18,837	2,603	30,571
Field supplies and equipment	-	-	2,581	-	-	-	-	2,581
Lab and assay	-	-	13,482	-	-	-	-	13,482
Prospecting	-	-	3,313	-	-	-	-	3,313
Sampling	-	-	14,040	-	-	-	-	14,040
Survey	13,500	13,500	117,304	-	-	-	-	144,304
Travel & misc	1,536	768	16,700	-	-	-	-	19,004
Advance for exploration	-	-	11,413	-	-	-	-	11,413
Prior year advance for exploration	-	-	(52,108)	-	-	-	-	(52,108)
Write-down of exploration and evaluation assets	(19,999)	(306,214)	(2,300)	-	(68,452)	(59,035)	-	(456,000)
Balance, July 31, 2018	19,615	-	930,108	16,343	6,846	690,881	37,304	1,701,097
Deferred exploration expenditures								
Geological expenses	-	-	89,756	-	-	-	-	89,756
Claim maintenance fees	-	-	-	210	832	13,425	2,692	17,159
Drilling	-	-	115,147	-	-	-	-	115,147
Field supplies and equipment	-	-	9,547	-	-	-	-	9,547
Lab and assay	-	-	25,733	-	-	-	-	25,733
Travel & misc	-	-	37,486	-	-	-	-	37,486
Prior year advance for exploration	-	-	(11,413)	-	-	-	-	(11,413)
Balance, January 31, 2019	\$ 19,615	\$ -	\$ 1,196,364	\$ 16,553	\$ 7,678	\$ 704,306	\$ 39,996	\$ 1,984,512

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$7,283.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

As at January 31, 2019, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. (the "Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario (the "Coleman Cobalt Prospect", the "Bucke Cobalt Prospect", the "Hector Cobalt Prospect", and the "Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Cobalt Locaters SPA. Cobalt Locaters Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of \$19,500.

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$2,300. Subsequent to July 31, 2018, the Company decided to drop these claims. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$1,268.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking (continued)

In December 2017 and January 2018, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of \$45,600.

In April 2018, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect for staking costs of \$15,290.

As at January 31, 2019, the Company had spent a total of \$557,372 in exploration expenditures on the ON Cobalt Prospects.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

As at January 31, 2019, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon Quartz claims.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

As at January 31, 2019, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of \$25,426.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking (continued)

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

As at January 31, 2019, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

As of January 31, 2019, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	January 31, <u>2019</u>	July 31, <u>2018</u>
Trade payables	\$ 44,238	\$ 18,654
Accrued liabilities	<u>-</u>	<u>24,500</u>
Total payables	<u>\$ 44,238</u>	<u>\$ 43,154</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

## 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

---

Balance at July 31, 2017	\$ 48,508
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(48,508)</u>
Balance at July 31, 2018 and January 31, 2019	<u>\$ -</u>

During the year ended July 31, 2018, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$48,508 and recognized it as other income.

## 11. SHARE CAPITAL AND RESERVES

**Authorized:** An unlimited number of common shares, without par value

### (a) Private placements

*Six months ended January 31, 2019:*

The Company did not close any private placements during the six months ended January 31, 2019.

*Six months ended January 31, 2018:*

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at \$37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.



## 11. SHARE CAPITAL AND RESERVES (continued)

### (b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2017 to January 31, 2019:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2017	25,477,587	\$0.22
Issued	2,183,333	\$0.29
Exercised	(9,686,797)	\$0.16
Expired	<u>(802,275)</u>	\$1.33
Balance, July 31, 2018 and January 31, 2019	<u><u>17,171,848</u></u>	\$0.20

At January 31, 2019, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u><u>17,171,848</u></u>		

### (c) Share-based payments

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2017 to January 31, 2019:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2017	4,334,125	\$0.28
Granted	6,000,000	\$0.20
Exercised	(4,000,000)	\$0.20
Expired	<u>(4,004,350)</u>	\$0.25
Outstanding and exercisable, July 31, 2018	2,329,775	\$0.27
Expired	<u>(2,329,775)</u>	\$0.27
Outstanding and exercisable, January 31, 2019	<u><u>-</u></u>	\$Nil

**11. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

At January 31, 2019, there was no share purchase options outstanding and exercisable.

During the six months ended January 31, 2019, nil stock options were exercised.

During the six months ended January 31, 2018, 3,450,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$690,000. The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of \$189,149.

During the six months ended January 31, 2019, the Company did not grant any stock options (six months ended January 31, 2018, 6,000,000 stock options were granted with an exercise price at \$0.20 per share and an expiry date of November 9, 2018). The weighted average fair value of the options issued in the six months ended January 31, 2018 was estimated at \$0.06 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	Six months ended <u>January 31, 2019</u>	Six months ended <u>January 31, 2018</u>
Weighted average expected dividend yield	N/A	0.0%
Weighted average expected volatility *	N/A	81.05%
Weighted average risk-free interest rate	N/A	1.53%
Weighted average expected term	N/A	1 year

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the six months ended January 31, 2019 were \$Nil (six months ended January 31, 2018: \$364,182).

**12. LOSS PER SHARE**

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

	Six months ended January 31,	
	<u>2019</u>	<u>2018</u>
Net Loss	\$ (347,388)	\$ (967,911)
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>78,646,890</u>	<u>66,296,069</u>

**12. LOSS PER SHARE (continued)**

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 11) were anti-dilutive for the six months ended January 31, 2019 and 2018.

The loss per share for the six months ended January 31, 2019 was \$0.00 (six months ended January 31, 2018: \$0.01).

**13. RELATED PARTY TRANSACTIONS**

*Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Six months ended January 31,	
	<u>2019</u>	<u>2018</u>
Management fees	\$ 68,000	\$ 68,000
Professional fees	39,000	34,500
Share-based payments *	<u>-</u>	<u>9,752</u>
	<u>\$ 107,000</u>	<u>\$ 112,252</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

*Related party balances*

At January 31, 2019, accounts payable and accrued liabilities include \$7,500 (July 31, 2018: \$7,500) payable to three directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and payable on demand.

At January 31, 2019, related party receivables include \$Nil (July 31, 2018: \$3,512) recoverable office expenses.

**14. SEGMENTAL REPORTING**

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	January 31, <u>2019</u>	July 31, <u>2018</u>
Canada	\$ 1,232,532	\$ 966,066
U.S.A.	<u>751,980</u>	<u>735,031</u>
	<u>\$ 1,984,512</u>	<u>\$ 1,701,097</u>

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Six months ended January 31, 2019:*

- a) The Company accrued exploration and evaluation assets of \$7,400 in accounts payable and accrued liabilities.

*Six months ended January 31, 2018:*

- b) The Company accrued exploration and evaluation assets of \$9,850 in accounts payable and accrued liabilities.

**16. COMMITMENT**

During the year ended July 31, 2017, the Company entered into a lease agreement (the "Agreement") for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. As of January 31, 2019, amounts under the Agreement terms (net of taxes) are as follows:

	<u>Amounts</u>
July 31, 2019	\$ 41,839
July 31, 2020	<u>85,227</u>
	<u>\$ 127,066</u>

**CRUZ COBALT CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

October 31, 2018 and 2017

### **NOTICE OF NO AUDITOR REVIEW**

The unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the periods ended October 31, 2018 and 2017 have not been reviewed by the Company's external auditor.

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>ASSETS</b>		
		October 31, <u>2018</u>	July 31, <u>2018</u>
<b>Current assets</b>			
Cash and cash equivalents – Note 5		\$ 2,593,506	\$ 2,807,027
Receivables – Note 6		20,589	35,102
Prepaid expenses – Note 7		183,217	264,055
<b>Total current assets</b>		<u>2,797,312</u>	<u>3,106,184</u>
<b>Non-current assets</b>			
Rent deposit		29,620	29,620
Exploration and evaluation assets – Note 8		1,860,072	1,701,097
<b>Total assets</b>		<u>\$ 4,687,004</u>	<u>\$ 4,836,901</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 9 and 13		\$ 48,619	\$ 43,154
<b>SHAREHOLDERS' EQUITY</b>			
Share capital – Note 11		19,087,872	19,087,872
Reserves – Note 11		1,581,249	1,581,249
Accumulated deficit		(16,030,736)	(15,875,374)
<b>Total shareholders' equity</b>		<u>4,638,385</u>	<u>4,793,747</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 4,687,004</u>	<u>\$ 4,836,901</u>

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Note 16)  
Commitment (Note 17)

APPROVED BY THE DIRECTORS:

<u>“Seth Kay”</u> Seth Kay	Director	<u>“James Nelson”</u> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ COBALT CORP.**  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(Expressed in Canadian Dollars)

	Three months ended October 31,	
	2018	2017
<b>Operating expenses</b>		
Consulting	\$ 21,000	\$ 37,637
Corporate branding	3,000	145,928
Investor relations	75,000	-
Management fees – Note 13	24,000	24,000
Office and miscellaneous	14,449	16,472
Professional fees – Note 13	19,645	10,177
Shareholder information	2,096	6,760
Transfer agent and filing fees	4,982	7,177
Travel and misc	229	-
	(164,401)	(248,151)
Interest income	9,039	3,079
Other income on settlement of flow-through share premium – Note 10	-	24,146
	9,039	27,225
<b>Net loss and comprehensive loss for the period</b>	\$ (155,362)	\$ (220,926)
Loss per share – basic and diluted – Note 12	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted – Note 12	78,646,890	63,065,885



**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Three months ended October 31,	
	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Loss for the period	\$ (155,362)	\$ (220,926)
Adjustments for non-cash items:		
Other income on settlement of flow-through share premium	-	(24,146)
Changes in non-cash working capital items:		
Receivables	14,513	(22,818)
Prepaid expenses	80,838	(20,095)
Accounts payable and accrued liabilities	(7,752)	22,255
<b>Cash used in operating activities</b>	<u>(67,763)</u>	<u>(265,730)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	<u>(145,758)</u>	<u>(203,870)</u>
<b>Cash used in investing activities</b>	<u>(145,758)</u>	<u>(203,870)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	-	739,256
Share issue costs	-	(49,770)
<b>Cash provided by financing activities</b>	<u>-</u>	<u>689,486</u>
Change in cash during the period	(213,521)	219,886
Cash, beginning of the period	<u>2,807,027</u>	<u>1,926,311</u>
<b>Cash, end of the period</b>	<u>\$ 2,593,506</u>	<u>\$ 2,146,197</u>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

**CRUZ COBALT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Accumulated Deficit	Total
	Number of shares	Amount			
<b>Balance, July 31, 2017</b>	60,341,046	\$ 15,544,490	\$ 1,456,951	\$ (13,887,043)	\$ 3,114,398
Shares issued for private placement	2,619,047	550,000	-	-	550,000
Share issue costs	-	(49,770)	-	-	(49,770)
Shares purchase warrants exercised	1,285,041	189,256	-	-	189,256
Broker warrants issued for private placement	-	(37,781)	37,781	-	-
Loss for the period	-	-	-	(220,926)	(220,926)
<b>Balance, October 31, 2017</b>	64,245,134	16,196,195	1,494,732	(14,107,969)	3,582,958
Shares issued for private placement	2,000,000	450,000	-	-	450,000
Share issue costs	-	(3,000)	-	-	(3,000)
Shares purchase warrants exercised	8,401,756	1,367,012	-	-	1,367,012
Stock options exercised	4,000,000	800,000	-	-	800,000
Stock options issued	-	-	364,182	-	364,182
Transfer of reserves on options exercised	-	242,788	(242,788)	-	-
Transfer of reserves on warrants exercised	-	34,877	(34,877)	-	-
Loss for the period	-	-	-	(1,767,405)	(1,767,405)
<b>Balance, July 31, 2018</b>	78,646,890	19,087,872	1,581,249	(15,875,374)	4,793,747
Loss for the period	-	-	-	(155,362)	(155,362)
<b>Balance, October 31, 2018</b>	78,646,890	\$ 19,087,872	\$ 1,581,249	\$ (16,030,736)	\$ 4,638,385

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

**CRUZ COBALT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

October 31, 2018 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Cobalt Corp. (the “Company”) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol "CUZ". The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At October 31, 2018, the Company had exploration and evaluation assets located in Canada and the U.S.A.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At October 31, 2018, the Company had a working capital of \$2,748,693, had not yet achieved profitable operations and had an accumulated deficit of \$16,030,736 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed consolidated interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these condensed consolidated interim financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS34”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s most recently issued audited financial statements for the year ended July 31, 2018, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of these audited financial statements, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 20, 2018.

**2. BASIS OF PREPARATION (continued)**

b) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

c) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of October 31, 2018 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Place of Incorporation</b>	<b>Ownership Interest October 31, 2018</b>	<b>Ownership Interest July 31, 2018</b>
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

**3. NEW ACCOUNTING STANDARDS ADOPTED DURING THE PERIOD**

*IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company’s condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

#### 4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

##### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its condensed consolidated interim financial statements.

#### 5. CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	October 31, <u>2018</u>	July 31, <u>2018</u>
Cash at bank	\$ 69,006	\$ 32,527
Short-term deposits	2,524,500	2,774,500
	<u>\$ 2,593,506</u>	<u>\$ 2,807,027</u>

#### 6. RECEIVABLES

The Company’s receivables comprise of goods and services tax (“GST”) receivable due from Canadian government taxation authorities, accrued interest on short-term deposits, and reimbursements from one public company with common directors for recoverable office expenses.

	October 31, <u>2018</u>	July 31, <u>2018</u>
Related party receivable	\$ 1,627	\$ 3,512
Accrued interest on short-term deposits	11,690	25,260
GST recoverable	7,272	6,330
	<u>\$ 20,589</u>	<u>\$ 35,102</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company’s receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**7. PREPAIDS**

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	October 31, <u>2018</u>	July 31, <u>2018</u>
Corporate branding	\$ 3,490	\$ 1,373
Investor relations *	175,000	250,000
Other prepaids	<u>4,727</u>	<u>12,682</u>
Total prepaids	<u>\$ 183,217</u>	<u>\$ 264,055</u>

\* On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid the full amount to these two entities. This balance relates to services to be provided over the remaining contract period.

## 8. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	Yukon Quartz Claims	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2017	\$ 13,512	\$ 282,032	\$ 692,370	\$ 16,133	\$ 66,377	\$ 731,079	\$ 34,701	\$ 1,836,204
Acquisition costs								
Staking costs	7,283	7,197	60,890	-	-	-	-	75,370
Deferred exploration expenditures								
Geological expenses	2,283	1,217	49,123	-	-	-	-	52,623
Geological report	1,500	1,500	-	-	-	-	-	3,000
Geophysical expenses	-	-	3,300	-	-	-	-	3,300
Claim maintenance fees	-	-	-	210	8,921	18,837	2,603	30,571
Field supplies and equipment	-	-	2,581	-	-	-	-	2,581
Lab and assay	-	-	13,482	-	-	-	-	13,482
Prospecting	-	-	3,313	-	-	-	-	3,313
Sampling	-	-	14,040	-	-	-	-	14,040
Survey	13,500	13,500	117,304	-	-	-	-	144,304
Travel & misc	1,536	768	16,700	-	-	-	-	19,004
Advance for exploration	-	-	11,413	-	-	-	-	11,413
Prior year advance for exploration	-	-	(52,108)	-	-	-	-	(52,108)
Write-down of exploration and evaluation assets	(19,999)	(306,214)	(2,300)	-	(68,452)	(59,035)	-	(456,000)
Balance, July 31, 2018	19,615	-	930,108	16,343	6,846	690,881	37,304	1,701,097
Deferred exploration expenditures								
Geological expenses	-	-	25,409	-	-	-	-	25,409
Claim maintenance fees	-	-	-	210	832	13,425	2,692	17,159
Field supplies and equipment	-	-	2,638	-	-	-	-	2,638
Lab and assay	-	-	7,723	-	-	-	-	7,723
Travel & misc	-	-	10,686	-	-	-	-	10,686
Advance for exploration	-	-	106,773	-	-	-	-	106,773
Prior year advance for exploration	-	-	(11,413)	-	-	-	-	(11,413)
Balance, October 31, 2018	\$ 19,615	\$ -	\$ 1,071,924	\$ 16,553	\$ 7,678	\$ 704,306	\$ 39,996	\$ 1,860,072

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$7,283.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

As at October 31, 2018, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. (the "Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario (the "Coleman Cobalt Prospect", the "Bucke Cobalt Prospect", the "Hector Cobalt Prospect", and the "Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Cobalt Locaters SPA. Cobalt Locaters Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of \$19,500.

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$2,300. Subsequent to July 31, 2018, the Company decided to drop these claims. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$1,268.



**8. EXPLORATION AND EVALUATION ASSETS (continued)**

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking (continued)

In December 2017 and January 2018, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of \$45,600.

In April 2018, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect for staking costs of \$15,290.

As at October 31, 2018, the Company had spent a total of \$432,932 in exploration expenditures on the ON Cobalt Prospects.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

As at October 31, 2018, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon Quartz claims.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

As at October 31, 2018, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of \$25,426.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking (continued)

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

As at October 31, 2018, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

As of October 31, 2018, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	October 31, <u>2018</u>	July 31, <u>2018</u>
Trade payables	\$ 24,119	\$ 18,654
Accrued liabilities	<u>24,500</u>	<u>24,500</u>
Total payables	<u>\$ 48,619</u>	<u>\$ 43,154</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

## 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance at July 31, 2017	\$ 48,508
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(48,508)</u>
Balance at July 31, 2018 and October 31, 2018	<u>\$ -</u>

During the year ended July 31, 2018, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$48,508 and recognized it as other income.

## 11. SHARE CAPITAL AND RESERVES

**Authorized:** An unlimited number of common shares, without par value

### (a) Private placements

*Three months ended October 31, 2018:*

The Company did not close any private placements during the three months ended October 31, 2018.

*Three months ended October 31, 2017:*

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at \$37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

### (b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2017 to October 31, 2018:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2017	25,477,587	\$0.22
Issued	2,183,333	\$0.29
Exercised	(9,686,797)	\$0.16
Expired	<u>(802,275)</u>	\$1.33
Balance, July 31, 2018 and October 31, 2018	<u>17,171,848</u>	\$0.20

**11. SHARE CAPITAL AND RESERVES (continued)**

**(b) Share purchase warrants (continued)**

At October 31, 2018, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u>17,171,848</u>		

**(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2017 to October 31, 2018:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2017	4,334,125	\$0.28
Granted	6,000,000	\$0.20
Exercised	(4,000,000)	\$0.20
Expired	(4,004,350)	\$0.25
Outstanding and exercisable, July 31, 2018	<u>2,329,775</u>	\$0.27
Expired	(329,775)	\$0.67
Outstanding and exercisable, October 31, 2018	<u>2,000,000</u>	\$0.20

At October 31, 2018, 2,000,000 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>2,000,000</u>	\$0.20	November 9, 2018 (Note 16)

## 12. LOSS PER SHARE

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

	Three months ended October 31,	
	<u>2018</u>	<u>2017</u>
Net Loss	\$ (155,362)	\$ (220,926)
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>78,646,890</u>	<u>63,065,885</u>

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 11) were anti-dilutive for the three months ended October 31, 2018 and 2017.

The loss per share for the three months ended October 31, 2018 was \$0.00 (three months ended October 31, 2017: \$0.00).

## 13. RELATED PARTY TRANSACTIONS

### *Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Three months ended October 31,	
	<u>2018</u>	<u>2017</u>
Management fees	\$ 24,000	\$ 24,000
Professional fees	<u>13,500</u>	<u>8,500</u>
	<u>\$ 37,500</u>	<u>\$ 32,500</u>

### *Related party balances*

At October 31, 2018, accounts payable and accrued liabilities include \$7,555 (July 31, 2018: \$7,500) payable to three directors and an officer for unpaid office and directors' fees. These amounts are unsecured, non-interest bearing and payable on demand.

At October 31, 2018, related party receivables include \$1,440 (July 31, 2018: \$3,512) due from one public company with common directors for recoverable office expenses.

**14. SEGMENTAL REPORTING**

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	October 31, <u>2018</u>	July 31, <u>2018</u>
Canada	\$ 1,108,092	\$ 966,066
U.S.A.	<u>751,980</u>	<u>735,031</u>
	<u>\$ 1,860,072</u>	<u>\$ 1,701,097</u>

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Three months ended October 31, 2018:*

- a) The Company accrued exploration and evaluation assets of \$13,217 in accounts payable and accrued liabilities.

*Three months ended October 31, 2017:*

- b) The Company accrued exploration and evaluation assets of \$18,775 in accounts payable and accrued liabilities.

**16. SUBSEQUENT EVENTS**

Subsequent to October 31, 2018, 2,000,000 stock options at an exercise price of \$0.20 per share expired unexercised.

**17. COMMITMENT**

During the year ended July 31, 2017, the Company entered into a lease agreement (the "Agreement") for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. As of October 31, 2018, amounts under the Agreement terms (net of taxes) are as follows:

	<u>Amounts</u>
July 31, 2019	\$ 62,759
July 31, 2020	<u>85,227</u>
	<u>\$ 147,986</u>

**CRUZ COBALT CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2018 and 2017

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Cruz Cobalt Corp.

We have audited the accompanying consolidated financial statements of Cruz Cobalt Corp., which comprise the consolidated statements of financial position as at July 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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.

### *Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Cruz Cobalt Corp. as at July 31, 2018 and 2017 and its financial performance and its cash flows 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Cruz Cobalt Corp.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 21, 2018

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>ASSETS</b>	July 31, <u>2018</u>	July 31, <u>2017</u>
<b>Current assets</b>			
Cash and cash equivalents – Note 4		\$ 2,807,027	\$ 1,926,311
Receivables – Note 5		35,102	25,332
Prepaid expenses – Note 6		264,055	54,465
<b>Total current assets</b>		<u>3,106,184</u>	<u>2,006,108</u>
<b>Non-current assets</b>			
Rent deposit		29,620	29,620
Exploration and evaluation assets – Note 7		1,701,097	1,836,204
<b>Total assets</b>		<u>\$ 4,836,901</u>	<u>\$ 3,871,932</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 8 and 12		\$ 43,154	\$ 709,026
Flow-through share premium liability – Note 9		-	48,508
<b>Total current liabilities</b>		<u>43,154</u>	<u>757,534</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital – Note 10		19,087,872	15,544,490
Reserves – Note 10		1,581,249	1,456,951
Accumulated deficit		(15,875,374)	(13,887,043)
<b>Total shareholders' equity</b>		<u>4,793,747</u>	<u>3,114,398</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 4,836,901</u>	<u>\$ 3,871,932</u>

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Notes 7 and 18)  
Commitment (Note 19)

APPROVED BY THE DIRECTORS:

<i>“Seth Kay”</i> Seth Kay	Director	<i>“James Nelson”</i> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	2018	2017
<b>Operating expenses</b>		
Consulting	\$ 129,625	\$ 188,652
Corporate branding	500,832	439,997
Depreciation	-	2,077
Finance fees	-	1,500
Investor relations	200,000	-
Management and directors' fees – Note 12	125,000	111,450
Office and miscellaneous	81,832	60,256
Professional fees – Note 12	143,795	87,923
Shareholder information	28,936	18,860
Share-based payments – Notes 10 and 12	364,182	363,702
Transfer agent and filing fees	35,495	85,478
Travel and misc	14,401	10,772
	(1,624,098)	(1,370,667)
Interest income	26,599	4,438
Other income on settlement of flow-through share premium liability – Note 9	48,508	24,742
Gain on sale of exploration and evaluation assets – Note 7	-	135,645
Realized gain on sale of marketable securities – Note 7	-	145,990
Gain on write-off of accounts payable	16,660	-
Write-down of exploration and evaluation assets – Note 7	(456,000)	(78,738)
	(364,233)	232,077
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (1,988,331)</b>	<b>\$ (1,138,590)</b>
Loss per share – basic and diluted – Note 11	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted – Note 11	72,173,422	49,747,023

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Loss for the year	\$ (1,988,331)	\$ (1,138,590)
Adjustments for non-cash items:		
Depreciation	-	2,077
Other income on settlement of flow-through share premium liability	(48,508)	(24,742)
Share-based payments	364,182	363,702
Realized gain on sale of marketable securities	-	(145,990)
Realized gain on sale of exploration and evaluation assets	-	(135,645)
Gain on write-off of accounts payable	(16,660)	-
Write-down of exploration and evaluation assets	456,000	78,738
Changes in non-cash working capital items:		
Receivables	(9,770)	(9,739)
Prepaid expenses	(209,590)	(9,287)
Rent deposit	-	(29,620)
Accounts payable and accrued liabilities	(585,360)	(764,710)
<b>Cash used in operating activities</b>	<u>(2,038,037)</u>	<u>(1,813,806)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	(384,745)	(320,626)
Proceeds from sale of marketable securities	-	295,990
<b>Cash used in investing activities</b>	<u>(384,745)</u>	<u>(24,636)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	3,356,268	3,994,891
Share issue costs	(52,770)	(106,800)
Loan repayments	-	(169,500)
<b>Cash provided by financing activities</b>	<u>3,303,498</u>	<u>3,718,591</u>
Change in cash during the year	880,716	1,880,149
Cash, beginning of the year	<u>1,926,311</u>	<u>46,162</u>
<b>Cash, end of the year</b>	<u>\$ 2,807,027</u>	<u>\$ 1,926,311</u>

Supplemental Disclosure with Respect to Cash Flows (Note 17)

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Accumulated Deficit	Total
	Number of shares	Amount			
<b>Balance, July 31, 2016</b>	19,426,746	\$ 10,176,307	\$ 1,199,091	\$ (12,748,453)	\$ (1,373,055)
Shares issued for private placement	20,197,500	2,093,000	-	-	2,093,000
Share issue costs	-	(106,800)	-	-	(106,800)
Shares purchase warrants exercised	8,716,800	1,185,286	-	-	1,185,286
Stock options exercised	4,050,000	716,605	-	-	716,605
For exploration and evaluation assets	7,950,000	1,447,500	-	-	1,447,500
Stock options issued	-	-	363,702	-	363,702
Broker warrants issued for private placement	-	(143,497)	143,497	-	-
Flow-through share premium liability	-	(73,250)	-	-	(73,250)
Transfer of reserves on options exercised	-	197,086	(197,086)	-	-
Transfer of reserves on warrants exercised	-	52,253	(52,253)	-	-
Loss for the year	-	-	-	(1,138,590)	(1,138,590)
<b>Balance, July 31, 2017</b>	60,341,046	15,544,490	1,456,951	(13,887,043)	3,114,398
Shares issued for private placement	4,619,047	1,000,000	-	-	1,000,000
Share issue costs	-	(52,770)	-	-	(52,770)
Shares purchase warrants exercised	9,686,797	1,556,268	-	-	1,556,268
Stock options exercised	4,000,000	800,000	-	-	800,000
Broker warrants issued for private placement	-	(37,781)	37,781	-	-
Stock options issued	-	-	364,182	-	364,182
Transfer of reserves on options exercised	-	242,788	(242,788)	-	-
Transfer of reserves on warrants exercised	-	34,877	(34,877)	-	-
Loss for the year	-	-	-	(1,988,331)	(1,988,331)
<b>Balance, July 31, 2018</b>	78,646,890	\$ 19,087,872	\$ 1,581,249	\$ (15,875,374)	\$ 4,793,747

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

**CRUZ COBALT CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2018 and 2017 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Cobalt Corp. (the “Company”) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol "CUZ". The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2018, the Company had exploration and evaluation assets located in Canada and the U.S.A.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2018, the Company had a working capital of \$3,063,030, had not yet achieved profitable operations and has an accumulated deficit of \$15,875,374 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These consolidated 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 International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2018.

## 2. BASIS OF PREPARATION (continued)

### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are initially measured at fair value through profit or loss.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

#### *Critical accounting judgments*

A significant judgment, apart from those involving estimation, include:

- Classification of financial instruments

### c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

## 2. BASIS OF PREPARATION (continued)

### d) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of July 31, 2018 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest July 31, 2018	Ownership Interest July 31, 2017
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### a) Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars, the presentation and functional currency of the Company, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Exploration and evaluation assets**

*Pre-exploration costs*

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**c) Impairment of tangible and intangible assets**

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Impairment of tangible and intangible assets (continued)**

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. 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 periods. A reversal of an impairment loss is recognized in profit or loss.

**d) Rehabilitation provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

**e) Financial instruments**

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

***Financial assets at fair value through profit or loss ("FVTPL")***

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Financial instruments (continued)**

***Held-to-maturity (“HTM”)***

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

***Available-for-sale (“AFS”)***

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash and cash equivalents are classified as FVTPL; and
- Receivables are classified as loans and receivables.

***Financial liabilities***

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

***Fair value through profit or loss***

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Financial instruments (continued)**

*Other financial liabilities*

This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its financial liabilities as follows:

-Accounts payable and accrued liabilities are classified as other financial liabilities.

*Impairment of financial assets*

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

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

**f) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Income taxes (continued)**

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset 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.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**g) Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital.

Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

**i) Investment tax credit**

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of loss and comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

**j) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**k) Share-based payments**

The Company grants stock options to buy 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 recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

##### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.

##### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

### 4. CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	July 31, <u>2018</u>	July 31, <u>2017</u>
Cash at bank	\$ 32,527	\$ 1,376,311
Short-term deposits	2,774,500	550,000
	<u>\$ 2,807,027</u>	<u>\$ 1,926,311</u>

## 5. RECEIVABLES

The Company's receivables comprise of goods and services tax ("GST") receivable due from Canadian government taxation authorities, accrued interest on short-term deposits, and reimbursements from four public companies with common directors for recoverable office and administrative expenses.

	July 31, <u>2018</u>	July 31, <u>2017</u>
Related party receivable	\$ 3,512	\$ 18,282
Accrued interest on short-term deposits	25,260	-
GST recoverable	<u>6,330</u>	<u>7,050</u>
Total receivables	<u>\$ 35,102</u>	<u>\$ 25,332</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

## 6. PREPAIDS

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	July 31, <u>2018</u>	July 31, <u>2017</u>
Corporate branding	\$ 1,373	\$ 45,073
Investor relations *	250,000	-
Other prepaids	<u>12,682</u>	<u>9,392</u>
Total prepaids	<u>\$ 264,055</u>	<u>\$ 54,465</u>

\* On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid the full amount to these two entities. This balance relates to services to be provided over the remaining contract period.



## 7. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	Yukon Quartz Claims	ON Kenagami Property	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2016	\$ 3,496	\$ -	\$ -	\$ 15,923	\$ 45,900	\$ -	\$ -	\$ 32,000	\$ 97,319
Acquisition costs									
Cash	-	6,666	13,334	-	-	39,964	-	-	59,964
Staking costs	-	-	23,068	-	-	-	25,426	-	48,494
Share issuance	-	272,000	544,000	-	31,500	-	600,000	-	1,447,500
Deferred exploration expenditures									
Geological expenses	-	-	25,350	-	-	-	-	-	25,350
Claim maintenance fees	10,016	3,366	-	210	1,338	-	-	2,701	17,631
Prospecting costs	-	-	4,055	-	-	-	-	-	4,055
Sampling	-	-	-	-	-	26,413	105,653	-	132,066
Travel & misc	-	-	30,455	-	-	-	-	-	30,455
Advance for exploration	-	-	52,108	-	-	-	-	-	52,108
Write-down of exploration and evaluation assets	-	-	-	-	(78,738)	-	-	-	(78,738)
Balance, July 31, 2017	13,512	282,032	692,370	16,133	-	66,377	731,079	34,701	1,836,204
Acquisition costs									
Staking costs	7,283	7,197	60,890	-	-	-	-	-	75,370
Deferred exploration expenditures									
Geological expenses	2,283	1,217	49,123	-	-	-	-	-	52,623
Geological report	1,500	1,500	-	-	-	-	-	-	3,000
Geophysical expenses	-	-	3,300	-	-	-	-	-	3,300
Claim maintenance fees	-	-	-	210	-	8,921	18,837	2,603	30,571
Field supplies and equipment	-	-	2,581	-	-	-	-	-	2,581
Lab and assay	-	-	13,482	-	-	-	-	-	13,482
Prospecting	-	-	3,313	-	-	-	-	-	3,313
Sampling	-	-	14,040	-	-	-	-	-	14,040
Survey	13,500	13,500	117,304	-	-	-	-	-	144,304
Travel & misc	1,536	768	16,700	-	-	-	-	-	19,004
Advance for exploration	-	-	11,413	-	-	-	-	-	11,413
Prior year advance for exploration	-	-	(52,108)	-	-	-	-	-	(52,108)
Write-down of exploration and evaluation assets	(19,999)	(306,214)	(2,300)	-	-	(68,452)	(59,035)	-	(456,000)
Balance, July 31, 2018	\$ 19,615	\$ -	\$ 930,108	\$ 16,343	\$ -	\$ 6,846	\$ 690,881	\$ 37,304	\$ 1,701,097

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$7,283.

Subsequent to July 31, 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

As at July 31, 2018, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. (the "Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario (the "Coleman Cobalt Prospect", the "Bucke Cobalt Prospect", the "Hector Cobalt Prospect", and the "Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Cobalt Locaters SPA. Cobalt Locaters Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of \$19,500.

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$2,300. Subsequent to July 31, 2018, the Company decided to drop these claims. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$1,268.

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking (continued)

In December 2017 and January 2018, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of \$45,600.

In April 2018, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect for staking costs of \$15,290.

As at July 31, 2018, the Company had spent a total of \$291,116 in exploration expenditures on the ON Cobalt Prospects.

BC Purcell Cobalt Prospect – Staking

Under the Cobalt Locaters SPA, the Company indirectly acquired a 100% interest in two cobalt prospects in B.C..

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$7,197.

Subsequent to July 31, 2018, the Company decided to drop the entire property. Prior acquisition costs of \$285,863 and exploration costs of \$20,351 were written off as of July 31, 2018.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

As at July 31, 2018, the Company had spent a total of \$1,707 in exploration expenditures on the remaining Yukon Quartz claims.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.

Subsequent to July 31, 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

As at July 31, 2018, the Company had spent a total of \$3,213 in exploration expenditures on this prospect.

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of \$25,426.

Subsequent to July 31, 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

As at July 31, 2018, the Company had spent a total of \$90,033 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

As of July 31, 2018, the Company had incurred a total of \$5,304 in claim maintenance fees on this prospect.

Ontario Kenagami Hydrothermal Graphite Prospect – Purchase Agreement

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims located in Ontario. The Company was required to make a cash payment of \$20,000 and issued 300,000 common shares (issued at a value of \$71,500) in set payments on or before September 25, 2017.

In August 2017, the Company decided not to continue with this property. Accordingly, prior acquisition costs of \$73,000 and exploration costs of \$5,738 were written off as of July 31, 2017.

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

Sale of Idaho Cobalt Prospect

In September 2016, the Company partnered with three non related parties (the "Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20% of the acquisition costs, being \$14,355. On September 9, 2016, the Company and the Vendors entered into a share purchase agreement with Scientific, an arm's length party, to sell their equity interest in the BC Company. In consideration, Scientific issued 500,000 common shares to the Company valued at \$150,000 and 2,000,000 common shares to the Vendors. Accordingly, the Company recorded a realized gain of \$135,645 for the sale of this asset, which was included in profit or loss in the year ended July 31, 2017. The Scientific shares were also sold by the Company for proceeds of \$295,990 resulting in a gain of \$145,990.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, <u>2018</u>	July 31, <u>2017</u>
Trade payables	\$ 18,654	\$ 688,126
Accrued liabilities	24,500	20,900
	<hr/>	<hr/>
Total payables	<u>\$ 43,154</u>	<u>\$ 709,026</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

**9. FLOW-THROUGH SHARE PREMIUM LIABILITY**

---



---

Balance at July 31, 2016	\$ -
Liability incurred on flow-through shares issued	73,250
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(24,742)</u>
Balance at July 31, 2017	48,508
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(48,508)</u>
Balance at July 31, 2018	<u>\$ -</u>

---

**9. FLOW-THROUGH SHARE PREMIUM LIABILITY (continued)**

In August 2016, the Company closed a private placement of 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$293,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. The premium received on the flow-through shares issued was determined to be \$73,250 and was recorded as a share capital reduction. An equivalent premium liability was also recorded.

During the year ended July 31, 2017, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$24,742 and recognized it as other income.

During the year ended July 31, 2018, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$48,508 and recognized it as other income.

**10. SHARE CAPITAL AND RESERVES**

**Authorized:** An unlimited number of common shares, without par value

**(a) Private placements**

*Year ended July 31, 2018:*

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at \$37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

*Year ended July 31, 2017:*

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection

**10. SHARE CAPITAL AND RESERVES (continued)**

**(a) Private placements (continued)**

with the financing, the Company incurred filing fees of \$12,948, paid aggregate finder's fees of \$93,852 and issued 801,762 non flow-through broker warrants ("NFT Broker Warrants") and 102,600 flow-through broker warrants ("FT Broker Warrants"). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019. The NFT Broker Warrants and the FT Broker Warrants were valued at \$127,224 and \$16,273, respectively, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 303.4%, risk-free interest rate 0.57% and an expected life of three years.

**(b) Share purchase warrants**

The following is a summary of changes in share purchase warrants from July 31, 2016 to July 31, 2018:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2016	13,809,390	\$0.43
Issued	21,101,862	\$0.15
Exercised	(8,716,800)	\$0.14
Expired	(716,865)	\$3.36
Balance, July 31, 2017	<u>25,477,587</u>	\$0.22
Issued	2,183,333	\$0.29
Exercised	(9,686,797)	\$0.16
Expired	(802,275)	\$1.33
Balance, July 31, 2018	<u><u>17,171,848</u></u>	\$0.20

At July 31, 2018, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u><u>17,171,848</u></u>		

**10. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2016 to July 31, 2018:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2016	1,883,400	\$0.25
Granted	8,200,000	\$0.23
Exercised	(4,050,000)	\$0.18
Expired	<u>(1,699,275)</u>	\$0.24
Outstanding and exercisable, July 31, 2017	4,334,125	\$0.28
Granted	6,000,000	\$0.20
Exercised	(4,000,000)	\$0.20
Expired	<u>(4,004,350)</u>	\$0.25
Outstanding and exercisable, July 31, 2018	<u><u>2,329,775</u></u>	\$0.27

At July 31, 2018, 2,329,775 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
329,775	\$0.67	September 3, 2018 (Note 18)
<u>2,000,000</u>	\$0.20	November 9, 2018 (Note 18)
<u><u>2,329,775</u></u>		

During the year ended July 31, 2018, 4,000,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$800,000 (year ended July 31, 2017: 1,125,000 stock options were exercised at a price of \$0.12 per share and 2,925,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$716,605). The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of \$242,788 (year ended July 31, 2017: \$197,086).



**10. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

During the year ended July 31, 2018, the Company granted 6,000,000 stock options with an exercise price at \$0.20 per share and an expiry date of November 9, 2018 (year ended July 31, 2017: 8,200,000 stock options were granted with exercise price ranging from \$0.20 to \$0.35 per share and expiry dates ranging from December 9, 2016 to October 9, 2017). The weighted average fair value of the options issued in the year ended July 31, 2018 was estimated at \$0.06 (year ended July 31, 2017: \$ 0.04) per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	<u>Year ended July 31, 2018</u>	<u>Year ended July 31, 2017</u>
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility *	81.05%	99.42%
Weighted average risk-free interest rate	1.53%	0.71%
Weighted average expected term	1 year	0.33 year

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2018 were \$364,182 (year ended July 31, 2017: \$363,702).

**11. LOSS PER SHARE**

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

	<u>Years ended July 31,</u>	
	<u>2018</u>	<u>2017</u>
Net Loss	<u>\$ (1,988,331)</u>	<u>\$ (1,138,590)</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>72,173,422</u>	<u>49,747,023</u>

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 10) were anti-dilutive for the years ended July 31, 2018 and 2017.

The loss per share for the year ended July 31, 2018 was \$0.03 (year ended July 31, 2017: \$0.02).

## 12. RELATED PARTY TRANSACTIONS

### *Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Years ended July 31,	
	<u>2018</u>	<u>2017</u>
Management and directors' fees	\$ 125,000	\$ 111,450
Professional fees	60,000	19,500
Share-based payments *	<u>9,752</u>	<u>22,563</u>
	<u>\$ 194,752</u>	<u>\$ 153,513</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

### *Related party balances*

At July 31, 2018, accounts payable and accrued liabilities include \$7,500 (July 31, 2017: \$7,794) payable to three directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and payable on demand.

At July 31, 2018, related party receivables include \$3,512 (July 31, 2017: \$18,282) due from four public companies with common directors for recoverable office and administrative expenses.

During the year ended July 31, 2018, the Company reimbursed a public company with one common director and an officer in the amount of \$Nil (year ended July 31, 2017: \$18,396) for the service provided by the Chief Financial Officer of the related company.

## 13. SEGMENTAL REPORTING

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	July 31, <u>2018</u>	July 31, <u>2017</u>
Canada	\$ 966,066	\$ 1,004,047
U.S.A.	<u>735,031</u>	<u>832,157</u>
	<u>\$ 1,701,097</u>	<u>\$ 1,836,204</u>

#### 14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Years ended July 31,	
	2018	2017
Loss before income taxes	\$ (1,988,331)	\$ (1,138,590)
Expected income tax (recovery)	\$ (529,000)	\$ (296,000)
Change in statutory rate and other	(146,000)	(1,000)
Permanent difference	98,000	-
Impact of flow through shares	58,000	26,000
Share issue costs	(14,000)	(28,000)
Adjustment to prior year provision versus statutory tax returns	307,000	-
Change in unrecognized deductible temporary differences	226,000	299,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecognized deferred tax assets are as follows:

	2018	2017
Exploration and evaluation assets	\$ 1,168,000	\$ 1,292,000
Property and equipment	3,000	-
Share issue costs	30,000	24,000
Capital assets	20,000	20,000
Non-Capital losses	2,092,000	1,749,000
Net unrecognized deferred tax assets	\$ 3,079,000	\$ 3,087,000

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2018 and 2017 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$7,879,000 (2017: \$6,720,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2038.

#### 15. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which at July 31, 2018 was \$4,793,747 (July 31, 2017: \$3,114,398).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at July 31, 2018, the Company has not entered into any debt financing

**15. CAPITAL DISCLOSURE (continued)**

with any financial institution.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended July 31, 2018.

**16. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2018, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at July 31, 2018, the Company is not exposed to any significant credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2018, the Company is not exposed to any significant interest rate risk.

**16. FINANCIAL INSTRUMENTS AND RISK (continued)**

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

**17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Year ended July 31, 2018:*

There were no significant non-cash investing and financing activities.

*Year ended July 31, 2017:*

- a) The Company accrued exploration and evaluation assets of \$71,323 in accounts payable and accrued liabilities.
- b) The Company issued 4,800,000 common shares valued at \$816,000 pursuant to the share purchase agreement with Cobalt Locators.
- c) The Company issued 150,000 common shares valued at \$31,500 pursuant to the Ontario Kenagami Hydrothermal Graphite Prospect purchase agreement.
- d) The Company issued 3,000,000 common shares valued at \$600,000 pursuant to the Montana Chicken Hawk Cobalt Agreement.

**18. SUBSEQUENT EVENTS**

Subsequent to July 31, 2018, 329,775 stock options at an exercise price of \$0.67 per share and 2,000,000 stock options at an exercise price of \$0.20 per share expired unexercised.

**19. COMMITMENT**

During the year ended July 31, 2017, the Company entered into a lease agreement (the "Agreement") for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. As of July 31, 2018, amounts under the Agreement terms (net of taxes) are as follows:

	<u>Amounts</u>
July 31, 2019	\$ 83,342
July 31, 2020	<u>85,227</u>
	<u>\$ 168,569</u>

**CRUZ COBALT CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2017 and 2016

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Cruz Cobalt Corp. (formerly Cruz Capital Corp.)

We have audited the accompanying consolidated financial statements of Cruz Cobalt Corp. (formerly Cruz Capital Corp.), which comprise the consolidated statements of financial position as at July 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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.

### *Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Cruz Cobalt Corp. (formerly Cruz Capital Corp.) as at July 31, 2017 and 2016 and its financial performance and its cash flows 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Cruz Cobalt Corp.'s (formerly Cruz Capital Corp.) ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 24, 2017

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>ASSETS</b>	July 31, <u>2017</u>	July 31, <u>2016</u>
<b>Current assets</b>			
Cash and cash equivalents – Note 4		\$ 1,926,311	\$ 46,162
Receivables – Note 6		25,332	9,118
Prepaid expenses		54,465	45,178
<b>Total current assets</b>		<u>2,006,108</u>	<u>100,458</u>
<b>Non-current assets</b>			
Equipment – Note 7		-	2,077
Rent deposit		29,620	6,475
Exploration and evaluation assets – Note 8		1,836,204	97,319
		<u>-</u>	<u>20,871</u>
<b>Total assets</b>		<u>\$ 3,871,932</u>	<u>\$ 206,329</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 9 and 14		\$ 709,026	\$ 1,409,884
Loans payable – Note 10		-	169,500
Flow-through share premium liability – Note 11		48,508	-
<b>Total current liabilities</b>		<u>757,534</u>	<u>1,579,384</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital – Note 12		15,544,490	10,176,307
Reserves – Note 12		1,456,951	1,199,091
Accumulated deficit		(13,887,043)	(12,748,453)
<b>Total shareholders' equity (deficiency)</b>		<u>3,114,398</u>	<u>(1,373,055)</u>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<u>\$ 3,871,932</u>	<u>\$ 206,329</u>

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Notes 8 and 20)  
Commitment (Note 21)

APPROVED BY THE DIRECTORS:

<u>“Seth Kay”</u> Seth Kay	Director	<u>“James Nelson”</u> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2017</u>	<u>2016</u>
<b>Operating expenses</b>		
Consulting	\$ 188,652	\$ 165,670
Depreciation – Note 7	2,077	520
Finance fees	1,500	-
Management and directors’ fees – Note 14	111,450	20,500
Office and miscellaneous – Note 14	60,256	38,193
Professional fees – Note 14	87,923	36,822
Shareholder information	18,860	7,962
Share-based payments – Notes 12 and 14	363,702	82,668
Transfer agent and filing fees	85,478	24,329
Travel and promotion	450,769	12,188
	(1,370,667)	(388,852)
Interest income	4,438	-
Interest expense	-	(23)
Other income on settlement of flow-through share premium liability – Note 11	24,742	-
Gain on sale of exploration and evaluation assets – Note 8	135,645	-
Realized gain on sale of marketable securities – Note 5	145,990	-
Write-down of exploration and evaluation assets – Note 8	(78,738)	(205,280)
	232,077	(205,303)
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (1,138,590)</b>	<b>\$ (594,155)</b>
Loss per share – basic and diluted – Note 13	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted – Note 13	49,747,023	13,962,810

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Loss for the year	\$ (1,138,590)	\$ (594,155)
Adjustments for non-cash items:		
Depreciation	2,077	520
Other income on settlement of flow-through share premium liability	(24,742)	-
Share-based payments	363,702	82,668
Realized gain on sale of marketable securities	(145,990)	-
Realized gain on sale of exploration and evaluation assets	(135,645)	-
Write-down of exploration and evaluation assets	78,738	205,280
Changes in non-cash working capital items:		
Receivables	(9,739)	6,160
Prepaid expenses	(9,287)	(42,145)
Rent deposit	(29,620)	-
Accounts payable and accrued liabilities	(764,710)	170,472
<b>Cash used in operating activities</b>	<u>(1,813,806)</u>	<u>(171,200)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	(320,626)	(5,706)
Proceeds from sale of marketable securities	295,990	-
<b>Cash used in investing activities</b>	<u>(24,636)</u>	<u>(5,706)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	3,994,891	200,000
Share issue costs	(106,800)	(2,130)
Proceeds from loan issuances	-	16,700
Loan repayments	(169,500)	(33,200)
<b>Cash provided by financing activities</b>	<u>3,718,591</u>	<u>181,370</u>
Change in cash during the year	1,880,149	4,464
Cash, beginning of the year	46,162	41,698
<b>Cash, end of the year</b>	<u>\$ 1,926,311</u>	<u>\$ 46,162</u>

Supplemental Disclosure with Respect to Cash Flows (Note 19)

**CRUZ COBALT CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	<b>Share Capital</b>			<b>Accumulated</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, July 31, 2015</b>	12,526,746	\$ 9,948,437	\$ 1,116,423	\$ (12,154,298)	\$ (1,089,438)
Shares issued for private placement	6,000,000	200,000	-	-	200,000
Share issue costs	-	(2,130)	-	-	(2,130)
For exploration and evaluation assets	900,000	30,000	-	-	30,000
Stock options issued	-	-	82,668	-	82,668
Loss for the year	-	-	-	(594,155)	(594,155)
<b>Balance, July 31, 2016</b>	19,426,746	10,176,307	1,199,091	(12,748,453)	(1, 373,055)
Shares issued for private placement	20,197,500	2,093,000	-	-	2,093,000
Share issue costs	-	(106,800)	-	-	(106,800)
Shares purchase warrants exercised	8,716,800	1,185,286	-	-	1,185,286
Stock options exercised	4,050,000	716,605	-	-	716,605
For exploration and evaluation assets	7,950,000	1,447,500	-	-	1,447,500
Stock options issued	-	-	363,702	-	363,702
Broker warrants issued for private placement	-	(143,497)	143,497	-	-
Flow-through share premium liability	-	(73,250)	-	-	(73,250)
Transfer of reserves on options exercised	-	197,086	(197,086)	-	-
Transfer of reserves on warrants exercised	-	52,253	(52,253)	-	-
Loss for the year	-	-	-	(1,138,590)	(1,138,590)
<b>Balance, July 31, 2017</b>	60,341,046	\$ 15,544,490	\$ 1,456,951	\$ (13,887,043)	\$ 3,114,398

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

**CRUZ COBALT CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2017 and 2016 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Cobalt Corp. (the “Company”; formerly Cruz Capital Corp.) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”) under the symbol “CUZ”. The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2017, the Company had exploration and evaluation assets located in Canada and the U.S.A. During the year ended July 31, 2017, the Company split its share capital, stock options and share purchase warrants on a one pre-split for three post-split basis. These consolidated financial statements reflect the share split. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2017, the Company had a working capital of \$1,248,574, had not yet achieved profitable operations and has an accumulated deficit of \$13,887,043 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These consolidated 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 International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on November 24, 2017.

## 2. BASIS OF PREPARATION (continued)

### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are initially measured at fair value through profit or loss.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

#### *Critical accounting judgments*

A significant judgment, apart from those involving estimation, include:

- Classification of financial instruments

### c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

## 2. BASIS OF PREPARATION (continued)

### d) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of July 31, 2017 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest July 31, 2017	Ownership Interest July 31, 2016
Cobalt Locators Inc.	Holding company	Canada	100%	-
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### a) Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars, the presentation and functional currency of the Company, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Exploration and evaluation assets**

*Pre-exploration costs*

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**c) Equipment**

Computer and office equipment is carried at cost less accumulated depreciation. The cost of an item of computer and office equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and, where appropriate, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the rate of 20% per annum. Depreciation is recorded at one-half the rate in the year of acquisition.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Equipment (continued)**

Items of computer and office equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

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

**d) Impairment of tangible and intangible assets**

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. 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 periods. A reversal of an impairment loss is recognized in profit or loss.

**e) Rehabilitation provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Rehabilitation provision (continued)**

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

**f) Financial instruments**

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

***Financial assets at fair value through profit or loss ("FVTPL")***

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

***Held-to-maturity ("HTM")***

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial instruments (continued)**

*Available-for-sale (“AFS”)*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash and cash equivalents are classified as FVTPL; and
- Receivables are classified as loans and receivables.

*Financial liabilities*

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

*Fair value through profit or loss*

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*

This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its financial liabilities as follows:

- Accounts payable and accrued liabilities, and loans payable are classified as other financial liabilities.

*Impairment of financial assets*

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **f) Financial instruments (continued)**

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

#### **g) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Income taxes (continued)**

different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**h) Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital.

Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**i) Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Investment tax credit**

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of loss and comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

**k) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**l) Share-based payments**

The Company grants stock options to buy 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 recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

**m) Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

*IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m) Accounting standards issued but not yet effective (continued)**

recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

*IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

**4. CASH AND CASH EQUIVALENTS**

The Company’s cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	July 31, <u>2017</u>	July 31, <u>2016</u>
Cash at bank	\$ 1,376,311	\$ 46,162
Short-term deposits	550,000	-
	<u>\$ 1,926,311</u>	<u>\$ 46,162</u>



## 5. MARKETABLE SECURITIES

The Company's marketable securities are recorded at fair market value as they are classified as at fair value through profit or loss ("FVTPL") financial instruments.

Marketable securities comprise the following:

	Common shares	Market value	Costs
Balance, July 31, 2016	-	\$ -	\$ -
Addition	500,000	150,000	150,000
Sale	(500,000)	(295,990)	(150,000)
Realized gain on sale	-	145,990	-
Balance, July 31, 2017	-	\$ -	\$ -

The Company held equity securities in a publicly traded company, US Cobalt Inc. (formerly Scientific Metals Corp.; "Scientific"). In January 2017, Scientific consolidated its share capital on a one-new-for-four-old basis. The disclosure in Note 5 and Note 8 reflects the share consolidation. During the year ended July 31, 2017, the Company sold 500,000 Scientific shares for gross proceeds of \$295,990. Accordingly, the Company recorded a realized gain of \$145,990 (year ended July 31, 2016: \$Nil) which was included in profit or loss.

## 6. RECEIVABLES

The Company's receivables comprise of goods and services tax ("GST") receivable due from Canadian government taxation authorities and reimbursements from three public companies with common directors for recoverable office and administrative expenses.

	July 31, <u>2017</u>	July 31, <u>2016</u>
Accounts receivable	\$ 18,282	\$ 3,197
GST recoverable	7,050	5,921
Total receivables	<u>\$ 25,332</u>	<u>\$ 9,118</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**7. EQUIPMENT**

	Computer and office equipment
Cost, July 31, 2017, 2016 and 2015	<u>\$ 7,816</u>
Accumulated depreciation, July 31, 2015	5,219
Depreciation for the year	<u>520</u>
Accumulated depreciation, July 31, 2016	5,739
Depreciation for the year	<u>2,077</u>
Accumulated depreciation, July 31, 2017	<u>\$ 7,816</u>
Net book value, July 31, 2016	<u>\$ 2,077</u>
Net book value, July 31, 2017	<u>\$ -</u>

## 8. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	Yukon Quartz Claims	ON Kenagami Property	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	ON Albany East	Quebec Gaspé Bay	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2015	\$ 23,570	\$ 45,900	\$ -	\$ -	\$ -	\$ 194,311	\$ 3,110	\$ -	\$ -	\$ -	\$ 266,891
Acquisition costs	-	-	3,496	-	-	-	-	-	-	32,000	35,496
Deferred exploration expenditures											
Geological report	-	-	-	-	-	2	-	-	-	-	2
Claim maintenance fees	210	-	-	-	-	-	-	-	-	-	210
Write-down of exploration and evaluation assets	(7,857)	-	-	-	-	(194,313)	(3,110)	-	-	-	(205,280)
Balance, July 31, 2016	15,923	45,900	3,496	-	-	-	-	-	-	32,000	97,319
Acquisition costs											
Cash	-	-	-	6,666	13,334	-	-	39,964	-	-	59,964
Staking costs	-	-	-	-	23,068	-	-	-	25,426	-	48,494
Share issuance	-	31,500	-	272,000	544,000	-	-	-	600,000	-	1,447,500
Deferred exploration expenditures											
Geological expenses	-	-	-	-	25,350	-	-	-	-	-	25,350
Claim maintenance fees	210	1,338	10,016	3,366	-	-	-	-	-	2,701	17,631
Prospecting costs	-	-	-	-	4,055	-	-	-	-	-	4,055
Sampling	-	-	-	-	-	-	-	26,413	105,653	-	132,066
Travel & misc	-	-	-	-	30,455	-	-	-	-	-	30,455
Advance for exploration	-	-	-	-	52,108	-	-	-	-	-	52,108
Write-down of exploration and evaluation assets	-	(78,738)	-	-	-	-	-	-	-	-	(78,738)
Balance, July 31, 2017	\$ 16,133	\$ -	\$ 13,512	\$ 282,032	\$ 692,370	\$ -	\$ -	\$ 66,377	\$ 731,079	\$ 34,701	\$ 1,836,204

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

In September 2015, the Company decided not to continue with certain claims and allowed them to lapse when they became due. Prior acquisition costs of \$86,563 and exploration costs of \$7,720 associated with these claims were written off as of July 31, 2015.

During the year ended July 31, 2016, the Company decided to drop one claim and allowed it to lapse when it became due. Prior acquisition costs of \$7,214 and exploration costs of \$643 associated with this lapsed claim were written off.

As at July 31, 2017, the Company had spent a total of \$1,497 in exploration expenditures on the remaining Yukon Quartz claims.

Ontario Kenagami Hydrothermal Graphite Prospect – Purchase Agreement

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims located in Ontario. The Company was required to make a cash payment of \$20,000 and issued 300,000 common shares (issued at a value of \$71,500) in set payments on or before September 25, 2017.

Subsequent to July 31, 2017, the Company decided not to continue with this property. Accordingly, prior acquisition costs of \$73,000 and exploration costs of \$5,738 were written off as of July 31, 2017.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

As at July 31, 2017, the Company had spent a total of \$10,016 in claim maintenance fees on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Agreement”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locators Inc., which holds a 100% interest in two cobalt prospects in B.C. (“BC Purcell Cobalt Prospect”) and a 50% interest in four cobalt prospects in Ontario (“ON Coleman Cobalt Prospect”, “ON Bucke Cobalt Prospect”, “ON Hector Cobalt Prospect”, and “ON Johnson Cobalt Prospect”). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Agreement. Cobalt Locators Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of \$19,500.

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$2,300.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of \$1,268.

As at July 31, 2017, the Company had spent a total of \$111,968 in exploration expenditures on the ON Cobalt Prospects.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.

As at July 31, 2017, the Company had spent a total of \$26,413 in exploration expenditures on this prospect.

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking (continued)

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of \$25,426.

As at July 31, 2017, the Company had spent a total of \$105,653 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

As of July 31, 2017, the Company had incurred a total of \$2,701 in claim maintenance fees on this prospect.

Sale of Idaho Cobalt Prospect

In September 2016, the Company partnered with three non related parties (the "Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20% of the acquisition costs, being \$14,355. On September 9, 2016, the Company and the Vendors entered into a share purchase agreement with Scientific, an arm's length party, to sell their equity interest in the BC Company. In consideration, Scientific issued 500,000 common shares to the Company valued at \$150,000 (Note 5) and 2,000,000 common shares to the Vendors. Accordingly, the Company recorded a realized gain of \$135,645 (year ended July 31, 2016: \$Nil) for the sale of this asset, which was included in profit or loss.

Ontario Albany East Hydrothermal Graphite Prospect - Purchase Agreement

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 300,000 common shares at a value of \$160,000 to the Vendors.

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Ontario Albany East Hydrothermal Graphite Prospect - Purchase Agreement (continued)

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$194,313.

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking

During the year ended July 31, 2012, the Company acquired a 100% interest in additional claims (the “Staking Claims”) for staking costs of \$4,164.

During the year ended July 31, 2013, the Company decided not to renew certain of the Staking Claims and allowed them to lapse as they became due. Prior acquisition costs of \$3,956 associated with these claims were written off.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$3,110.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, <u>2017</u>	July 31, <u>2016</u>
Trade payables	\$ 688,126	\$ 1,397,584
Accrued liabilities	20,900	12,300
	<hr/>	<hr/>
Total payables	<u>\$ 709,026</u>	<u>\$ 1,409,884</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

**10. LOANS PAYABLE**

In October 2014, the Company entered into agreements (the “Agreements”) with three arm’s length parties (the “Lenders”). Pursuant to the terms of the Agreements, the Lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and are payable upon demand. During the year ended July 31, 2015, the Company repaid a total of \$150,000 to the Lenders. During the year ended July 31, 2016, the Company repaid a total of \$16,500 to one Lender. During the year ended July 31, 2017, the Company fully repaid all the outstanding loans.

As at July 31, 2017, there was \$Nil (July 31, 2016: \$169,500) outstanding in loans payable.

## 11. FLOW-THROUGH SHARE PREMIUM LIABILITY

---

Balance at July 31, 2016	\$ -
Liability incurred on flow-through shares issued	73,250
Liability derecognized due to exploration expenditures renounced to shareholders	<u>(24,742)</u>
Balance at July 31, 2017	\$ 48,508

---

In August 2016, the Company closed a private placement of 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$293,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. The premium received on the flow-through shares issued was determined to be \$73,250 and was recorded as a share capital reduction. An equivalent premium liability was also recorded.

During the year ended July 31, 2017, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of \$24,742 and recognized it as other income.

## 12. SHARE CAPITAL AND RESERVES

**Authorized:** An unlimited number of common shares, without par value

### (a) Private placements

*Year ended July 31, 2017:*

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection with the financing, the Company incurred filing fees of \$12,948, paid aggregate finder's fees of \$93,852 and issued 801,762 non flow-through broker warrants ("NFT Broker Warrants") and 102,600 flow-through broker warrants ("FT Broker Warrants"). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019. The NFT Broker Warrants and the FT Broker Warrants were valued at \$127,224 and \$16,273, respectively, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 303.4%, risk-free interest rate 0.57% and an expected life of three years.



**12. SHARE CAPITAL AND RESERVES (continued)**

**(a) Private placements (continued)**

*Year ended July 31, 2016:*

In June 2016, the Company closed a non-brokered private placement consisting of 6,000,000 units at \$0.033 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until June 13, 2021. In connection with the financing, the Company incurred filing fees of \$2,130.

**(b) Share purchase warrants**

The following is a summary of changes in share purchase warrants from July 31, 2015 to July 31, 2017:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2015	7,809,390	\$0.71
Issued	<u>6,000,000</u>	\$0.05
Balance, July 31, 2016	13,809,390	\$0.43
Issued	21,101,862	\$0.15
Exercised	(8,716,800)	\$0.14
Expired	<u>(716,865)</u>	\$3.36
Balance, July 31, 2017	<u>25,477,587</u>	\$0.22

At July 31, 2017, the Company had 25,477,587 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
802,275	\$1.33	January 28, 2018
11,738,542	\$0.15	August 24, 2019
1,931,520	\$0.17	August 24, 2019
6,290,250	\$0.33	December 18, 2019
<u>4,715,000</u>	\$0.05	June 13, 2021
<u>25,477,587</u>		

**(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

**12. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

The following is a summary of changes in share purchase options from July 31, 2015 to July 31, 2017:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2015	526,725	\$0.79
Granted	1,500,000	\$0.12
Expired	(9,000)	\$1.73
Forfeited	(134,325)	\$0.81
Outstanding and exercisable, July 31, 2016	<u>1,883,400</u>	\$0.25
Granted	8,200,000	\$0.23
Exercised	(4,050,000)	\$0.18
Expired	<u>(1,699,275)</u>	\$0.24
Outstanding and exercisable, July 31, 2017	<u>4,334,125</u>	\$0.28

At July 31, 2017, 4,334,125 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	
4,000,000	\$0.25	October 9, 2017	(Note 20)
4,350	\$1.33	October 11, 2017	(Note 20)
<u>329,775</u>	\$0.67	September 3, 2018	
<u>4,334,125</u>			

During the year ended July 31, 2017, 1,125,000 stock options were exercised at a price of \$0.12 per share and 2,925,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$716,605 (year ended July 31, 2016: Nil stock options were exercised). The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of \$197,086 (year ended July 31, 2016: \$Nil).

During the year ended July 31, 2017, the Company granted a total of 8,200,000 stock options with exercise prices ranging from \$0.20 to \$0.35 per share and expiry dates ranging from December 9, 2016 to October 9, 2017 (year ended July 31, 2016: 1,500,000 stock options were granted with an exercise price of \$0.117 per share and an expiry date of January 25, 2017). The weighted average fair value of the options issued in the year ended July 31, 2017 was estimated at \$0.04 (year ended July 31, 2016: \$0.06) per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

**12. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

	Year ended <u>July 31, 2017</u>	Year ended <u>July 31, 2016</u>
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility *	99.42%	144.22%
Weighted average risk-free interest rate	0.71%	0.56%
Weighted average expected term	0.33 year	0.5 year

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2017 were \$363,702 (year ended July 31, 2016: \$82,668).

**13. LOSS PER SHARE**

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

	Years ended July 31,	
	<u>2017</u>	<u>2016</u>
Net Loss	<u>\$ (1,138,590)</u>	<u>\$ (594,155)</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>49,747,023</u>	<u>13,962,810</u>

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 12) were anti-dilutive for the year ended July 31, 2017 and 2016.

The loss per share for the year ended July 31, 2017 was \$0.02 (year ended July 31, 2016: \$0.04).

#### 14. RELATED PARTY TRANSACTIONS

##### *Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Years ended July 31,	
	<u>2017</u>	<u>2016</u>
Management and directors' fees	\$ 111,450	\$ 20,500
Professional fees	19,500	500
Share-based payments *	<u>22,563</u>	<u>8,267</u>
	<u>\$ 153,513</u>	<u>\$ 29,267</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

##### *Related party balances*

At July 31, 2017, accounts payable and accrued liabilities include \$7,794 (July 31, 2016: \$37,377) payable to three directors and an officer for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

During the year ended July 31, 2017, office and miscellaneous expenses included \$Nil (year ended July 31, 2016: \$3,000), which was for reimbursement of accounting overhead to a public company with two common directors.

During the year ended July 31, 2017, the Company reimbursed a public company with two common directors and an officer in the amount of \$18,396 (year ended July 31, 2016: \$12,991) for the service provided by the Chief Financial Officer.

#### 15. SEGMENTAL REPORTING

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's equipment is located in Canada and its exploration and evaluation assets are distributed by geographic location as follows:

	July 31, <u>2017</u>	July 31, <u>2016</u>
Canada	\$ 1,004,047	\$ 65,319
U.S.A.	832,157	32,000
	<u>\$ 1,836,204</u>	<u>\$ 97,319</u>

## 16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Years ended July 31,	
	2017	2016
Loss before income taxes	\$ (1,138,590)	\$ (594,155)
Expected income tax (recovery)	\$ (296,000)	\$ (154,000)
Change in statutory rate and other	(1,000)	2,000
Permanent difference	-	21,000
Impact of flow through shares	26,000	-
Share issue costs	(28,000)	(1,000)
Change in unrecognized deductible temporary differences	299,000	132,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecognized deferred tax assets are as follows:

	2017	2016
Exploration and evaluation assets	\$ 1,292,000	\$ 1,298,000
Share issue costs	24,000	3,000
Capital assets	20,000	1,000
Non-Capital losses	1,749,000	1,486,000
Net unrecognized deferred tax assets	\$ 3,087,000	\$ 2,788,000

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2017 and 2016 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$6,720,000 (2016: \$5,717,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2037.

## 17. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency), which at July 31, 2017 was an equity of \$3,114,398 (July 31, 2016: deficiency of \$1,373,055).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at July 31, 2017, the Company has not entered into any debt financing with any financial institution.

**17. CAPITAL DISCLOSURE (continued)**

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended July 31, 2017.

**18. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values due to the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2017, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2017, the Company is not exposed to any significant credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2017, the Company is not exposed to any significant interest rate risk.

**18. FINANCIAL INSTRUMENTS AND RISK (continued)**

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

**19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Year ended July 31, 2017:*

- a) The Company accrued exploration and evaluation assets of \$71,323 in accounts payable and accrued liabilities.
- b) The Company issued 4,800,000 common shares valued at \$816,000 pursuant to the share purchase agreement with Cobalt Locators.
- c) The Company issued 150,000 common shares valued at \$31,500 pursuant to the Ontario Kenagami Hydrothermal Graphite Prospect purchase agreement.
- d) The Company issued 3,000,000 common shares valued at \$600,000 pursuant to the Montana Chicken Hawk Cobalt Agreement.

*Year ended July 31, 2016:*

- a) The Company accrued exploration and evaluation assets of \$7,471 in accounts payable and accrued liabilities.
- b) The Company issued 900,000 common shares valued at \$30,000 pursuant to the Nevada Clayton Valley West Lithium Prospect purchase agreement.

## 20. SUBSEQUENT EVENTS

Subsequent to July 31, 2017, the following occurred:

- a) The Company granted 6,000,000 incentive stock options to directors, officers and consultants at an exercise price of \$0.20 per share for a period of one year.
- b) The Company issued 1,250,041 common shares for share purchase warrants exercised at a price of \$0.15 per share and issued 35,000 common shares for share purchase warrants exercised at a price of \$0.05 per share.
- c) The Company issued 1,200,000 common shares for stock options exercised at a price of \$0.20 per share.
- d) The Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.
- e) 4,000,000 stock options at a price of \$0.25 and 4,350 stock options at a price of \$1.33 expired unexercised.

## 21. COMMITMENT

During the year ended July 31, 2017, the Company entered into a lease agreement (the "Agreement") for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. As of July 31, 2017, amounts under the Agreement terms (net of taxes) are as follows:

	<u>Amounts</u>
July 31, 2018	\$ 82,161
July 31, 2019	83,073
July 31, 2020	<u>84,622</u>
	<u>\$ 249,856</u>



**CRUZ CAPITAL CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2016 and 2015

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Cruz Capital Corp.  
(formerly Turbo Capital Inc.)

We have audited the accompanying consolidated financial statements of Cruz Capital Corp. (formerly Turbo Capital Inc.), which comprise the consolidated statements of financial position as at July 31, 2016 and 2015 and the consolidated statements of comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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.

### *Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Cruz Capital Corp. (formerly Turbo Capital Inc.) as at July 31, 2016 and 2015 and its financial performance and its cash flows 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Cruz Capital Corp. (formerly Turbo Capital Inc.)'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

October 18, 2016

**CRUZ CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>ASSETS</b>	July 31, <u>2016</u>	July 31, <u>2015</u>
<b>Current assets</b>			
Cash		\$ 46,162	\$ 41,698
Receivables – Note 4		9,118	15,278
Prepaid expenses		45,178	3,033
<b>Total current assets</b>		<u>100,458</u>	<u>60,009</u>
<b>Non-current assets</b>			
Equipment – Note 5		2,077	2,597
Rent deposit		6,475	6,475
Exploration and evaluation assets – Note 6		97,319	266,891
<b>Total assets</b>		<u>\$ 206,329</u>	<u>\$ 335,972</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities – Notes 7 and 11		\$ 1,409,884	\$ 1,239,410
Loans payable – Note 8		169,500	186,000
<b>Total current liabilities</b>		<u>1,579,384</u>	<u>1,425,410</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital – Note 9		10,176,307	9,948,437
Reserves – Note 9		1,199,091	1,116,423
Accumulated deficit		(12,748,453)	(12,154,298)
<b>Total shareholders' equity (deficiency)</b>		<u>(1,373,055)</u>	<u>(1,089,438)</u>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<u>\$ 206,329</u>	<u>\$ 335,972</u>

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Notes 6, 8 and 17)

APPROVED BY THE DIRECTORS:

<u>“Seth Kay”</u> Seth Kay	Director	<u>“James Nelson”</u> James Nelson	Director
-------------------------------	----------	---------------------------------------	----------

**CRUZ CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	2016	2015
<b>Operating expenses</b>		
Consulting	\$ 165,670	\$ 377,800
Depreciation	520	648
Management and directors' fees – Note 11	20,500	91,500
Office and miscellaneous – Note 11	38,193	46,411
Professional fees – Note 11	36,822	33,434
Shareholder information	7,962	935
Share-based payments – Notes 9 and 11	82,668	-
Transfer agent and filing fees	24,329	14,330
Travel and promotion	12,188	1,813
	(388,852)	(566,871)
Interest expense	(23)	-
Write-down of exploration and evaluation assets – Note 6	(205,280)	(267,976)
	(205,303)	(267,976)
<b>Net comprehensive loss for the year</b>	<b>\$ (594,155)</b>	<b>\$ (834,847)</b>
Loss per share – basic and diluted – Note 10	\$ (0.128)	\$ (0.248)
Weighted average number of shares outstanding – basic and diluted – Note 10	4,654,270	3,371,349

**CRUZ CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Years ended July 31,	
	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Loss for the year	\$ (594,155)	\$ (834,847)
Adjustments for non-cash items:		
Depreciation	520	648
Share-based payments	82,668	-
Write-down of exploration and evaluation assets	205,280	267,976
Changes in non-cash working capital items:		
Receivables	6,160	(3,585)
Prepaid expenses	(42,145)	(3,033)
Accounts payable and accrued liabilities	170,472	351,540
<b>Cash used in operating activities</b>	<u>(171,200)</u>	<u>(221,301)</u>
<b>Investing Activities</b>		
Exploration and evaluation assets	(5,706)	(5,000)
<b>Cash used in investing activities</b>	<u>(5,706)</u>	<u>(5,000)</u>
<b>Financing Activities</b>		
Proceeds from issuance of share capital	200,000	415,000
Share issue costs	(2,130)	(13,058)
Proceeds from loans issuance	16,700	10,000
Loan repayments	(33,200)	(160,000)
<b>Cash provided by financing activities</b>	<u>181,370</u>	<u>251,942</u>
Change in cash during the year	4,464	25,641
Cash, beginning of the year	41,698	16,057
<b>Cash, end of the year</b>	<u>\$ 46,162</u>	<u>\$ 41,698</u>

Supplemental Disclosure with Respect to Cash Flows (Note 16)

**CRUZ CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	<b>Share Capital</b>			<b>Accumulated</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, July 31, 2014</b>	2,078,832	\$ 9,546,495	\$ 1,116,423	\$(11,319,451)	\$ (656,533)
Shares issued for private placement	2,075,000	415,000	-	-	415,000
Broker units issued for private placement	21,750	4,350	-	-	4,350
Share issue costs	-	(17,408)	-	-	(17,408)
Loss for the year	-	-	-	(834,847)	(834,847)
<b>Balance, July 31, 2015</b>	4,175,582	9,948,437	1,116,423	(12,154,298)	(1,089,438)
Shares issued for private placement	2,000,000	200,000	-	-	200,000
Share issue costs	-	(2,130)	-	-	(2,130)
For exploration and evaluation assets	300,000	30,000	-	-	30,000
Stock options issued	-	-	82,668	-	82,668
Loss for the year	-	-	-	(594,155)	(594,155)
<b>Balance, July 31, 2016</b>	6,475,582	\$ 10,176,307	\$ 1,199,091	\$(12,748,453)	\$ (1,373,055)

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

**CRUZ CAPITAL CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

July 31, 2016 and 2015 – Page 1

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cruz Capital Corp. (the “Company”; formerly Turbo Capital Inc.) is an exploration stage public company and is listed on the TSX Venture Exchange (“Exchange”). The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2016, the Company had exploration and evaluation assets located in Canada and the U.S.A. During the year ended July 31, 2016, the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-twenty-old basis, changed its name to Cruz Capital Corp., and changed its trading symbol to “CUZ”. These consolidated financial statements reflect the share consolidation. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated.

The Company’s head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company’s registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2016, the Company had a working capital deficiency of \$1,478,926, had not yet achieved profitable operations and has an accumulated deficit of \$12,748,453 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

These consolidated financial statements of the Company 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 International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on October 18, 2016.

**b) Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been initially measured at fair value.



## 2. BASIS OF PREPARATION (continued)

### b) Basis of Measurement (continued)

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

#### *Critical accounting judgments*

A significant judgment, apart from those involving estimation, include:

- Classification of financial instruments

### c) Basis of Consolidation

These consolidated financial statements included the accounts of the Company and its wholly-owned subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

**2. BASIS OF PREPARATION (continued)**

d) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The Company had one wholly-owned subsidiary, Cruz Capital (US) Corp., as of July 31, 2016. All inter-company transactions and balances have been eliminated upon consolidation.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) **Foreign currency transactions**

Foreign currency accounts are translated into Canadian dollars, the presentation and functional currency of the Company, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

b) **Exploration and evaluation assets**

*Pre-exploration costs*

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Exploration and evaluation assets (continued)**

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**c) Equipment**

Computer and office equipment is carried at cost less accumulated depreciation. The cost of an item of computer and office equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and, where appropriate, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded on a declining balance basis at the rate of 20% per annum. Depreciation is recorded at one-half the rate in the year of acquisition.

Items of computer and office equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Impairment of tangible and intangible assets**

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. 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 periods. A reversal of an impairment loss is recognized in profit or loss.

**e) Rehabilitation provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

**f) Financial instruments**

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial instruments (continued)**

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

***Held-to-maturity (“HTM”)***

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

***Available-for-sale (“AFS”)***

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash is classified as FVTPL; and
- Receivables are classified as loans and receivables.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial instruments (continued)**

*Financial liabilities*

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

*Fair value through profit or loss*

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*

This category includes accounts payable and accrued liabilities and loans payable, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

- Accounts payable and accrued liabilities, and loans payable are classified as other financial liabilities.

*Impairment of financial assets*

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

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial instruments (continued)**

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

**g) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset 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.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**h) Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Flow-through shares (continued)**

Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**i) Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

**j) Investment tax credit**

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

**k) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**l) Share-based payments**

The Company grants stock options to buy 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 recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

**m) Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

*IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

**4. RECEIVABLES**

The Company's receivables comprise of goods and services tax ("GST") receivable due from Canadian government taxation authorities and reimbursements from a public company with common directors for recoverable administrative expenses.

	July 31, <u>2016</u>	July 31, <u>2015</u>
Accounts receivable	\$ 3,197	\$ 9,937
GST recoverable	<u>5,921</u>	<u>5,341</u>
Total receivables	<u>\$ 9,118</u>	<u>\$ 15,278</u>

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

**5. EQUIPMENT**

	Computer and office equipment
Cost, July 31, 2016, 2015 and 2014	<u>\$ 7,816</u>
Accumulated depreciation, July 31, 2014	4,571
Depreciation for the year	<u>648</u>
Accumulated depreciation, July 31, 2015	5,219
Depreciation for the year	<u>520</u>
Accumulated depreciation, July 31, 2016	<u>\$ 5,739</u>
Net book value, July 31, 2015	<u>\$ 2,597</u>
Net book value, July 31, 2016	<u>\$ 2,077</u>

**6. EXPLORATION AND EVALUATION ASSETS**

The Company's exploration and evaluation assets consist of the following mineral properties:

	Yukon Quartz Claims	Ontario Albany E. Hydrothermal Graphite Prospect	Ontario Kenagami Hydrothermal Graphite Prospect	Quebec Gaspé Bay	BC War Eagle Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2014	\$ 116,278	\$ 193,311	\$ 51,850	\$ 170,853	\$ -	\$ -	\$ 532,292
Deferred exploration expenditures							
Geological expenses	-	1,000	-	-	-	-	1,000
Claim maintenance fees	1,575	-	-	-	-	-	1,575
Write-down of exploration and evaluation assets	(94,283)	-	(5,950)	(167,743)	-	-	(267,976)
Balance, July 31, 2015	23,570	194,311	45,900	3,110	-	-	266,891
Acquisition costs	-	-	-	-	3,496	32,000	35,496
Deferred exploration expenditures							
Claim maintenance fees	210	-	-	-	-	-	210
Geological report	-	2	-	-	-	-	2
Write-down of exploration and evaluation assets	(7,857)	(194,313)	-	(3,110)	-	-	(205,280)
Balance, July 31, 2016	\$ 15,923	\$ -	\$ 45,900	\$ -	\$ 3,496	\$ 32,000	\$ 97,319

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests 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 conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

Ontario Albany East Hydrothermal Graphite Prospect - Purchase Agreement

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 100,000 common shares at a value of \$160,000 to the Vendors.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$194,313.

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Staking

During the year ended July 31, 2012, the Company acquired a 100% interest in additional claims (the "Staking Claims") for staking costs of \$4,164.

During the year ended July 31, 2013, the Company decided not to renew certain of the Staking Claims and allowed them to lapse as they became due. Prior acquisition costs of \$3,956 associated with these claims were written off.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$3,110.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

In September 2015, the Company decided not to continue with certain claims and allowed them to lapse when they became due. Prior acquisition costs of \$86,563 and exploration costs of \$7,720 associated with these claims were written off as of July 31, 2015.

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

Yukon Quartz Claims – Purchase Agreement (continued)

During the year ended July 31, 2016, the Company decided to drop one claim and allowed it to lapse when it became due. Prior acquisition costs of \$7,214 and exploration costs of \$643 associated with this lapsed claim were written off.

As at July 31, 2016, the Company had spent a total of \$1,287 in exploration expenditures on the remaining Yukon Quartz claims.

Ontario Kenagami Hydrothermal Graphite Prospect – Purchase Agreement

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims located in Ontario.

On December 22, 2014, the Company amended the purchase agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 and the remaining 50,000 share issuance to September 25, 2016. On September 22, 2016, the Company further amended the purchase agreement and the amendment dated December 22, 2014 with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by one year to September 25, 2017. The Company is now required to make a cash payment as follows:

	<u>Cash</u>	<u>Common Shares</u>
Upon Approval (issued at a value of \$40,000)	\$ -	50,000
On or before September 25, 2016 (issued subsequent to July 31, 2016)	-	50,000
On or before September 25, 2017	<u>20,000</u>	<u>-</u>
	<u>\$ 20,000</u>	<u>100,000</u>

As at July 31, 2016, the Company had spent a total of \$4,400 in exploration expenditures on this property.

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 400,000 common shares to the Vendor upon Exchange approval.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vendor. The new terms are for the Company to issue 300,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at \$30,000.

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496.

Ontario Kenagami Hydrothermal Graphite Prospect – Staking

During the year ended July 31, 2014, the Company acquired a 100% interest in certain mineral claims for staking costs of \$5,950. In October 2015, the Company decided not to continue with these claims. Accordingly, prior staking costs of \$5,950 were written off as of July 31, 2015.

Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect - Option Agreement

On June 8, 2012, the Company entered into an option agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims (the "Chancellor Claims") in the Gaspé Bay Region of Quebec.

On June 3, 2013, the Company amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by one year to July 20, 2014. On November 4, 2013, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the remaining work commitments due to be spent on the prospect by two years. On July 18, 2014, the Company further amended the option agreement with the Vendor. The Vendor agreed to defer the cash payment of \$20,000 by twelve months to July 20, 2015. The Company was required to make a cash payment and incur the following exploration costs:

	<u>Cash</u>	<u>Exploration Costs</u>	<u>Common Shares</u>
Upon Exchange approval (issued at a value of \$87,500)	\$ -	\$ -	62,500
On or before July 20, 2013 (issued at a value of \$100,000)	-	-	62,500
On or before December 20, 2013 (incurred)	-	40,000	-
On or before July 20, 2015	20,000	-	-
On or before December 20, 2015	-	60,000	-
On or before December 20, 2016	-	250,000	-
On or before December 20, 2017	-	500,000	-
	<u>\$ 20,000</u>	<u>\$ 850,000</u>	<u>125,000</u>

During year ended July 31, 2013, the Company decided not to renew certain of the Chancellor Claims and allowed them to lapse as they became due. Prior acquisition costs of \$61,908 associated with these claims were written off.

During the year ended July 31, 2015, the Company decided not to continue with the Chancellor Claims and allowed these claims to lapse when they became due. Prior acquisition costs of \$128,578 and exploration costs of \$39,165 associated with these claims were written off.

**6. EXPLORATION AND EVALUATION ASSETS (continued)**

BC and ON Cobalt Prospects – Share Purchase Agreement

On July 22, 2016, the Company entered into a share purchase agreement (the “Agreement”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locators Inc. (“Cobalt Locators”), which holds a 100% interest in cobalt prospects in B.C. and a 50% interest in cobalt prospects in Ontario. The acquisition has been accounted for as an asset acquisition. In August 2016, the Company received Exchange approval, paid \$20,000 cash and issued 1,600,000 shares (issued at a value of \$816,000) to the Vendors pursuant to the Agreement. Cobalt Locators Inc. became a wholly-owned subsidiary of the Company.

Subsequent to July 31, 2016, the Company acquired a 100% interest in certain mineral claims in Ontario ("Johnson Cobalt Prospect" and "Bucke Cobalt Prospect") for staking costs of \$5,800.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, <u>2016</u>	July 31, <u>2015</u>
Trade payables	\$ 1,397,584	\$ 1,227,110
Accrued liabilities	<u>12,300</u>	<u>12,300</u>
Total payables	<u>\$ 1,409,884</u>	<u>\$ 1,239,410</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

**8. LOANS PAYABLE**

In October 2014, the Company entered into agreements (the “Agreements”) with three arm’s length parties (the “Lenders”). Pursuant to the terms of the Agreements, the Lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and are payable upon demand. During the year ended July 31, 2015, the Company repaid a total of \$150,000 to the Lenders. During the year ended July 31, 2016, the Company repaid a total of \$16,500 to one Lender.

During the year ended July 31, 2016, the Company received loan advances totaling \$16,700 from two arm’s length parties, an officer and a director of the Company (\$2,000 from an officer and \$1,200 from a director), bearing no interest and due upon demand. The Company fully repaid these loans during the period.

As at July 31, 2016, \$169,500 (July 31, 2015: \$186,000) of principal had not been repaid. Subsequent to July 31, 2016, the Company fully repaid all the outstanding loans.

## 9. SHARE CAPITAL AND RESERVES

**Authorized:** An unlimited number of common shares, without par value

### (a) Private placements

*Year ended July 31, 2016:*

In June 2016, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until June 13, 2021. In connection with the financing, the Company incurred filing fees of \$2,130.

*Year ended July 31, 2015:*

In December 2014, the Company closed a non-brokered private placement consisting of 2,075,000 units at \$0.20 per unit for gross proceeds of \$415,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$1.00 per share until December 18, 2019. In connection with the financing, the Company incurred filing fees of \$4,360 and legal fees of \$748, paid aggregate finder's fees of \$7,950 and issued 21,750 broker units. The broker units were valued at \$0.20 per unit for a total of \$4,350. Each broker unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$1 per share until December 18, 2019.

### (b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2014 to July 31, 2016:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2014	506,380	\$6.87
Issued	<u>2,096,750</u>	\$1.00
Balance, July 31, 2015	2,603,130	\$2.14
Issued	<u>2,000,000</u>	\$0.15
Balance, July 31, 2016	<u><u>4,603,130</u></u>	\$1.28

At July 31, 2016, the Company had 4,603,130 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
230,205	\$10.00	September 6, 2016 (Note 17)
8,750	\$12.00	September 6, 2016 (Note 17)
267,425	\$4.00	January 28, 2018
2,096,750	\$1.00	December 18, 2019
<u>2,000,000</u>	\$0.15	June 13, 2021
<u><u>4,603,130</u></u>		



**9. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options vest at the discretion of the Board of Directors and may be granted for a maximum term of five years from the date of grant.

The following is a summary of changes in share purchase options from July 31, 2014 to July 31, 2016:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2014	197,913	\$2.46
Expired	(12,338)	\$4.15
Forfeited	<u>(10,000)</u>	\$2.00
Outstanding and exercisable, July 31, 2015	175,575	\$2.37
Granted	500,000	\$0.35
Expired	(3,000)	\$5.20
Forfeited	<u>(44,775)</u>	\$2.44
Outstanding and exercisable, July 31, 2016	<u><u>627,800</u></u>	\$0.74

At July 31, 2016, 627,800 employee and director share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
16,425	\$4.00	January 13, 2017
500,000	\$0.35	January 25, 2017
1,450	\$4.00	October 11, 2017
<u>109,925</u>	\$2.00	September 3, 2018
<u><u>627,800</u></u>		

During the year ended July 31, 2016, the Company granted 500,000 stock options at an exercise price of \$0.35 per share with an expiry date of January 25, 2017 (year ended July 31, 2015: Nil stock options were granted). The weighted average fair value of the options issued in the year ended July 31, 2016 was estimated at \$0.17 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

**9. SHARE CAPITAL AND RESERVES (continued)**

**(c) Share-based payments (continued)**

	Year ended <u>July 31, 2016</u>	Year ended <u>July 31, 2015</u>
Weighted average expected dividend yield	0.0%	N/A
Weighted average expected volatility *	144.22%	N/A
Weighted average risk-free interest rate	0.56%	N/A
Weighted average expected term	0.5 year	N/A

\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2016 were \$82,668 (2015: \$Nil).

**10. LOSS PER SHARE**

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

	Years ended July 31,	
	<u>2016</u>	<u>2015</u>
Net Loss	<u>\$ 594,155</u>	<u>\$ 834,847</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>4,654,270</u>	<u>3,371,349</u>

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 stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 9) were anti-dilutive for the year ended July 31, 2016 and 2015.

The loss per share for the year ended July 31, 2016 was \$0.128 (2015: \$0.248).

## 11. RELATED PARTY TRANSACTIONS

### *Key management personnel compensation*

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Years ended July 31,	
	<u>2016</u>	<u>2015</u>
Management and directors' fees	\$ 20,500	\$ 91,500
Professional fees	500	3,000
Share-based payments	<u>8,267</u>	<u>-</u>
	<u>\$ 29,267</u>	<u>\$ 94,500</u>

\* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

### *Related party balances*

At July 31, 2016, accounts payable and accrued liabilities include \$37,377 (July 31, 2015: \$291,652) payable to three directors of the Company, and two public companies with certain directors in common for unpaid fees. These amounts are unsecured, non-interest bearing and payable on demand.

As outlined in Note 8, during the year ended July 31, 2016, the Company received loan advances totaling \$3,200 from a director and an officer of the Company, bearing no interest and due upon demand. The Company fully repaid these loans during the period.

During the year ended July 31, 2016, office and miscellaneous expenses included \$3,000 (2015: \$12,000), which was for reimbursement of accounting overhead to a public company with two common directors.

During the year ended July 31, 2016, the Company reimbursed a public company with two common directors and an officer in the amount of \$12,991 (2015: 11,407) for the service provided by the Chief Financial Officer.

## 12. SEGMENTAL REPORTING

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's equipment is located in Canada and its exploration and evaluation assets are distributed by geographic location as follows:

	July 31, <u>2016</u>	July 31, <u>2015</u>
Canada	\$ 65,319	\$ 266,891
U.S.A.	<u>32,000</u>	<u>-</u>
	<u>\$ 97,319</u>	<u>\$ 266,891</u>

### 13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Years ended July 31,	
	2016	2015
Loss before income taxes	\$ (594,155)	\$ (834,847)
Expected income tax (recovery)	\$ (154,000)	\$ (217,000)
Change in statutory rate and other	2,000	(2,000)
Permanent difference	21,000	-
Share issue costs	(1,000)	(3,000)
Change in unrecognized deductible temporary differences	132,000	222,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecognized deferred tax assets are as follows:

	2016	2015
Exploration and evaluation assets	\$ 1,298,000	\$ 1,306,000
Share issue costs	3,000	10,000
Capital assets	1,000	1,000
Non-Capital losses	1,486,000	1,339,000
Net unrecognized deferred tax assets	\$ 2,788,000	\$ 2,656,000

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2016 and 2015 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$5,717,000 (2015: \$5,150,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2036.

### 14. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency), which at July 31, 2016 was a deficiency of \$1,373,055 (July 31, 2015: deficiency of \$1,089,438).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at July 31, 2016, the Company has not entered into any debt financing with any financial institution.

**14. CAPITAL DISCLOSURE (continued)**

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended July 31, 2016.

**15. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values due to the short term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2016, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2016, the Company is not exposed to any significant credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2016, the Company is not exposed to any significant interest rate risk.

**15. FINANCIAL INSTRUMENTS AND RISK (continued)**

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

**16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

*Year ended July 31, 2016:*

- a) The Company accrued exploration and evaluation assets of \$7,471 in accounts payable and accrued liabilities.
- b) The Company issued 300,000 common shares valued at \$30,000 pursuant to the Nevada Clayton Valley West Lithium Prospect purchase agreement.

*Year ended July 31, 2015:*

- a) The Company converted a total of \$336,000 in consulting fees payable into loans payable.
- b) The Company accrued exploration and evaluation assets of \$7,469 in accounts payable and accrued liabilities.
- c) The Company issued 21,750 broker units valued at \$0.20 per unit for a total of \$4,350 in connection with the private placement.
- d) The Company reclassified \$1,575 from prepaid expenses to exploration and evaluation assets.

## 17. SUBSEQUENT EVENTS

Subsequent to July 31, 2016, the following occurred:

- a) The Company closed a private placement consisting of 6,000,000 non flow-through units at \$0.30 per unit and 732,500 flow-through units at \$0.40 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.45 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.50 per share until August 24, 2019. In connection with the financing, the Company paid aggregate finder's fees of \$93,852 and issued 267,254 non flow-through broker warrants ("NFT Broker Warrants") and 34,200 flow-through broker warrants ("FT Broker Warrants"). Each NFT Broker Warrant will be exercisable at \$0.45 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.50 per share into one common share until August 24, 2019.
- b) The Company granted 250,000 stock options to directors, officers and consultants at an exercise price of \$0.60 per share for a period of three months.
- c) In September 2016, the Company partnered with three non related parties (the "Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20% of the acquisition costs, being \$14,355. On September 9, 2016, the Company and the Vendors entered into a share purchase agreement with Scientific Metals Corp. ("Scientific"), an arm's length party, to sell their equity interest in the BC Company. Scientific received Exchange approval in October. In consideration, Scientific issued 2,000,000 common shares to the Company and 8,000,000 common shares to the Vendors.
- d) In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964.
- e) 230,205 share purchase warrants at an exercise price of \$10 and 8,750 share purchase warrants at an exercise price of \$12, all expired unexercised.

**APPENDIX 3.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **CRUZ COBALT CORP.**

For the nine months ended April 30, 2019

---

Management's Discussion and Analysis ("MD&A")

Date of Report: June 21, 2019

The following discussion and analysis of the Company's financial condition and results of operations for the nine months ended April 30, 2019 should be read in conjunction with its condensed consolidated interim financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At April 30, 2019, the Company had mineral property interests located in Canada and in the USA.

***Mineral Properties***

***Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect. In March 2019, the Company acquired the remaining 50% interest in the above four Ontario cobalt prospects from an arm's length vendor at no costs. As of today, the Company holds a 100% interest in the above four cobalt prospects in Ontario and two in B.C.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres. Subsequent to July 31, 2018, the Company decided to drop these claim units. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines.

As disclosed in news releases on August 15, 2018, the Company announced a magnetic geophysical survey was completed. 203 soils and 31 grab samples have been submitted to ALS in Sudbury. On September 18, 2018, the Company announced that a total of 5 rock grab samples returned greater than 0.1% cobalt and up to 2.02% cobalt (2018BKP040) from the Gillies East anomaly, in addition to anomalous silver and gold values (Table 1). Mineralization in outcrop occurs as narrow diabase-hosted potassium feldspar-carbonate veins ranging in width from less than 5 and up to 25 cm in width.

**Table 1: 2018 Hector Cobalt Property Significant Rock Grab Sample Results**

<b>Sample ID</b>	<b>Prospect</b>	<b>Sample Type</b>	<b>Co (%)</b>	<b>Ag (g/t)</b>	<b>Au (g/t)</b>
2018KBP040	Gillies East	Prospect Pit Float	<b>2.02</b>	<b>13.1</b>	-
2018KBP042		Outcrop	<b>0.61</b>	<b>4.1</b>	-
2018KBP034	Gillies West	Outcrop	<b>0.82</b>	-	-
2018KBP033		Outcrop	<b>0.42</b>	-	-
2018KBP037		Prospect Pit Float	<b>0.19</b>	-	-
2018KBP061		Outcrop	-	-	<b>0.37</b>

Of the 203 soil geochemical samples collected, a total of 22 samples returned greater than 10 parts-per-million (ppm) cobalt, and up to 98 ppm cobalt. Humus soil geochemical results define several north-northwest trending cobalt anomalies. A 200 x 200 meter cobalt soil anomaly centred on 3 samples returning greater than 20 ppm cobalt (Hector Anomaly) occurs a distance of 300 meters to the northwest of the historic Hector Silver Mine Shaft.

The Gillies East cobalt in soil anomaly lies a further 600 metres to the northwest, centred over an area of several historic prospect pits that returned cobalt in float and rock outcrop values of 2.02% and 0.61% cobalt. Along the western margin of the survey area, the northwest tending Gilles West anomaly returned the highest cobalt in soil results of 98 ppm cobalt, in addition to rock outcrop and float sample results of 0.82%, 0.42% and 0.19% cobalt, and 0.37 grams-per-tonne gold (2018KBP061).

The results of the geophysical survey define a 1.2 km northwest trending arcuate magnetic high anomaly interpreted to represent a strongly magnetic phase of a shallowly dipping Nipissing diabase sill that underlies much of the Hector Cobalt Property claims. The magnetic anomaly is coincident with the cobalt in soil anomalies and the location of numerous historic exploration pits targeting cobalt-silver mineralization; including the Historic Hector Silver Mine shaft that lies off the Property along eastern boundary.

As disclosed in a news release on January 28, 2019, the Company completed an exploration diamond drill program at its 4,980 acre Hector Cobalt Property comprising 10 holes totaling 843 metres (m).

The drilling was designed to test combined surface rock and soil geochemical and ground magnetic geophysical anomalies at the Hector and Gilles East targets, which were generated during the Company's summer 2018 surface exploration programs that yielded surface rock grab samples up to 2.0% cobalt, in addition to anomalous silver and gold values.

A series of four closely spaced shallow drill holes totaling 395 m tested the Hector anomaly; three holes totaling 264 m targeted Gilles East 1; and three holes totaling 185 m at the targeting Gilles East 2 were completed (**Table 1**).

**Table 1: Hector Cobalt Property Fall 2018 Diamond Drill Results**

Target	Drill Hole	From (m)	To (m)	Interval (m)*	Co (ppm)	Cu (ppm)	Au (ppb)	Ag (ppm)
Hector	18HC01	5.12	16.00	10.88	66	132	-	-
	<i>and</i>	24.00	25.00	1.00	110	-	-	-
	18HC02	83.45	84.45	1.00	310	60	-	-
	<i>and</i>	89.45	91.45	2.00	110	110	-	-
	<i>and</i>	94.33	95.02	0.69	130	150	-	-
	18HC03	11.80	17.00	5.20	-	127	-	-
	<i>and</i>	89.10	89.60	0.50	130	240	-	-
	<i>and</i>	93.40	95.50	2.10	90	300	-	-
Gilles East 1	18HC04	92.00	93.00	1.00	80	410	-	-
	18HC06	10.50	15.50	5.00	42	162	-	-
	<i>and</i>	50.00	51.00	1.00	50	650	-	-
Gillies East 2	18HC08	8.00	9.00	1.00	-	-	37	1.3
	<i>and</i>	18.00	21.00	3.00	97	57	-	-
	18HC09	18.00	23.00	5.00	-	472	-	-
	<i>including</i>	18.00	19.00	1.00	-	1420	-	-
	<i>and</i>	74.15	74.65	0.50	120	-	21	-
	18HC10	15.00	16.00	1.00	110	-	33	-
	<i>and</i>	18.00	21.00	3.00	-	283	-	-
	<i>including</i>	19.00	20.00	1.00	-	560	-	-

\* The true width of mineralization is estimated to be 70-80% of the drilled interval

Possible follow up work and drill programs are currently being formulated by management

As at April 30, 2019, the Company had spent a total of \$589,515 in exploration expenditures on the Ontario cobalt prospects.

Montana Chicken Hawk Cobalt Prospect

In February 2017, the Company entered into an agreement with an arm's length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at April 30, 2019, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. As of April 30, 2019, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

At this time, there is no plan to do any follow up work in 2019. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

BC War Eagle Cobalt Prospect

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

The Company conducted an airborne work program over its War Eagle Cobalt Prospect in January 2018. The Company plans to commence follow up operations on this property in 2019 consisting of general geological mapping and locating any old showings.

As at April 30, 2019, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

Yukon Quartz Claims

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties. The Company has no plans to work on this property in 2019.

As at April 30, 2019, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon quartz claims.

Idaho Star Cobalt Prospect

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltse, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within

the Idaho Cobalt Belt. In July 2017, the Company conducted a soil sampling program on its Idaho Star Cobalt Prospect.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at April 30, 2019, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the nine months ended April 30, 2019 and 2018. The Company's net comprehensive loss decreased from \$1,270,569 for the nine months ended April 30, 2018 to \$525,234 for the nine months ended April 30, 2019, mainly due to a decrease in operating expenses. The Company's cash and cash equivalents decreased from \$2,807,027 as at July 31, 2018 to \$2,187,528 as at April 30, 2019. The Company had a working capital of \$2,222,238 as at April 30, 2019 as compared to \$3,063,030 as at July 31, 2018.

The Company's current assets have decreased to \$2,244,786 as at April 30, 2019 from \$3,106,184 as at July 31, 2018, due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have decreased from \$43,154 as at July 31, 2018 to \$22,548 as at April 30, 2019, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at July 31,

2018 to \$2,016,655 as at April 30, 2019, due mainly to the exploration work totaling \$298,399 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Additional information about the risks and uncertainties relating to the Company’s business and financial performance is discussed below under “Risks and Uncertainties”.

### *Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2019 Third	2019 Second	2019 First	2018 Fourth	2018 Third	2018 Second	2018 First	2017 Fourth
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(185,645)	\$(200,646)	\$(164,401)	\$(70,093)	\$(315,360)	\$(769,515)	\$(248,151)	\$(348,183)
<b>Loss before other items</b>	\$(185,645)	\$(200,646)	\$(164,401)	\$(70,093)	\$(315,360)	\$(769,515)	\$(248,151)	\$(348,183)
<b>Loss per share (Basic and diluted)</b>	\$(0.002)	\$(0.003)	\$(0.002)	\$(0.001)	\$(0.000)	\$(0.011)	\$(0.004)	\$(0.006)
<b>Other items:</b>								
<b>Interest income</b>	\$7,799	\$8,620	\$9,039	\$9,240	\$8,577	\$5,703	\$3,079	\$846
<b>Gain on write-off of accounts payable</b>	\$Nil	\$Nil	\$Nil	\$16,660	\$Nil	\$Nil	\$Nil	\$Nil
<b>Other income on settlement of flow-through share premium liability</b>	\$Nil	\$Nil	\$Nil	\$3,410	\$4,125	\$16,827	\$24,146	\$24,742
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Unrealized gain on marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Write-down of mineral properties</b>	\$Nil	\$Nil	\$Nil	\$(456,000)	\$Nil	\$Nil	\$Nil	\$(78,738)
<b>Net comprehensive loss Basic and diluted loss per share</b>	\$(177,846)	\$(192,026)	\$(155,362)	\$(496,783)	\$(302,658)	\$(746,985)	\$(220,926)	\$(401,333)
	\$(0.002)	\$(0.002)	\$(0.002)	\$(0.007)	\$(0.000)	\$(0.011)	\$(0.004)	\$(0.007)

### *Summary of Results During Prior Eight Quarters*

Net comprehensive loss decreased by \$180,407 from the fourth quarter of 2017 to the first quarter of 2018 mainly due to a decrease in share-based payments. Net comprehensive loss increased by \$747,038 from the first to the second quarter of 2018 mainly due to an increase in consulting fees, travel and corporate branding, and share-based payment expenses. Net comprehensive loss decreased by \$665,306 from the second to the third quarter of 2018 mainly due to a decrease in share-based payments and a decrease in travel and corporate branding expenses. Net comprehensive loss increased by \$194,125 from the third to the fourth quarter of 2018 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in share-based payments and a decrease in corporate branding expenses. Net comprehensive loss decreased by \$341,421 from the fourth quarter of 2018 to the first quarter of 2019 mainly due to a decrease in the write-down of exploration and evaluation assets offset by an increase in operating expenses. Net comprehensive loss increased by \$36,664 from the first to the second quarter of 2019 mainly due to an increase in management fees and other expenses. Net comprehensive loss decreased by \$14,180 from the second to the third quarter of 2019 mainly due to a decrease in management fees and professional fees offset by an increase in corporate branding expenses.

*Three months ended April 30, 2019 Compared to the Three months ended April 30, 2018*

The Company did not generate any revenue for the three months ended April 30, 2019 and 2018. Net comprehensive loss decreased by \$124,812 from \$302,658 for the three months ended April 30, 2018 to \$177,846 for the three months ended April 30, 2019 due mainly to a decrease in operating expenses. Operating expenses decreased by \$129,715 from \$315,360 for the three months ended April 30, 2018 to \$185,645 for the three months ended April 30, 2019 due mainly to a decrease in consulting fees as well as a decrease in corporate branding expenses.

Consulting fees paid by the Company (three months ended April 30, 2019: \$23,820; three months ended April 30, 2018: \$34,550) generally include the following three categories: corporate and business advisory; geological and related advisory services; secretarial and data entry services.

Total consulting fees during the three months ended April 30, 2019 consisted of \$21,000 (three months ended April 30, 2018: \$21,000) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$Nil during the three months ended April 30, 2019 (three months ended April 30, 2018: \$13,550) for internal secretarial and data entry services. The Company also paid \$2,820 during the three months ended April 30, 2019 (three months ended April 30, 2018: \$Nil) for geological advisory services. Consulting fees decreased because certain consultants no longer work for the Company and the Company has streamlined its work and is not looking to replace those consultants. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period.

During the three months ended April 30, 2019, the Company incurred a total of \$17,072 (three months ended April 30, 2018: \$116,609) in corporate branding expenses, of which \$3,000 (three months ended April 30, 2018: \$3,000) was for social media services related to the corporate twitter and \$9,072 (three months ended April 30, 2018: \$10,207) was for the Company's President and one director to attend the 2019 PDAC Convention in Toronto.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may stay at or near this level in the next 12 month period due to management's decision to decrease overall branding expenses.

*Nine months ended April 30, 2019 Compared to the Nine months ended April 30, 2018*

The Company did not generate any revenue for the nine months ended April 30, 2019 and 2018. Net comprehensive loss decreased by \$745,335 from \$1,270,569 for the nine months ended April 30, 2018 to \$525,234 for the nine months ended April 30, 2019 due mainly to a decrease in operating expenses offset by a decrease in other income on settlement of flow-through share premium (nine months ended April 30, 2019: \$Nil; nine months ended April 30, 2018: \$45,098). Operating expenses decreased by \$782,334 from \$1,333,026 for the nine months ended April 30, 2018 to \$550,692 for the nine months ended April 30, 2019 due mainly to a decrease in consulting fees, share-based payments, and corporate branding expenses, offset by an increase in investor relations expenses.

Consulting fees paid by the Company (nine months ended April 30, 2019: \$65,820; nine months ended April 30, 2018: \$104,988) generally include the following three categories: corporate and business advisory; geological and related advisory services; secretarial and data entry services.

Total consulting fees during the nine months ended April 30, 2019 consisted of \$63,000 (nine months ended April 30, 2018: \$63,000) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$Nil during the nine months ended April 30, 2019 (nine



months ended April 30, 2018: \$41,988) for internal secretarial and data entry services. The Company also paid \$2,820 during the nine months ended April 30, 2019 (nine months ended April 30, 2018: \$Nil) for geological advisory services. Consulting fees decreased because certain consultants no longer work for the Company and the Company has streamlined its work and is not looking to replace those consultants. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period.

Decreased share-based payments (nine months ended April 30, 2019: \$Nil; nine months ended April 30, 2018: \$364,182) were due to the Company did not grant any stock options during the nine months ended April 30, 2019 as compared to 6,000,000 stock options were granted to its directors and consultants at a price of \$0.20 per share for a one-year term (expiring on November 9, 2018) during the nine months ended April 30, 2018. The Company may grant options that are available under the approved stock option plan in the next 12 months period.

During the nine months ended April 30, 2019, the Company incurred a total of \$23,072 (nine months ended April 30, 2018: \$459,320) in corporate branding expenses, of which \$9,000 (nine months ended April 30, 2018: \$9,000) was for social media services related to the corporate twitter and \$9,072 (nine months ended April 30, 2018: \$10,207) was for the Company's President and one director to attend the 2019 PDAC Convention in Toronto.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may stay at or near this level in the next 12 month period due to management's decision to decrease overall branding expenses.

Increased investor relations expenses (nine months ended April 30, 2019: \$225,000; nine months ended April 30, 2018: \$125,000) were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. The Company prepaid the total amount of \$450,000 to these two entities using cash on hand and the service contract expired on May 31, 2019. Management does not have plans to enter into new investor relations contract as the Company has streamlined its work and is not looking to replace those consultants.

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See "Overall Performance" for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and "Risks and Uncertainties" for a discussion of risk factors affecting the Company.

## Discussion of Operations

### *Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
\$550,000 Flow-through <i>August 2017 Private Placement</i>	Flow-through funds - towards existing Canadian properties.	As of the date of this report, approximately \$312,000 in flow-through funds were used; and \$238,000 in flow-through funds has not been used.

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

## Liquidity and Capital Resources

### *Liquidity*

At April 30, 2019, the Company had \$2,187,528 in cash and cash equivalents and a working capital of \$2,222,238 as compared to \$2,807,027 in cash and cash equivalents and a working capital of \$3,063,030 at July 31, 2018.

The Company's current assets have decreased to \$2,244,786 as at April 30, 2019 from \$3,106,184 as at July 31, 2018, due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have decreased from \$43,154 as at July 31, 2018 to \$22,548 as at April 30, 2019, mainly due to a decrease in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at July 31, 2018 to \$2,016,655 as at April 30, 2019, due mainly to the exploration work totaling \$298,399 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a

number of factors, including changes in commodity prices, market volatility and general economic downturns.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of April 30, 2019. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle Cobalt Prospects:*
  - The Company owns a 100% interest in one mineral claim, which is in good standing until October 13, 2019. In order to keep this claim in good standing, the Company is required to incur a minimum of \$19,977 in exploration expenditures on this claim by October 13, 2019 or to pay cash-in-lieu of \$39,954.
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2020. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2020 for the Yukon Quartz claims, unless the Company spends an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2020.
- *Ontario Bucke Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2021 or later. In order to keep these claims in good standing, the Company is required to incur a minimum of \$12,800 in exploration expenditures on these claims by July 19, 2021.
- *Ontario Coleman Cobalt Prospects:*
  - Four claim units are in good standing until July 19, 2020. In order to keep these claims in good standing, the Company is required to incur a minimum of \$1,600 in exploration expenditures on these claims by July 19, 2020.
  - 28 claim units are in good standing until December 1, 2020. In order to keep these claims in good standing, the Company is required to incur a minimum of \$6,000 in exploration expenditures on these claims by December 1, 2020.
  - 15 claim units are in good standing until June 26, 2021 or later. In order to keep these claims in good standing, the Company is required to incur a minimum of \$3,000 in exploration expenditures on these claims by June 26, 2021.
- *Ontario Hector Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2020 or later. In order to keep these claims in good standing, the Company is required to incur a minimum of \$40,200 in exploration expenditures on these claims by July 19, 2020.

- *Ontario Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2021 or later. In order to keep these claims in good standing, the Company is required to incur a minimum of \$6,000 in exploration expenditures on these claims by July 19, 2021.
- *Ontario Lorraine Cobalt Prospects:*
  - Certain mineral claims are in good standing until December 29, 2019 or later. In order to keep these claims in good standing, the Company is required to incur a minimum of \$79,400 in exploration expenditures on these claims by December 29, 2019.
  - Certain mineral claims are in good standing until April 10, 2020. In order to keep these claims in good standing, the Company is required to incur a minimum of \$121,200 in exploration expenditures on these claims by April 10, 2020.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,860 and county fees of USD\$144 by September 1, 2019.
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$620 by September 1, 2019.
- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$10,075 by September 1, 2019.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is required to pay office rent (net of taxes) as follows: pay a total of pay a total of \$20,920 by July 31, 2019; and pay a total of \$85,227 by July 31, 2020. However, the Company shares its office space with three related public companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the nine months ended April 30, 2019 and, 2018, operating activities used cash of \$314,760 and \$1,888,164, respectively. The use of cash for the nine months ended April 30, 2019 was mainly attributable to its loss for the period of \$525,234 offset by a decrease in prepaid expenses of \$226,280. The use of cash for the nine months ended April 30, 2018 was mainly attributable to its loss for the period of \$1,270,569, to decreased accounts payable and accrued liabilities, to increased prepaid expenses, offset by share-based payments.

### *Investing Activities*

During the nine months ended April 30, 2019, the Company used cash of \$304,739 in investing activities due to investments in exploration and evaluation assets. During the nine months ended April 30, 2018, the Company used cash of \$348,141 in investing activities due to investments in exploration and evaluation assets.

### *Financing Activities*

During the nine months ended April 30, 2019, the Company did not provide or use any cash.

During the nine months ended April 30, 2018, the Company was provided \$3,303,498 by financing activities, of which \$3,356,268 was proceeds from issuance of share capital, offset by share issue costs of \$52,770.

## **Changes in Accounting Policies including Initial Adoption**

### *New accounting standards adopted during the period*

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company’s condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

#### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for

entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Parties Transactions**

During the nine months ended April 30, 2019, the Company incurred aggregate management fees of \$92,000 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. Management fees, directors' fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the nine months ended April 30, 2019, the Company paid \$52,500 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

As at April 30, 2019, accounts payable and accrued liabilities include \$397 (July 31, 2018: \$7,500) payable to Seth Kay, a director of the Company, for unpaid office expenses.

At April 30, 2019, related party receivables include \$Nil (July 31, 2018: \$3,512) for recoverable office expenses.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and receivables. Unless otherwise noted, it is management's opinion that the Company's current financial instruments will not be affected foreign exchange risk, credit risk, interest rate risk and price risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

### **Proposed Transactions**

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

During the nine months ended April 30, 2019 and 2018, the Company incurred expenses including the following:

	<u>2019</u>	<u>2018</u>
Operating expenses	\$550,692	\$1,333,026
Capitalized acquisition costs	\$Nil	\$75,370
Capitalized exploration costs	\$315,558	\$208,919

Please refer to Note 8 *Exploration and Evaluation Assets* in the condensed consolidated interim financial statements for the nine months ended April 30, 2019 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

### **Disclosure of Outstanding Share Data**

#### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at April 30, 2019 and June 21, 2019, the Company had 78,646,890 common shares issued and outstanding.

#### *Stock options*

As at April 30, 2019 and June 21, 2019, there are no stock options outstanding.

#### *Warrants*

As at April 30, 2019 and June 21, 2019, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	<u>\$0.05</u>	<u>June 13, 2021</u>
<u>17,171,848</u>		

### **Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium



costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the nine months ended April 30, 2019 and 2018. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of April 30, 2019 was \$16,400,608 since inception. The Company had cash and cash equivalents in the amount of \$2,187,528 as at April 30, 2019. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2018. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

#### RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

#### **Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.

# **CRUZ COBALT CORP.**

For the six months ended January 31, 2019

---

Management's Discussion and Analysis ("MD&A")

Date of Report: February 27, 2019

The following discussion and analysis of the Company's financial condition and results of operations for the six months ended January 31, 2019 should be read in conjunction with its condensed consolidated interim financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At January 31, 2019, the Company had mineral property interests located in Canada and in the USA.

***Mineral Properties***

***Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres. Subsequent to July 31, 2018, the Company decided to drop these claim units. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines.

As disclosed in news releases on August 15, 2018, the Company announced a magnetic geophysical survey was completed. 203 soils and 31 grab samples have been submitted to ALS in Sudbury. On September 18, 2018, the Company announced that a total of 5 rock grab samples returned greater than 0.1% cobalt and up to 2.02% cobalt (2018BKP040) from the Gillies East anomaly, in addition to anomalous silver and gold values (Table 1). Mineralization in outcrop occurs as narrow diabase-hosted potassium feldspar-carbonate veins ranging in width from less than 5 and up to 25 cm in width.

**Table 1: 2018 Hector Cobalt Property Significant Rock Grab Sample Results**

<b>Sample ID</b>	<b>Prospect</b>	<b>Sample Type</b>	<b>Co (%)</b>	<b>Ag (g/t)</b>	<b>Au (g/t)</b>
2018KBP040	Gillies East	Prospect Pit Float	<b>2.02</b>	<b>13.1</b>	-
2018KBP042		Outcrop	<b>0.61</b>	<b>4.1</b>	-
2018KBP034	Gillies West	Outcrop	<b>0.82</b>	-	-
2018KBP033		Outcrop	<b>0.42</b>	-	-
2018KBP037		Prospect Pit Float	<b>0.19</b>	-	-
2018KBP061		Outcrop	-	-	<b>0.37</b>

Of the 203 soil geochemical samples collected, a total of 22 samples returned greater than 10 parts-per-million (ppm) cobalt, and up to 98 ppm cobalt. Humus soil geochemical results define several north-northwest trending cobalt anomalies. A 200 x 200 meter cobalt soil anomaly centred on 3 samples returning greater than 20 ppm cobalt (Hector Anomaly) occurs a distance of 300 meters to the northwest of the historic Hector Silver Mine Shaft.

The Gillies East cobalt in soil anomaly lies a further 600 metres to the northwest, centred over an area of several historic prospect pits that returned cobalt in float and rock outcrop values of 2.02% and 0.61% cobalt. Along the western margin of the survey area, the northwest trending Gilles West anomaly returned the highest cobalt in soil results of 98 ppm cobalt, in addition to rock outcrop and float sample results of 0.82%, 0.42% and 0.19% cobalt, and 0.37 grams-per-tonne gold (2018KBP061).

The results of the geophysical survey define a 1.2 km northwest trending arcuate magnetic high anomaly interpreted to represent a strongly magnetic phase of a shallowly dipping Nipissing diabase sill that underlies much of the Hector Cobalt Property claims. The magnetic anomaly is coincident with the cobalt in soil anomalies and the location of numerous historic exploration pits targeting cobalt-silver mineralization; including the Historic Hector Silver Mine shaft that lies off the Property along eastern boundary.

As disclosed in a news release on January 28, 2019, the Company completed an exploration diamond drill program at its 4,980 acre Hector Cobalt Property comprising 10 holes totaling 843 metres (m).

The drilling was designed to test combined surface rock and soil geochemical and ground magnetic geophysical anomalies at the Hector and Gilles East targets, which were generated during the Company's summer 2018 surface exploration programs that yielded surface rock grab samples up to 2.0% cobalt, in addition to anomalous silver and gold values.

A series of four closely spaced shallow drill holes totaling 395 m tested the Hector anomaly; three holes totaling 264 m targeted Gilles East 1; and three holes totaling 185 m at the targeting Gilles East 2 were completed (**Table 1**).

**Table 1: Hector Cobalt Property Fall 2018 Diamond Drill Results**

Target	Drill Hole	From (m)	To (m)	Interval (m)*	Co (ppm)	Cu (ppm)	Au (ppb)	Ag (ppm)
Hector	18HC01	5.12	16.00	10.88	66	132	-	-
	<i>and</i>	24.00	25.00	1.00	110	-	-	-
	18HC02	83.45	84.45	1.00	310	60	-	-
	<i>and</i>	89.45	91.45	2.00	110	110	-	-
	<i>and</i>	94.33	95.02	0.69	130	150	-	-
	18HC03	11.80	17.00	5.20	-	127	-	-
	<i>and</i>	89.10	89.60	0.50	130	240	-	-
	<i>and</i>	93.40	95.50	2.10	90	300	-	-
Gilles East 1	18HC04	92.00	93.00	1.00	80	410	-	-
	18HC06	10.50	15.50	5.00	42	162	-	-
	<i>and</i>	50.00	51.00	1.00	50	650	-	-
Gillies East 2	18HC08	8.00	9.00	1.00	-	-	37	1.3
	<i>and</i>	18.00	21.00	3.00	97	57	-	-
	18HC09	18.00	23.00	5.00	-	472	-	-
	<i>including</i>	18.00	19.00	1.00	-	1420	-	-
	<i>and</i>	74.15	74.65	0.50	120	-	21	-
	18HC10	15.00	16.00	1.00	110	-	33	-
	<i>and</i>	18.00	21.00	3.00	-	283	-	-
	<i>including</i>	19.00	20.00	1.00	-	560	-	-

\* The true width of mineralization is estimated to be 70-80% of the drilled interval

Possible follow up work and drill programs are currently being formulated by management

As at January 31, 2019, the Company had spent a total of \$557,372 in exploration expenditures on the Ontario cobalt prospects.

Montana Chicken Hawk Cobalt Prospect

In February 2017, the Company entered into an agreement with an arm's length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at January 31, 2019, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

*Nevada Clayton Valley West Lithium Prospect*

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. As of January 31, 2019, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

At this time, there is no plan to do any follow up work in 2019. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

*BC War Eagle Cobalt Prospect*

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

The Company conducted an airborne work program over its War Eagle Cobalt Prospect in January 2018. The Company plans to commence follow up operations on this property in 2019 consisting of general geological mapping and locating any old showings.

As at January 31, 2019, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

*Yukon Quartz Claims*

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties. The Company has no plans to work on this property in 2019.

As at January 31, 2019, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon quartz claims.

*Idaho Star Cobalt Prospect*

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within

the Idaho Cobalt Belt. In July 2017, the Company conducted a soil sampling program on its Idaho Star Cobalt Prospect.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at January 31, 2019, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the six months ended January 31, 2019 and 2018. The Company's net comprehensive loss decreased from \$967,911 for the six months ended January 31, 2018 to \$347,388 for the six months ended January 31, 2019, mainly due to a decrease in operating expenses. The Company's cash and cash equivalents decreased from \$2,807,027 as at July 31, 2018 to \$2,342,497 as at January 31, 2019. The Company had a working capital of \$2,432,227 as at January 31, 2019 as compared to \$3,063,030 as at July 31, 2018.

The Company's current assets have decreased to \$2,476,465 as at January 31, 2019 from \$3,106,184 as at July 31, 2018, due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have slightly increased from \$43,154 as at July 31, 2018 to \$44,238 as at January 31, 2019, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at



July 31, 2018 to \$1,984,512 as at January 31, 2019, due mainly to the exploration work totaling \$266,256 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Additional information about the risks and uncertainties relating to the Company’s business and financial performance is discussed below under “Risks and Uncertainties”.

### *Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2019 Second	2019 First	2018 Fourth	2018 Third	2018 Second	2018 First	2017 Fourth	2017 Third
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(200,646)	\$(164,401)	\$(70,093)	\$(315,360)	\$(769,515)	\$(248,151)	\$(348,183)	\$(400,822)
<b>Loss before other items</b>	\$(200,646)	\$(164,401)	\$(70,093)	\$(315,360)	\$(769,515)	\$(248,151)	\$(348,183)	\$(400,822)
<b>Loss per share (Basic and diluted)</b>	\$(0.003)	\$(0.002)	\$(0.001)	\$(0.000)	\$(0.011)	\$(0.004)	\$(0.006)	\$(0.007)
<b>Other items:</b>								
<b>Interest income</b>	\$8,620	\$9,039	\$9,240	\$8,577	\$5,703	\$3,079	\$846	\$979
<b>Gain on write-off of accounts payable</b>	\$Nil	\$Nil	\$16,660	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Other income on settlement of flow-through share premium liability</b>	\$Nil	\$Nil	\$3,410	\$4,125	\$16,827	\$24,146	\$24,742	\$Nil
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$137,325
<b>Unrealized gain on marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$(3,480)
<b>Write-down of mineral properties</b>	\$Nil	\$Nil	\$(456,000)	\$Nil	\$Nil	\$Nil	\$(78,738)	\$Nil
<b>Net comprehensive loss Basic and diluted loss per share</b>	\$(192,026)	\$(155,362)	\$(496,783)	\$(302,658)	\$(746,985)	\$(220,926)	\$(401,333)	\$(265,998)
	\$(0.002)	\$(0.002)	\$(0.007)	\$(0.000)	\$(0.011)	\$(0.004)	\$(0.007)	\$(0.005)

### *Summary of Results During Prior Eight Quarters*

Net comprehensive loss increased by \$135,335 from the third to the fourth quarter of 2017 mainly due to an increase in the write-down of exploration and evaluation assets and a decrease in realized gain on sale of marketable securities offset by a decrease in travel and promotion expenses. Net comprehensive loss decreased by \$180,407 from the fourth quarter of 2017 to the first quarter of 2018 mainly due to a decrease in share-based payments. Net comprehensive loss increased by \$747,038 from the first to the second quarter of 2018 mainly due to an increase in consulting fees, travel and corporate branding, and share-based payment expenses. Net comprehensive loss decreased by \$665,306 from the second to the third quarter of 2018 mainly due to a decrease in share-based payments and a decrease in travel and corporate branding expenses. Net comprehensive loss increased by \$194,125 from the third to the fourth quarter of 2018 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in share-based payments and a decrease in corporate branding expenses. Net comprehensive loss decreased by \$341,421 from the fourth quarter of 2018 to the first quarter of 2019 mainly due to a decrease in the write-down of exploration and evaluation assets offset by an increase in operating

expenses. Net comprehensive loss increased by \$36,664 from the first to the second quarter of 2019 mainly due to an increase in management fees and other expenses.

*Three months ended January 31, 2019 Compared to the Three months ended January 31, 2018*

The Company did not generate any revenue for the three months ended January 31, 2019 and 2018. Net comprehensive loss decreased by \$554,959 from \$746,985 for the three months ended January 31, 2018 to \$192,026 for the three months ended January 31, 2019 due mainly to a decrease in operating expenses offset by a decrease in other income on settlement of flow-through share premium (three months ended January 31, 2019: \$Nil; three months ended January 31, 2018: \$16,827). Operating expenses decreased by \$568,869 from \$769,515 for the three months ended January 31, 2018 to \$200,646 for the three months ended January 31, 2019 due mainly to a decrease in share-based payments as well as a decrease in corporate branding expenses, offset by an increase in investor relations expenses.

Decreased share-based payments (three months ended January 31, 2019: \$Nil; three months ended January 31, 2018: \$364,182) were due to the Company did not grant any stock options during the three months ended January 31, 2019 as compared to 6,000,000 stock options were granted to its directors and consultants at a price of \$0.20 per share for a one-year term (expiring on November 9, 2018) during the three months ended January 31, 2018. The Company may grant options that are available under the approved stock option plan in the next 12 months period.

During the three months ended January 31, 2019, the Company incurred a total of \$3,000 (three months ended January 31, 2018: \$196,783) in corporate branding expenses which was for social media services related to the corporate twitter.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may stay at or near this level in the next 12 month period due to management's decision to decrease overall branding expenses.

Increased investor relations expenses (three months ended January 31, 2019: \$75,000; three months ended January 31, 2018: \$50,000) were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that the investor relations expenses may stay at or near this level in the next four month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand and the service contract will expire on May 31, 2019.

*Six months ended January 31, 2019 Compared to the Six months ended January 31, 2018*

The Company did not generate any revenue for the six months ended January 31, 2019 and 2018. Net comprehensive loss decreased by \$620,523 from \$967,911 for the six months ended January 31, 2018 to \$347,388 for the six months ended January 31, 2019 due mainly to a decrease in operating expenses offset by a decrease in other income on settlement of flow-through share premium (six months ended January 31, 2019: \$Nil; six months ended January 31, 2018: \$40,973). Operating expenses decreased by \$652,619 from \$1,017,666 for the six months ended January 31, 2018 to \$365,047 for the six months ended January 31, 2019 due mainly to a decrease in consulting fees, share-based payments, and corporate branding expenses, offset by an increase in investor relations expenses.

Consulting fees paid by the Company (six months ended January 31, 2019: \$42,000; six months ended January 31, 2018: \$70,438) generally include the following two categories: corporate and business advisory; secretarial and data entry services.

Total consulting fees during the six months ended January 31, 2019 consisted of \$42,000 (six months ended January 31, 2018: \$42,000) for business advisory services. Such payments were generally made to

third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$Nil during the six months ended January 31, 2019 (six months ended January 31, 2018: \$28,438) for internal secretarial and data entry services. Consulting fees decreased because certain consultants no longer work for the Company and the Company has streamlined its work and is not looking to replace those consultants. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period.

Decreased share-based payments (six months ended January 31, 2019: \$Nil; six months ended January 31, 2018: \$364,182) were due to the Company did not grant any stock options during the six months ended January 31, 2019 as compared to 6,000,000 stock options were granted to its directors and consultants at a price of \$0.20 per share for a one-year term (expiring on November 9, 2018) during the six months ended January 31, 2018. The Company may grant options that are available under the approved stock option plan in the next 12 months period.

During the six months ended January 31, 2019, the Company incurred a total of \$6,000 (six months ended January 31, 2018: \$342,711) in corporate branding expenses which was for social media services related to the corporate twitter.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may stay at or near this level in the next 12 month period due to management's decision to decrease overall branding expenses.

Increased investor relations expenses (six months ended January 31, 2019: \$150,000; six months ended January 31, 2018: \$50,000) were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that the investor relations expenses may stay at or near this level in the next four month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand and the service contract will expire on May 31, 2019.

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See "Overall Performance" for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and "Risks and Uncertainties" for a discussion of risk factors affecting the Company.

## Discussion of Operations

### *Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
\$550,000 Flow-through <i>August 2017 Private Placement</i>	Flow-through funds - towards existing Canadian properties.	As of the date of this report, approximately \$291,000 in flow-through funds were used; and \$259,000 in flow-through funds has not been used.

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

## **Liquidity and Capital Resources**

### *Liquidity*

At January 31, 2019, the Company had \$2,342,497 in cash and cash equivalents and a working capital of \$2,432,227 as compared to \$2,807,027 in cash and cash equivalents and a working capital of \$3,063,030 at July 31, 2018.

The Company's current assets have decreased to \$2,476,465 as at January 31, 2019 from \$3,106,184 as at July 31, 2018, due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have slightly increased from \$43,154 as at July 31, 2018 to \$44,238 as at January 31, 2019, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at July 31, 2018 to \$1,984,512 as at January 31, 2019, due mainly to the exploration work totaling \$266,256 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of January 31, 2019. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle Cobalt Prospects:*
  - The Company owns a 100% interest in one mineral claim, which is in good standing until December 13, 2019. In order to keep this claim in good standing, the Company is

required to incur a minimum of \$19,977 in exploration expenditures on this claim by December 13, 2019 or to pay cash-in-lieu of \$39,954.

- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2019. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2019 for the Yukon Quartz claims, unless the Company spends an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2019.
- *Ontario Coleman, Bucke, Hector, and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until June 26, 2019 or later. In order to keep these claims in good standing, the Company was required to incur a minimum of \$79,600 in exploration expenditures on these claims by June 26, 2019, of which \$557,372 had been incurred. The Company will file a report with Ontario to renew these claims.
- *Ontario Lorraine Cobalt Prospects:*
  - Certain mineral claims are in good standing until December 29, 2019. In order to keep these claims in good standing, the Company was required to incur a minimum of \$90,400 in exploration expenditures on these claims by December 29, 2019.
  - Certain mineral claims are in good standing until January 10, 2020. In order to keep these claims in good standing, the Company was required to incur a minimum of \$16,400 in exploration expenditures on these claims by January 10, 2020.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,860 and county fees of USD\$144 by September 1, 2019.
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$620 by September 1, 2019.
- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$10,075 by September 1, 2019.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is required to pay office rent (net of taxes) as follows: pay a total of \$41,839 by July 31, 2019; and pay a total of \$85,227 by July 31, 2020. However, the Company shares its office space with three related public

companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the six months ended January 31, 2019 and, 2018, operating activities used cash of \$188,515 and \$1,134,814, respectively. The use of cash for the six months ended January 31, 2019 was mainly attributable to its loss for the period of \$347,388 offset by a decrease in prepaid expenses of \$152,441. The use of cash for the six months ended January 31, 2018 was mainly attributable to its loss for the period of \$967,911, to increased receivables and prepaid expenses, offset by share-based payments.

#### *Investing Activities*

During the six months ended January 31, 2019, the Company used cash of \$276,015 in investing activities due to investments in exploration and evaluation assets. During the six months ended January 31, 2018, the Company used cash of \$327,470 in investing activities due to investments in exploration and evaluation assets.

#### *Financing Activities*

During the six months ended January 31, 2019, the Company did not provide or use any cash.

During the six months ended January 31, 2018, the Company was provided \$2,824,153 by financing activities, of which \$2,876,923 was proceeds from issuance of share capital, offset by share issue costs of \$52,770.

### **Changes in Accounting Policies including Initial Adoption**

#### *New accounting standards adopted during the period*

##### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company’s condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

#### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Parties Transactions**

During the six months ended January 31, 2019, the Company incurred aggregate management fees of \$68,000 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. Management fees, directors’ fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the six months ended January 31, 2019, the Company paid \$39,000 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

As at January 31, 2019, accounts payable and accrued liabilities include \$7,500 (July 31, 2018: \$7,500) payable to three directors for unpaid directors' fees as follows: \$2,500 each payable to James Nelson, Seth Kay and Gregory Thomson.

At January 31, 2019, related party receivables include \$Nil (July 31, 2018: \$3,512) for recoverable office expenses.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

### **Financial Instruments and Other Instruments**

The Company’s financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and receivables. Unless otherwise noted, it is management’s opinion that the Company’s current financial instruments will not be affected foreign exchange risk, credit risk, interest rate risk and price risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

### **Proposed Transactions**

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.

### Additional Disclosure for Venture Issuers without Significant Revenue

During the six months ended January 31, 2019 and 2018, the Company incurred expenses including the following:

	<u>2019</u>	<u>2018</u>
Operating expenses	\$365,047	\$1,017,666
Capitalized acquisition costs	\$Nil	\$60,080
Capitalized exploration costs	\$283,415	\$205,919

Please refer to Note 8 *Exploration and Evaluation Assets* in the condensed consolidated interim financial statements for the six months ended January 31, 2019 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

### Disclosure of Outstanding Share Data

#### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at January 31, 2019 and February 27, 2019, the Company had 78,646,890 common shares issued and outstanding.

#### *Stock options*

As at January 31, 2019 and February 27, 2019, there are no stock options outstanding.

#### *Warrants*

As at January 31, 2019 and February 27, 2019, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u>17,171,848</u>		

### Risks and Uncertainties

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional



properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety

standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the six months ended January 31, 2019 and 2018. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of January 31, 2019 was \$16,222,762 since inception. The Company had cash and cash equivalents in the amount of \$2,342,497 as at January 31,

2019. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2018. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

## RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

Cruz Cobalt Corp.

For the six months ended January 31, 2019 – Page 18

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

**Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.

# **CRUZ COBALT CORP.**

For the three months ended October 31, 2018

---

Management's Discussion and Analysis ("MD&A")

Date of Report: December 20, 2018

The following discussion and analysis of the Company's financial condition and results of operations for the three months ended October 31, 2018 should be read in conjunction with its condensed consolidated interim financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At October 31, 2018, the Company had mineral property interests located in Canada and in the USA.

***Mineral Properties******Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres. Subsequent to July 31, 2018, the Company decided to drop these claim units. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines.

As disclosed in news releases on August 15, 2018, the Company announced a magnetic geophysical survey was completed. 203 soils and 31 grab samples have been submitted to ALS in Sudbury. On September 18, 2018, the Company announced that a total of 5 rock grab samples returned greater than 0.1% cobalt and up to 2.02% cobalt (2018BKP040) from the Gillies East anomaly, in addition to anomalous silver and gold values (Table 1). Mineralization in outcrop occurs as narrow diabase-hosted potassium feldspar-carbonate veins ranging in width from less than 5 and up to 25 cm in width.

**Table 1: 2018 Hector Cobalt Property Significant Rock Grab Sample Results**

<b>Sample ID</b>	<b>Prospect</b>	<b>Sample Type</b>	<b>Co (%)</b>	<b>Ag (g/t)</b>	<b>Au (g/t)</b>
2018KBP040	Gillies East	Prospect Pit Float	<b>2.02</b>	<b>13.1</b>	-
2018KBP042		Outcrop	<b>0.61</b>	<b>4.1</b>	-
2018KBP034	Gillies West	Outcrop	<b>0.82</b>	-	-
2018KBP033		Outcrop	<b>0.42</b>	-	-
2018KBP037		Prospect Pit Float	<b>0.19</b>	-	-
2018KBP061		Outcrop	-	-	<b>0.37</b>

Cruz Cobalt Corp.

For the three months ended October 31, 2018 – Page 3

Of the 203 soil geochemical samples collected, a total of 22 samples returned greater than 10 parts-per-million (ppm) cobalt, and up to 98 ppm cobalt. Humus soil geochemical results define several north-northwest trending cobalt anomalies. A 200 x 200 meter cobalt soil anomaly centred on 3 samples returning greater than 20 ppm cobalt (Hector Anomaly) occurs a distance of 300 meters to the northwest of the historic Hector Silver Mine Shaft.

The Gillies East cobalt in soil anomaly lies a further 600 metres to the northwest, centred over an area of several historic prospect pits that returned cobalt in float and rock outcrop values of 2.02% and 0.61% cobalt. Along the western margin of the survey area, the northwest tending Gilles West anomaly returned the highest cobalt in soil results of 98 ppm cobalt, in addition to rock outcrop and float sample results of 0.82%, 0.42% and 0.19% cobalt, and 0.37 grams-per-tonne gold (2018KBP061).

The results of the geophysical survey define a 1.2 km northwest trending arcuate magnetic high anomaly interpreted to represent a strongly magnetic phase of a shallowly dipping Nipissing diabase sill that underlies much of the Hector Cobalt Property claims. The magnetic anomaly is coincident with the cobalt in soil anomalies and the location of numerous historic exploration pits targeting cobalt-silver mineralization; including the Historic Hector Silver Mine shaft that lies off the Property along eastern boundary.

As disclosed in a news releases on December 19, 2018, the Company has completed the diamond drilling program on the Hector Cobalt Prospect. The initial diamond drilling program consisted of 10 holes and 843 total meters. Sample results are expected in six to eight weeks.

As at October 31, 2018, the Company had spent a total of \$432,932 in exploration expenditures on the Ontario cobalt prospects.

#### Montana Chicken Hawk Cobalt Prospect

In February 2017, the Company entered into an agreement with an arm's length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at October 31, 2018, the Company had spent a total of \$103,458 in exploration expenditures on this prospect.

#### Nevada Clayton Valley West Lithium Prospect

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. As of October 31, 2018, the Company had incurred a total of \$7,996 in claim maintenance fees on this prospect.

At this time, there is no plan to do any follow up work in 2019. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the

Cruz Cobalt Corp.

For the three months ended October 31, 2018 – Page 4

future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

*BC War Eagle Cobalt Prospect*

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres.

In October 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

The Company conducted an airborne work program over its War Eagle Cobalt Prospect in January 2018. The Company plans to commence follow up operations on this property in 2019 consisting of general geological mapping and locating any old showings.

As at October 31, 2018, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

*Yukon Quartz Claims*

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties. The Company has no plans to work on this property in 2019.

As at October 31, 2018, the Company had spent a total of \$1,917 in exploration expenditures on the remaining Yukon quartz claims.

*Idaho Star Cobalt Prospect*

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within the Idaho Cobalt Belt. In July 2017, the Company conducted a soil sampling program on its Idaho Star Cobalt Prospect.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.



As at October 31, 2018, the Company had spent a total of \$4,045 in exploration expenditures on this prospect.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the three months ended October 31, 2018 and 2017. The Company's net comprehensive loss decreased from \$220,926 for the three months ended October 31, 2017 to \$155,362 for the three months ended October 31, 2018, mainly due to a decrease in operating expenses. The Company's cash and cash equivalents decreased from \$2,807,027 as at July 31, 2018 to \$2,593,506 as at October 31, 2018. The Company had a working capital of \$2,748,693 as at October 31, 2018 as compared to \$3,063,030 as at July 31, 2018.

The Company's current assets have decreased to \$2,797,312 as at October 31, 2018 from \$3,106,184 as at July 31, 2018, due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have slightly increased from \$43,154 as at July 31, 2018 to \$48,619 as at October 31, 2018, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at July 31, 2018 to \$1,860,072 as at October 31, 2018, due mainly to the exploration work totaling \$141,816 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Additional information about the risks and uncertainties relating to the Company's business and financial performance is discussed below under "Risks and Uncertainties".

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2019 First	2018 Fourth	2018 Third	2018 Second	2018 First	2017 Fourth	2017 Third	2017 Second
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(164,401)	\$(70,093)	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)
<b>Loss before other items</b>	\$(164,401)	\$(70,093)	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)
<b>Loss per share (Basic and diluted)</b>	\$(0.002)	\$(0.001)	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.006)	\$(0.007)	\$(0.010)
<b>Other items:</b>								
<b>Interest income</b>	\$9,039	\$9,240	\$8,577	\$5,703	\$3,079	\$846	\$979	\$(823)
<b>Gain on write-off of accounts payable</b>	\$Nil	\$16,660	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Other income on settlement of flow-through share premium liability</b>	\$Nil	\$3,410	\$4,125	\$16,827	\$24,146	\$24,742	\$Nil	\$Nil
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$137,325	\$(210)
<b>Unrealized gain on marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$(3,480)	\$(10,020)
<b>Write-down of mineral properties</b>	\$Nil	\$(456,000)	\$Nil	\$Nil	\$Nil	\$(78,738)	\$Nil	\$Nil
<b>Net comprehensive loss</b>	\$(155,362)	\$(496,783)	\$(302,658)	\$(967,964)	\$(220,926)	\$(401,333)	\$(265,998)	\$(234,402)
<b>Basic and diluted loss per share</b>	\$(0.002)	\$(0.007)	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.007)	\$(0.005)	\$(0.006)

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss increased by \$31,596 from the second to the third quarter of 2017 mainly due to an increase in share-based payment expenses and in travel and promotion expenses offset by an increase in realized gain on sale of marketable securities. Net comprehensive loss increased by \$135,335 from the third to the fourth quarter of 2017 mainly due to an increase in the write-down of exploration and evaluation assets and a decrease in realized gain on sale of marketable securities offset by a decrease in travel and promotion expenses. Net comprehensive loss decreased by \$180,407 from the fourth quarter of 2017 to the first quarter of 2018 mainly due to a decrease in share-based payments. Net comprehensive loss increased by \$747,038 from the first to the second quarter of 2018 mainly due to an increase in consulting fees, travel and corporate branding, and share-based payment expenses. Net comprehensive loss decreased by \$665,306 from the second to the third quarter of 2018 mainly due to a decrease in share-based payments and a decrease in travel and corporate branding expenses. Net comprehensive loss increased by \$194,125 from the third to the fourth quarter of 2018 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in share-based payments and a decrease in corporate branding expenses. Net comprehensive loss decreased by \$341,421 from the fourth quarter of 2018 to the first quarter of 2019 mainly due to a decrease in the write-down of exploration and evaluation assets offset by an increase in operating expenses.

*Three months ended October 31, 2018 Compared to the Three months ended October 31, 2017*

The Company did not generate any revenue for the three months ended October 31, 2018 and 2017. Net comprehensive loss decreased by \$65,564 from \$220,926 for the three months ended October 31, 2017 to

\$155,362 for the three months ended October 31, 2018 due mainly to a decrease in operating expenses offset by a decrease in other income on settlement of flow-through share premium (three months ended October 31, 2018: \$Nil; three months ended October 31, 2017: \$24,146). Operating expenses decreased by \$83,750 from \$248,151 for the three months ended October 31, 2017 to \$164,401 for the three months ended October 31, 2018 due mainly to a decrease in consulting fees as well as a decrease in corporate branding expenses, offset by an increase in investor relations expenses.

Consulting fees paid by the Company (three months ended October 31, 2018: \$21,000; three months ended October 31, 2017: \$37,637) generally include the following two categories: corporate and business advisory; secretarial and data entry services.

Total consulting fees during the three months ended October 31, 2018 consisted of \$21,000 (three months ended October 31, 2017: \$21,000) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$Nil during the three months ended October 31, 2018 (three months ended October 31, 2017: \$16,637) for internal secretarial and data entry services. Consulting fees decreased because seven consultants no longer work for the Company and the Company has streamlined its work and is not looking to replace those consultants. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period.

During the three months ended October 31, 2018, the Company incurred a total of \$3,000 (three months ended October 31, 2017: \$145,928) in corporate branding expenses which was for social media services related to the corporate twitter.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may stay at or near this level in the next 12 month period due to management's decision to decrease overall branding expenses.

Increased investor relations expenses (three months ended October 31, 2018: \$75,000; three months ended October 31, 2017: \$Nil) were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that the investor relations expenses may stay at or near this level in the next twelve month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand.

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See "Overall Performance" for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and "Risks and Uncertainties" for a discussion of risk factors affecting the Company.

## Discussion of Operations

### *Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
\$550,000 Flow-through <i>August 2017 Private Placement</i>	Flow-through funds - towards existing Canadian properties.	As of the date of this report, approximately \$206,000 in flow-through funds were used; and \$344,000 in flow-through funds has not been used.

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

## Liquidity and Capital Resources

### *Liquidity*

At October 31, 2018, the Company had \$2,593,506 in cash and cash equivalents and a working capital of \$2,748,693 as compared to \$2,807,027 in cash and cash equivalents and a working capital of \$3,063,030 at July 31, 2018.

The Company's current assets have decreased to \$2,797,312 as at October 31, 2018 from \$3,106,184 as at July 31, 2018 due mainly to a decrease in cash and cash equivalents as well as a decrease in prepaid expenses. The Company's current liabilities have slightly increased from \$43,154 as at July 31, 2018 to \$48,619 as at October 31, 2018, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,701,097 as at July 31, 2018 to \$1,860,072 as at October 31, 2018, due mainly to the exploration work totaling \$141,816 performed on the cobalt prospects in Ontario and claim maintenance fees totaling \$17,159 incurred to renew its mineral exploration properties as set described above.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a

number of factors, including changes in commodity prices, market volatility and general economic downturns.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of October 31, 2018. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle Cobalt Prospects:*
  - The Company owns a 100% interest in one mineral claim, which is in good standing until December 13, 2019. In order to keep this claim in good standing, the Company is required to incur a minimum of \$19,977 in exploration expenditures on this claim by December 13, 2019 or to pay cash-in-lieu of \$39,954.
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2019. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2019 for the Yukon Quartz claims, unless the Company spends an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2019.
- *Ontario Coleman, Bucke, Hector, and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until June 26, 2019 or later. In order to keep these claims in good standing, the Company was required to incur a minimum of \$79,600 in exploration expenditures on these claims by June 26, 2019, of which \$432,932 had been incurred. The Company will file a report with Ontario to renew these claims.
- *Ontario Lorraine Cobalt Prospects:*
  - Certain mineral claims are in good standing until December 29, 2019. In order to keep these claims in good standing, the Company was required to incur a minimum of \$90,400 in exploration expenditures on these claims by December 29, 2019.
  - Certain mineral claims are in good standing until January 10, 2020. In order to keep these claims in good standing, the Company was required to incur a minimum of \$16,400 in exploration expenditures on these claims by January 10, 2020.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,860 and county fees of USD\$144 by September 1, 2019.
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$620 by September 1, 2019.

- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$10,075 by September 1, 2019.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is required to pay office rent (net of taxes) as follows: pay a total of \$62,759 by July 31, 2019; and pay a total of \$85,227 by July 31, 2020. However, the Company shares its office space with four related public companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the three months ended October 31, 2018 and, 2017, operating activities used cash of \$67,763 and \$265,730, respectively. The use of cash for the three months ended October 31, 2018 was mainly attributable to its loss for the period of \$155,362 offset by a decrease in prepaid expenses of \$80,838. The use of cash for the three months ended October 31, 2017 was mainly attributable to its loss for the period of \$220,926, to increased receivables and prepaid expenses, offset by decreased accounts payable and accrued liabilities.

#### *Investing Activities*

During the three months ended October 31, 2018, the Company used cash of \$145,758 in investing activities due to investments in exploration and evaluation assets. During the three months ended October 31, 2017, the Company used cash of \$203,870 in investing activities due to investments in exploration and evaluation assets.

#### *Financing Activities*

During the three months ended October 31, 2018, the Company did not provide or use any cash.

During the three months ended October 31, 2017, the Company was provided \$689,486 by financing activities, of which \$739,256 was proceeds from issuance of share capital, offset by share issue costs of \$49,770.

### **Changes in Accounting Policies including Initial Adoption**

#### *New accounting standards adopted during the period*

##### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on August 1, 2018 and the impact to the Company's condensed consolidated interim financial statement will be to classify its investments to fair value through profit or loss which was previously classified as available for sale. Future changes in the fair value of investment will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

#### ***Accounting standards issued but not yet effective***

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

#### ***IFRS 16 – Leases (“IFRS 16”)***

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **Related Parties Transactions**

During the three months ended October 31, 2018, the Company incurred aggregate management fees of \$24,000 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. Management fees, directors' fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the three months ended October 31, 2018, the Company paid \$13,500 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

As at October 31, 2018, accounts payable and accrued liabilities include \$7,555 (July 31, 2018: \$7,500) payable to three directors and an officer for unpaid office and directors' fees as follows: \$55 payable to Cindy Cai for unpaid office expenses; and \$2,500 each payable to James Nelson, Seth Kay and Gregory Thomson for unpaid directors' fees.

At October 31, 2018, related party receivables include \$1,440 (July 31, 2018: \$3,512) due from Spearmint Resources Inc., a public company with common directors, for unpaid office expenses.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

## Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and receivables. Unless otherwise noted, it is management's opinion that the Company's current financial instruments will not be affected foreign exchange risk, credit risk, interest rate risk and price risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

## Proposed Transactions

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.

## Additional Disclosure for Venture Issuers without Significant Revenue

During the three months ended October 31, 2018 and 2017, the Company incurred expenses including the following:

	<u>2018</u>	<u>2017</u>
Operating expenses	\$164,401	\$248,151
Capitalized exploration costs	\$158,975	\$151,324

Please refer to Note 8 *Exploration and Evaluation Assets* in the condensed consolidated interim financial statements for the three months ended October 31, 2018 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

## Disclosure of Outstanding Share Data

### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at October 31, 2018 and December 20, 2018, the Company had 78,646,890 common shares issued and outstanding.

### *Stock options*

As at October 31, 2018, the Company had 2,000,000 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>2,000,000</u>	\$0.20	November 9, 2018

Subsequent to October 31, 2018, the above 2,000,000 options expired unexercised. As of December 20, 2018, there are no options outstanding.



### Warrants

As at October 31, 2018 and December 20, 2018, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	<u>\$0.05</u>	<u>June 13, 2021</u>
<u>17,171,848</u>		

### Risks and Uncertainties

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company

may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the three months ended October 31, 2018 and 2017. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of October 31, 2018 was \$16,030,736 since inception. The Company had cash and cash equivalents in the amount of \$2,593,506 as at October 31, 2018. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2018. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

#### RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

#### **Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.

# **CRUZ COBALT CORP.**

For the year ended July 31, 2018

---

Management's Discussion and Analysis ("MD&A")

Date of Report: November 21, 2018

The following discussion and analysis of the Company's financial condition and results of operations for the year ended July 31, 2018 should be read in conjunction with its consolidated financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At July 31, 2018, the Company had mineral property interests located in Canada and in the USA.

## ***Mineral Properties***

### ***Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement (the "Cobalt Locaters SPA") with four arm's length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres. Subsequent to July 31, 2018, the Company decided to drop these claim units. Prior acquisition costs of \$2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines.

As disclosed in news releases on August 15, 2018, the Company announced a magnetic geophysical survey was completed. 203 soils and 31 grab samples have been submitted to ALS in Sudbury. On September 18, 2018, the Company announced that a total of 5 rock grab samples returned greater than 0.1% cobalt and up to 2.02% cobalt (2018BKP040) from the Gillies East anomaly, in addition to anomalous silver and gold values (Table 1). Mineralization in outcrop occurs as narrow diabase-hosted potassium feldspar-carbonate veins ranging in width from less than 5 and up to 25 cm in width.

**Table 1: 2018 Hector Cobalt Property Significant Rock Grab Sample Results**

Sample ID	Prospect	Sample Type	Co (%)	Ag (g/t)	Au (g/t)
2018KBP040	Gillies East	Prospect Pit Float	<b>2.02</b>	<b>13.1</b>	-
2018KBP042		Outcrop	<b>0.61</b>	<b>4.1</b>	-
2018KBP034	Gillies West	Outcrop	<b>0.82</b>	-	-
2018KBP033		Outcrop	<b>0.42</b>	-	-
2018KBP037		Prospect Pit Float	<b>0.19</b>	-	-
2018KBP061		Outcrop	-	-	<b>0.37</b>

Of the 203 soil geochemical samples collected, a total of 22 samples returned greater than 10 parts-per-million (ppm) cobalt, and up to 98 ppm cobalt. Humus soil geochemical results define several north-northwest trending cobalt anomalies. A 200 x 200 meter cobalt soil anomaly centred on 3 samples returning greater than 20 ppm cobalt (Hector Anomaly) occurs a distance of 300 meters to the northwest of the historic Hector Silver Mine Shaft.

The Gillies East cobalt in soil anomaly lies a further 600 metres to the northwest, centred over an area of several historic prospect pits that returned cobalt in float and rock outcrop values of 2.02% and 0.61% cobalt. Along the western margin of the survey area, the northwest tending Gilles West anomaly returned the highest cobalt in soil results of 98 ppm cobalt, in addition to rock outcrop and float sample results of 0.82%, 0.42% and 0.19% cobalt, and 0.37 grams-per-tonne gold (2018KBP061).

The results of the geophysical survey define a 1.2 km northwest trending arcuate magnetic high anomaly interpreted to represent a strongly magnetic phase of a shallowly dipping Nipissing diabase sill that underlies much of the Hector Cobalt Property claims. The magnetic anomaly is coincident with the cobalt in soil anomalies and the location of numerous historic exploration pits targeting cobalt-silver mineralization; including the Historic Hector Silver Mine shaft that lies off the Property along eastern boundary.

As disclosed in news releases on November 5, 2018, crews have mobilized for the commencement of diamond drilling on the Hector cobalt property. The initial diamond drilling program will consist of four to seven holes. Crews are expected to complete the drilling shortly.

As at July 31, 2018, the Company had spent a total of \$291,116 in exploration expenditures on the Ontario cobalt prospects.

Montana Chicken Hawk Cobalt Prospect

In February 2017, the Company entered into an agreement with an arm's length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

Subsequent to July 31, 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of \$24,578 and exploration costs of \$34,457 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at July 31, 2018, the Company had spent a total of \$90,033 in exploration expenditures on this prospect.

*Nevada Clayton Valley West Lithium Prospect*

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. As of July 31, 2018, the Company had incurred a total of \$5,304 in claim maintenance fees on this prospect.

At this time, there is no plan to do any follow up work in 2019. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

*BC War Eagle Cobalt Prospect*

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres.

Subsequent to July 31, 2018, the Company decided to drop certain War Eagle claims and will allow them lapse when they become due. Accordingly, prior acquisition costs of \$7,283 and exploration costs of \$12,716 associated with these lapsed claims were written off as of July 31, 2018.

The Company conducted an airborne work program over its War Eagle Cobalt Prospect in January 2018. The Company plans to commence follow up operations on this property in 2019 consisting of general geological mapping and locating any old showings.

As at July 31, 2018, the Company had spent a total of \$16,119 in exploration expenditures on this prospect.

*Yukon Quartz Claims*

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties. The Company has no plans to work on this property in 2019.



Cruz Cobalt Corp.

For the year ended July 31, 2018 – Page 5

As at July 31, 2018, the Company had spent a total of \$1,707 in exploration expenditures on the remaining Yukon quartz claims.

Idaho Star Cobalt Prospect

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within the Idaho Cobalt Belt. In July 2017, the Company conducted a soil sampling program on its Idaho Star Cobalt Prospect.

Subsequent to July 31, 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of \$36,330 and exploration costs of \$32,122 were written down as of July 31, 2018.

The Company is considering to conduct a follow up program in 2019, however, a final decision has not been concluded at this time.

As at July 31, 2018, the Company had spent a total of \$3,213 in exploration expenditures on this prospect.

BC Purcell Cobalt Prospect

Under the Cobalt Locaters SPA, the Company indirectly acquired a 100% interest in two cobalt prospects in B.C..

In January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,197 to increase the acreage on the Purcell Cobalt Prospect to 11,821 acres.

Subsequent to July 31, 2018, the Company decided to drop the entire property. Prior acquisition costs of \$285,863 and exploration costs of \$20,351 were written off as of July 31, 2018.

Ontario Kenagami Hydrothermal Graphite Prospect

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Kenagami Vendor") to acquire a 100% interest in the Kenagami hydrothermal graphite prospect, consisting of four claims. The Company was required to make a cash payment of \$20,000 and issued 300,000 common shares (issued at a value of \$71,500) in set payments on or before September 25, 2017.

In August 2017, the Company decided not to continue with this property. Accordingly, prior acquisition costs of \$73,000 and exploration costs of \$5,738 were written off as of July 31, 2017.

Sale of Idaho Cobalt Prospect

In September 2016, the Company partnered with three non-related parties (the "Idaho Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Idaho Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20% of the acquisition costs in the amount of \$14,355. On September 9, 2016, the Company and the Idaho Vendors entered into a share purchase agreement with Scientific Metals Corp. ("Scientific"), an arm's length party, to sell their equity interests in the BC Company. In consideration, Scientific issued 500,000

common shares valued at \$150,000 to the Company and 2,000,000 common shares to the Idaho Vendors. Accordingly, the Company recorded a realized gain of \$135,645 for the sale of this asset, which was included in profit or loss in the year ended July 31, 2017. The Scientific shares were also sold by the Company for proceeds of \$295,990 resulting in a gain of \$145,990.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the years ended July 31, 2018 and 2017. The Company's net comprehensive loss increased from \$1,138,590 for the year ended July 31, 2017 to \$1,988,331 for the year ended July 31, 2018, mainly due to an increase in operating expenses of \$253,431, an increase in the write-down of exploration and evaluation assets of \$377,262, a decrease in realized gain on sale of exploration and evaluation assets of \$135,645, and a decrease in realized gain on sale of marketable securities of \$145,990. The Company's cash and cash equivalents increased from \$1,926,311 as at July 31, 2017 to \$2,807,027 as at July 31, 2018. The Company had a working capital of \$3,063,030 as at July 31, 2018, as compared to \$1,248,574 as at July 31, 2017.

The Company's current assets have increased to \$3,106,184 as at July 31, 2018 from \$2,006,108 as at July 31, 2017, due mainly to an increase in cash and cash equivalents and an increase in prepaid expenses. The Company's current liabilities have decreased from \$757,534 as at July 31, 2017 to \$43,154 as at July 31, 2018, mainly due to a decrease in accounts payable and accrued liabilities as well as a decrease in flow-through share premium liability. The value ascribed to the Company's exploration and evaluation assets has decreased from \$1,836,204 as at July 31, 2017 to \$1,701,097 as at July 31, 2018, due mainly to the write-down of BC Purcell Cobalt Prospect, BC War Eagle Cobalt Prospect, Idaho Star Cobalt Prospect and Montana Chicken Hawk Cobalt Prospect totaling \$456,000, offset by the exploration work totaling \$179,148 performed on the cobalt prospects in Ontario, staking costs totaling \$75,370 incurred

for cobalt claims in British Columbia and Ontario, and claim maintenance fees totaling \$30,571 incurred to renew its mineral exploration properties as set described above.

Additional information about the risks and uncertainties relating to the Company’s business and financial performance is discussed below under “Risks and Uncertainties”.

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2018 Fourth	2018 Third	2018 Second	2018 First	2017 Fourth	2017 Third	2017 Second	2017 First
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(70,093)	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)
<b>Loss before other items</b>	\$(70,093)	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)
<b>Loss per share (Basic and diluted)</b>	\$(0.001)	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.006)	\$(0.007)	\$(0.010)	\$(0.010)
<b>Other items:</b>								
<b>Interest income</b>	\$9,240	\$8,577	\$5,703	\$3,079	\$846	\$979	\$(823)	\$3,436
<b>Gain on write-off of accounts payable</b>	\$16,660	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Other income on settlement of flow-through share premium liability</b>	\$3,410	\$4,125	\$16,827	\$24,146	\$24,742	\$Nil	\$Nil	\$Nil
<b>Realized gain on sale of exploration and evaluation assets</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$135,645
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$137,325	\$(210)	\$8,875
<b>Unrealized gain on marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$(3,480)	\$(10,020)	\$13,500
<b>Write-down of mineral properties</b>	\$(456,000)	\$Nil	\$Nil	\$Nil	\$(78,738)	\$Nil	\$Nil	\$Nil
<b>Net comprehensive loss Basic and diluted loss per share</b>	\$(496,783)	\$(302,658)	\$(967,964)	\$(220,926)	\$(401,333)	\$(265,998)	\$(234,402)	\$(236,857)
	\$(0.007)	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.007)	\$(0.005)	\$(0.006)	\$(0.006)

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss slightly decreased by \$2,455 from the first to the second quarter of 2017 mainly due to a decrease in share-based payments and transfer agent and filing fees offset by a decrease in the gain on sale of exploration and evaluation assets. Net comprehensive loss increased by \$31,596 from the second to the third quarter of 2017 mainly due to an increase in share-based payment expenses and in travel and promotion expenses offset by an increase in realized gain on sale of marketable securities. Net comprehensive loss increased by \$135,335 from the third to the fourth quarter of 2017 mainly due to an increase in the write-down of exploration and evaluation assets and a decrease in realized gain on sale of marketable securities offset by a decrease in travel and promotion expenses. Net comprehensive loss decreased by \$180,407 from the fourth quarter of 2017 to the first quarter of 2018 mainly due to a decrease in share-based payments. Net comprehensive loss increased by \$747,038 from the first to the

second quarter of 2018 mainly due to an increase in consulting fees, travel and corporate branding, and share-based payment expenses. Net comprehensive loss decreased by \$665,306 from the second to the third quarter of 2018 mainly due to a decrease in share-based payments and a decrease in travel and corporate branding expenses. Net comprehensive loss increased by \$194,125 from the third to the fourth quarter of 2018 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in share-based payments and a decrease in corporate branding expenses.

### Selected Annual Information

The following table sets out selected audited financial information for the Company, which has been prepared in accordance with IFRS:

	Year ended July 31,		
	2018	2017	2016
<b>Total revenues</b>	\$Nil	\$Nil	\$Nil
<b>Loss before discontinued operations and extraordinary items:</b>			
<b>Total</b>	\$(1,988,331)	\$(1,138,590)	\$(594,155)
<b>Per share</b>	\$(0.03)	\$(0.02)	\$(0.04)
<b>Per share fully diluted</b>	\$(0.03)	\$(0.02)	\$(0.04)
<b>Net comprehensive loss:</b>			
<b>Total</b>	\$(1,988,331)	\$(1,138,590)	\$(594,155)
<b>Per share</b>	\$(0.03)	\$(0.02)	\$(0.04)
<b>Per share fully diluted</b>	\$(0.03)	\$(0.02)	\$(0.04)
<b>Total assets</b>	\$4,836,901	\$3,871,932	\$206,329
<b>Total long term debt</b>	\$Nil	\$Nil	\$Nil
<b>Cash dividends</b>	\$Nil	\$Nil	\$Nil

### *Year ended July 31, 2018 Compared to the Year ended July 31, 2017*

The Company did not generate any revenue for the years ended July 31, 2018 and 2017. Net comprehensive loss increased by \$849,741 from \$1,138,590 for the year ended July 31, 2017 to \$1,988,331 for the year ended July 31, 2018 due mainly to an increase in operating expenses, an increase in the write-down of exploration and evaluation assets of \$377,262 (year ended July 31, 2018: \$456,000; year ended July 31, 2017: \$78,738), a decrease in realized gain on sale of exploration and evaluation assets of \$135,645 (year ended July 31, 2018: \$Nil; year ended July 31, 2017: \$135,645), and a decrease in realized gain on sale of marketable securities of \$145,990 (year ended July 31, 2018: \$Nil; year ended July 31, 2017: \$145,990). Operating expenses increased by \$253,431 from \$1,370,667 for the year ended July 31, 2017 to \$1,624,098 for the year ended July 31, 2018 due mainly to an increase in investor

relations expenses, professional fees, and corporate branding expenses, offset by a decrease in consulting fees, and transfer agent and filing fees.

Increased investor relations expenses (year ended July 31, 2018: \$200,000; year ended July 31, 2017: \$Nil) were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that the investor relations expenses may stay at or near this level in the next twelve month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand.

Increased professional fees (year ended July 31, 2018: \$143,795; year ended July 31, 2017: \$87,923) were due to an increase in legal fees (year ended July 31, 2018: \$58,255; year ended July 31, 2017: \$27,097) as well as an increase in accounting and audit fees (year ended July 31, 2018: \$85,540; year ended July 31, 2017: \$60,826). Higher legal fees were due to services rendered in relation to corporate governance. Higher audit, tax and accounting fees also contribute to the increase due to numerous financings, including a flow-through share financing and other matters. Management anticipates that professional fees may stay at or near this level in the next twelve month period.

During the year ended July 31, 2018, corporate branding expenses increased to \$500,832 (year ended July 31, 2017: \$439,997). Total corporate branding expenses of \$500,832 during the year ended July 31, 2018 included \$12,106 (year ended July 31, 2017: \$115,871) in conference expenses and \$529,613 (year ended July 31, 2017: \$324,126) in branding expenses, offset by \$40,887 which was a chargeback to Sienna Resources Inc., a public company with one common director, for its share of 2017 conference expenses.

Total branding expenses of \$529,613 during the year ended July 31, 2018 included the following:

- \$150,345 (year ended July 31, 2017: \$71,473) for European marketing and news dissemination with Aktiencheck.de AG;
- \$43,189 (year ended July 31, 2017: \$8,249) for TV ads with Blue Sun Productions Inc.;
- \$24,544 (year ended July 31, 2017: \$39,443) for lead generation and news dissemination with Dig Media Inc.;
- \$68,335 (year ended July 31, 2017: \$Nil) for Google advertising with ExInfluence Media Corp.;
- \$18,363 (year ended July 31, 2017: \$Nil) for Google banner advertisement branding;
- \$7,933 (year ended July 31, 2017: \$15,867) for news dissemination and awareness with Equities.com Inc.;
- \$6,480 (year ended July 31, 2017: \$6,480) for news dissemination and awareness with Junior Gold Report Inc.;
- \$10,084 (year ended July 31, 2017: \$2,750) for news dissemination and awareness with Market Smart Communications Inc.;
- \$5,000 (year ended July 31, 2017: \$55,000) for news dissemination and awareness with Stockhouse Publishing Ltd.;
- \$12,566 (year ended July 31, 2017: \$Nil) for news dissemination and awareness with Financial Buzz Media Networks;
- \$12,000 (year ended July 31, 2017: \$12,000) for social media services related to the corporate twitter;
- \$11,520 (year ended July 31, 2017: \$12,858) for magazine advertisement with Benchmark Mineral Intelligence Ltd.;
- \$9,420 (year ended July 31, 2017: \$Nil) for video version of news release with Investment Pitch Media;
- \$8,750 (year ended July 31, 2017: \$1,250) for global marketing with Proactive Investors LLC;
- \$13,256 (year ended July 31, 2017: \$Nil) for video advertisement on airplanes with INK;

- \$76,974 (year ended July 31, 2017: \$Nil) to engage Market IQ Media Group Incorporated to design landing page and content development for the Company's website; and
- \$50,854 (year ended July 31, 2017: \$32,895) for other branding expenses.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may be similar or to decrease slightly in the next 12 month period due to management's decision to decrease overall branding expenses, including a decision to decrease television and magazine advertisements.

Conference expenses decreased to \$12,106 (year ended July 31, 2017: \$115,871). The Company's President, director or consultants attended the following major trade shows or conferences on behalf of the Company:

- During the year ended July 31, 2018, the Company's President and one director attended the 2018 PDAC Convention in Toronto for total expenses of \$10,207;
- During the year ended July 31, 2017, the Company's President and one director attended the 2017 PDAC Convention in Toronto for total expenses of \$16,544 and the MINE Expo International in Las Vegas for total expenses of \$17,728;
- During the year ended July 31, 2017, one consultant attended two conferences in Quebec for total expenses of \$14,157, the New Orleans Louisiana Investment Conference for total expenses of \$13,701, the Toronto Money Show and Niagara Capital Conference for total expenses of \$19,709, and the Raise conference at the STAMPEDE Investor Conference in Calgary for total expenses of \$9,030; and
- During the year ended July 31, 2017, the Company incurred \$16,700 for sponsorship and advertising for the Benchmark World Tour.

Management attended these conferences to increase exposure of the Company's brand and facilitate opportunities to expand its shareholder base and potentially discuss business opportunities in the cobalt exploration and development industry. Management anticipates such expenses are expected to decrease in the next 12 month period as it currently anticipates on attending a reduced number of conferences and trade shows.

Consulting fees paid by the Company (year ended July 31, 2018: \$129,625; year ended July 31, 2017: \$188,652) generally include the following two categories: corporate and business advisory; secretarial and data entry services.

Total consulting fees during the year ended July 31, 2018 consisted of \$84,000 (year ended July 31, 2017: \$111,366) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$45,625 during the year ended July 31, 2018 (year ended July 31, 2017: \$77,286) for internal secretarial and data entry services. Consulting fees decreased because seven consultants no longer work for the Company and the Company has streamlined its work and is not looking to replace those consultants. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period.

Transfer agent and filing fees decreased to \$35,495 (year ended July 31, 2017: \$85,478). Transfer agent and filing fees decreased because the Company incurred \$14,016 in DTC filing fees and incurred \$33,286 in transfer agent and filing fees in association with a forward split, both were one-time charge, in the year ended July 31, 2017. Management anticipates that the transfer agent and filing fees may stay at or near this level in the next twelve month period.

*Year ended July 31, 2017 Compared to the Year ended July 31, 2016*

The Company did not generate any revenue for the year ended July 31, 2017 or the year ended July 31, 2016. Net comprehensive loss increased by \$544,435 from \$594,155 for the year ended July 31, 2016 to \$1,138,590 for the year ended July 31, 2017 due mainly to an increase in operating expenses, offset by an increase in realized gain on sale of exploration and evaluation assets (year ended July 31, 2017: \$135,645; year ended July 31, 2016: \$Nil), an increase in realized gain on sale of marketable securities (year ended July 31, 2017: \$145,990; year ended July 31, 2016: \$Nil) and a decrease in the write-down of exploration and evaluation assets (year ended July 31, 2017: \$78,738; year ended July 31, 2016: \$205,280). Operating expenses increased by \$981,815 from \$388,852 for the year ended July 31, 2016 to \$1,370,667 for the year ended July 31, 2017 due mainly to an increase in management fees, professional fees, share-based payments, transfer agent and filing fees, and corporate branding expenses.

Increased management fees (year ended July 31, 2017: \$103,950; year ended July 31, 2016: \$13,000) were due to numerous property acquisitions, financings, including a flow-through share financing and other matters.

Increased professional fees (year ended July 31, 2017: \$87,923; year ended July 31, 2016: \$36,822) were due to an increase in legal fees (year ended July 31, 2017: \$27,097; year ended July 31, 2016: \$10,801) as well as an increase in accounting and audit fees (year ended July 31, 2017: \$60,826; year ended July 31, 2017: \$26,021). Higher legal fees were due to services rendered in relation to the acquisition of Cobalt Locaters and certain corporate changes including a stock split and name change. Higher audit, tax and accounting fees also contributed to the increase due to numerous financings, including a flow-through share financing and other matters.

Share-based payments increased to \$363,702 (year ended July 31, 2016: \$82,668). Increased share-based payments were due to the Company granted a total of 8,200,000 stock options with exercise prices ranging from \$0.20 to \$0.35 per share and expiry dates ranging from December 9, 2016 to October 9, 2017 (year ended July 31, 2016: 1,500,000 stock options were granted with an exercise price of \$0.117 per share and an expiry date of January 25, 2017).

Transfer agent and filing fees increased to \$85,478 (year ended July 31, 2016: \$24,329). Transfer agent and filing fees increased because the Company incurred \$14,016 in DTC filing fees and incurred \$33,286 in transfer agent and filing fees in association with a forward split, both were one-time charge, in the year ended July 31, 2017.

During the year ended July 31, 2017, corporate branding expenses increased to \$439,997 (year ended July 31, 2016: \$12,188). Total corporate branding expenses of \$439,997 during the year ended July 31, 2017 included \$115,871 (year ended July 31, 2016: \$Nil) in conference expenses and \$324,126 (year ended July 31, 2016: \$12,188) in branding expenses.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Total branding expenses of \$324,126 during the year ended July 31, 2017 included the following:

- \$71,473 (year ended July 31, 2016: \$Nil) for European marketing and news dissemination with Aktiencheck.de AG;
- \$8,249 (year ended July 31, 2016: \$Nil) for TV ads with Blue Sun Productions Inc.;
- \$39,443 (year ended July 31, 2016: \$2,063) for lead generation and news dissemination with Dig Media Inc.;
- \$27,000 (year ended July 31, 2016: \$Nil) for media letter marketing with 2514172 Ontario Inc.;
- \$13,769 (year ended July 31, 2016: \$Nil) for video advertisement with Ellis Martin;

- \$15,867 (year ended July 31, 2016: \$Nil) for news dissemination and awareness with Equities.com Inc.;
- \$6,480 (year ended July 31, 2016: \$Nil) for news dissemination and awareness with Junior Gold Report Inc.;
- \$13,125 (year ended July 31, 2016: \$1,875) for news dissemination and awareness with InvestorIntel Corp.;
- \$55,000 (year ended July 31, 2016: \$Nil) for news dissemination and awareness with Stockhouse Publishing Ltd.;
- \$11,967 (year ended July 31, 2016: \$Nil) for European marketing and news dissemination with Wallstreet-online AG;
- \$12,000 (year ended July 31, 2016: \$1,000) for social media services related to the corporate twitter;
- \$12,858 (year ended July 31, 2016: \$Nil) for magazine advertisement with Benchmark Mineral Intelligence Ltd.; and
- \$36,895 (year ended July 31, 2016: \$7,250) for other branding expenses.

Conference expenses increased to \$115,871 (year ended July 31, 2016: \$Nil). The Company's President, director or consultants attended the following major trade shows or conferences on behalf of the Company:

- During the year ended July 31, 2017, the Company's President and one director attended the 2017 PDAC Convention in Toronto for total expenses of \$16,544 and the MINE Expo International in Las Vegas for total expenses of \$17,728;
- During the year ended July 31, 2017, one consultant attended two conferences in Quebec for total expenses of \$14,157, the New Orleans Louisiana Investment Conference for total expenses of \$13,701, the Toronto Money Show and Niagara Capital Conference for total expenses of \$19,709, and the Raise conference at the STAMPEDE Investor Conference in Calgary for total expenses of \$9,030; and
- During the year ended July 31, 2017, the Company incurred \$16,700 for sponsorship and advertising for the Benchmark World Tour.

Management attended these conferences to increase exposure of the Company's brand and facilitate opportunities to expand its shareholder base and potentially discuss business opportunities in the cobalt exploration and development industry.

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See "Overall Performance" for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and "Risks and Uncertainties" for a discussion of risk factors affecting the Company.

## **Discussion of Operations**

### *Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.



<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
August 2016 Private Placement \$293,000 Flow-through	Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$293,000 in flow-through funds has all been used.
\$550,000 Flow-through August 2017 Private Placement	Flow-through funds - towards existing Canadian properties.	As of the date of this report, approximately \$116,000 in flow-through funds were used; and \$384,000 in flow-through funds has not been used.

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection with the financing, the Company paid aggregate finder's fees of \$93,852 and issued 801,762 non flow-through broker warrants ("NFT Broker Warrants") and 102,600 flow-through broker warrants ("FT Broker Warrants"). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019.

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

## **Liquidity and Capital Resources**

### *Liquidity*

At July 31, 2018, the Company had \$2,807,027 in cash and cash equivalents and a working capital of \$3,063,030 as compared to \$1,926,311 in cash and cash equivalents and a working capital of \$1,248,574 at July 31, 2017.

The Company's current assets have increased to \$3,106,184 as at July 31, 2018 from \$2,006,108 as at July 31, 2017 due mainly to an increase in cash and cash equivalents as well as an increase in prepaid expenses. The Company's current liabilities have decreased from \$757,534 as at July 31, 2017 to \$43,154 as at July 31, 2018, mainly due to a decrease in accounts payable and accrued liabilities and a decrease in flow-through share premium liability. The value ascribed to the Company's exploration and evaluation assets has decreased from \$1,836,204 as at July 31, 2017 to \$1,701,097 as at July 31, 2018, due mainly to the write-down totaling \$456,000 of BC Purcell Cobalt Prospect, BC War Eagle Cobalt Prospect, Idaho Star Cobalt Prospect and Montana Chicken Hawk Cobalt Prospect, offset by the exploration work totaling \$179,148 performed on the cobalt prospects in Ontario, staking costs totaling \$75,370 incurred for cobalt claims in British Columbia and Ontario, and claim maintenance fees totaling \$30,571 incurred to renew its mineral exploration properties as set described above.

In August 2017, the Company closed a non-brokered private placement consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants in connection with the private placement.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid a total of \$450,000 to these two entities.

During the year ended July 31, 2018, the Company received gross proceeds of \$2,356,268 for the following transactions:

- 210,000 share purchase warrants exercised at \$0.05 per share, 8,026,897 share purchase warrants exercised at \$0.15 per share, 849,900 share purchase warrants exercised at \$0.17 per share, and 600,000 share purchase warrants exercised at \$0.33 per share; and
- 4,000,000 stock options exercised at \$0.20 per share.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

#### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of July 31, 2018. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle Cobalt Prospects:*
  - The Company owns a 100% interest in one mineral claim, which is in good standing until December 13, 2019. In order to keep this claim in good standing, the Company is required to incur a minimum of \$19,977 in exploration expenditures on this claim by December 13, 2019 or to pay cash-in-lieu of \$39,954.
  
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2019. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2019 for the Yukon Quartz claims, unless the Company spends an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2019.
  
- *Ontario Coleman, Bucke, Hector, and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until June 26, 2019 or later. In order to keep these claims in good standing, the Company was required to incur a minimum of \$79,600 in exploration expenditures on these claims by June 26, 2019, of which \$406,116 had been incurred. The Company will file a report with Ontario to renew these claims.
  
- *Ontario Lorraine Cobalt Prospects:*
  - Certain mineral claims are in good standing until December 29, 2019. In order to keep these claims in good standing, the Company was required to incur a minimum of \$90,400 in exploration expenditures on these claims by December 29, 2019.
  - Certain mineral claims are in good standing until January 10, 2020. In order to keep these claims in good standing, the Company was required to incur a minimum of \$16,400 in exploration expenditures on these claims by January 10, 2020.
  
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,860 and county fees of USD\$144 by September 1, 2019.
  
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$620 by September 1, 2019.
  
- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2019. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$10,075 by September 1, 2019.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is required to pay office rent (net of taxes) as follows: pay a total of \$83,342 by July 31, 2019; and pay a total of \$85,227 by July 31, 2020. However, the Company shares its office space with four related public companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the year ended July 31, 2018 and, 2017, operating activities used cash of \$2,038,037 and \$1,813,806, respectively. The use of cash for the year ended July 31, 2018 was mainly attributable to its loss for the period of \$1,988,331, to increased prepaid expenses of \$209,590 and decreased accounts payable and accrued liabilities of \$585,360, offset by share-based payments of \$364,182 and write-down of the exploration and evaluation assets of \$456,000. The use of cash for the year ended July 31, 2017 was mainly attributable to its loss for the period of \$1,138,590, to decreased accounts payable and accrued liabilities of \$764,710, to realized gain on sale of marketable securities of \$145,990 and to realized gain on sale of exploration and evaluation assets of \$135,645, offset by share-based payment of \$363,702 and write-down of the exploration and evaluation assets of \$78,738.

#### *Investing Activities*

During the year ended July 31, 2018, the Company used cash of \$384,745 in investing activities due to investments in exploration and evaluation assets. During the year ended July 31, 2017, the Company used cash of \$24,636 from investing activities due to proceeds from sale of marketable securities of \$295,990 offset by investments in exploration and evaluation assets in the amount of \$320,626.

#### *Financing Activities*

During the year ended July 31, 2018, the Company was provided \$3,303,498 by financing activities, of which \$3,356,268 was proceeds from issuance of share capital, offset by share issue costs of \$52,770.

During the year ended July 31, 2017, the Company was provided \$3,718,591 by financing activities, of which 3,994,891 was proceeds from issuance of share capital, offset by share issue costs of \$106,800 and loan repayments of \$169,500.

### **Changes in Accounting Policies including Initial Adoption**

#### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual

cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to significantly affect these consolidated financial statements.

#### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **Related Parties Transactions**

During the year ended July 31, 2018, the Company incurred aggregate management fees of \$117,500 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. During the year ended July 31, 2018, the Company accrued a total of \$7,500 in directors’ fees payable to three directors, James Nelson, Seth Kay and Gregory Thomson. Management fees, directors’ fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the year ended July 31, 2018, the Company paid \$60,000 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

During the year ended July 31, 2018, the Company incurred share-based payments of \$9,752 to two directors, James Nelson and Seth Kay. As a mineral exploration issuer, the Company partially relies on the issuance of stock options to compensate its directors and officers for their time and dedication to the Company.

As at July 31, 2018, accounts payable and accrued liabilities include \$7,500 (July 31, 2017: \$7,794) in aggregate directors' fees payable to three directors.

At July 31, 2018, related party receivables include \$3,512 (July 31, 2017: \$18,282) due from four public companies with common directors for recoverable office and administrative expenses as below: \$630 due from Makena Resources Inc. for unpaid administrative expenses; \$1,731 due from Spearmint Resources Inc. for unpaid office and administrative expenses; \$380 due from YDreams Global Interactive

Technologies Inc. for unpaid administrative expenses; and \$771 due from Sienna Resources Inc. for unpaid administrative expenses.

During the year ended July 31, 2018, the Company reimbursed Makena Resources Inc., a public company with one common director, in the amount of \$Nil (year ended July 31, 2017: \$18,396) for service provided by the Chief Financial Officer.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

#### **Fourth Quarter - Unaudited**

The Company did not have any revenue during the three months ended July 31, 2018 and 2017. Total operating expenses were \$70,093 for the three months ended July 31, 2018, as compared to \$348,183 for the three months ended July 31, 2017. The decrease resulted primarily from a decrease of \$383,398 in share-based payments and \$28,443 in corporate branding expenses offset by an increase of \$75,000 in investor relations and \$53,057 in professional fees. Decreased share-based payments were due to a correction entry put through in the fourth quarter of 2018. Decreased corporate branding expenses were due to management's decision to decrease overall branding expenses. Increased investor relations were due to the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Increased professional fees were due to higher accounting and audit fees resulting from numerous financings, including a flow-through share financing and other matters.

Net comprehensive loss increased to \$496,783 for the three months ended July 31, 2018 as compared to \$401,333 for the three months ended July 31, 2017. The increase resulted primarily by an increase in the write-down of exploration and evaluation assets offset by a decrease in operating expenses.

#### **Financial Instruments and Other Instruments**

##### Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

##### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2018, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are

made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at July 31, 2018, the Company is not exposed to any significant credit risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2018, the Company is not exposed to any significant interest rate risk.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

#### Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

#### **Proposed Transactions**

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.

### Additional Disclosure for Venture Issuers without Significant Revenue

During the year ended July 31, 2018 and 2017, the Company incurred expenses including the following:

	<u>2018</u>	<u>2017</u>
Operating expenses	\$1,624,098	\$1,370,667
Capitalized exploration costs	\$245,523	\$261,665
Capitalized acquisition costs	\$75,370	\$1,555,958
Write-down of exploration and evaluation assets	\$456,000	\$78,738

Please refer to Note 7 *Exploration and Evaluation Assets* in the consolidated financial statements for the year ended July 31, 2018 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

### Disclosure of Outstanding Share Data

#### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at July 31, 2018 and November 21, 2018, the Company had 78,646,890 common shares issued and outstanding.

#### *Stock options*

As at July 31, 2018, the Company had 2,329,775 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
329,775	\$0.67	September 3, 2018
<u>2,000,000</u>	\$0.20	November 9, 2018
<u><u>2,329,775</u></u>		

Subsequent to July 31, 2018, the above 2,329,775 options expired unexercised. As of November 21, 2018, there are no options outstanding.



### Warrants

As at July 31, 2018 and November 21, 2018, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	<u>\$0.05</u>	<u>June 13, 2021</u>
<u>17,171,848</u>		

### Risks and Uncertainties

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any

profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the years ended July 31, 2018 and 2017. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of July 31, 2018 was \$15,875,374 since inception. The Company had cash and cash equivalents in the amount of \$2,807,027 as at July 31, 2018. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2018. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability

to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

#### RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

#### **Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.

# **CRUZ COBALT CORP.**

For the year ended July 31, 2017

---

Management's Discussion and Analysis ("MD&A")

Date of Report: November 24, 2017

The following discussion and analysis of the Company's financial condition and results of operations for the year ended July 31, 2017 should be read in conjunction with its consolidated financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect its management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company"; formerly Cruz Capital Corp.) is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At July 31, 2017, the Company had mineral property interests located in Canada and in the USA.

During the year ended July 31, 2017, the Company split its share capital, stock options and share purchase warrants on a one pre-split for three post-split basis. These consolidated financial statements reflect the share split. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated. During the year ended July 31, 2017, the Company changed its name to Cruz Cobalt Corp.

### ***Mineral Properties***

#### ***Yukon Quartz Claims - Purchase Agreement***

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

In September 2015, the Company decided not to continue with certain claims and allowed them to lapse when they became due. Prior acquisition costs of \$86,563 and exploration costs of \$7,720 associated with these claims were written off as of July 31, 2015.

During the year ended July 31, 2016, the Company decided to drop one claim and allowed it to lapse when it became due. Prior acquisition costs of \$7,214 and exploration costs of \$643 associated with this lapsed claim were written off.

Additional work plans would require the Company to raise additional funds. The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties.

As at July 31, 2017, the Company had spent a total of \$1,497 in exploration expenditures on the remaining Yukon quartz claims.

#### ***Ontario Kenagami Hydrothermal Graphite Prospect - Purchase Agreement***

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Kenagami Vendor") to acquire a 100% interest in the Kenagami hydrothermal graphite prospect, consisting of four claims. The Kenagami Vendor currently held a 100% interest in these claims. The Company was required to make a cash payment of \$20,000 and issued 300,000 common shares (issued at a value of \$71,500) in set payments on or before September 25, 2017.

Subsequent to July 31, 2017, the Company decided not to continue with this property. Accordingly, prior acquisition costs of \$73,000 and exploration costs of \$5,738 were written off as of July 31, 2017.

#### ***BC War Eagle Cobalt Prospect - Staking***

In June 2016, the Company acquired a 100% interest in certain mineral claims (the "War Eagle Cobalt Prospect") in British Columbia for staking costs of \$3,496.

As disclosed in a news release on November 9, 2017, the Company announced that it is planning to commence operations shortly on the War Eagle Cobalt Prospect. While the Company has been successful

Cruz Cobalt Corp.

For the year ended July 31, 2017 – Page 3

in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

As at July 31, 2017, the Company had spent a total of \$10,016 in claim maintenance fees on this prospect.

*BC and ON Cobalt Prospects - Share Purchase Agreement and Staking*

On July 22, 2016, the Company entered into a share purchase agreement with four arm's length vendors (the "Cobalt Vendors") to purchase 100% of the issued and outstanding shares of Cobalt Locators Inc., which holds a 100% interest in two cobalt prospects in B.C. ("BC Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario ("ON Coleman Cobalt Prospect", "ON Bucke Cobalt Prospect", "ON Hector Cobalt Prospect", and "ON Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid \$20,000 cash and issued 4,800,000 shares (issued at a value of \$816,000) to the Cobalt Vendors. Cobalt Locators Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties.

In September 2016, the Company acquired a 100% interest in 22 claim units for staking costs of \$2,200 to increase the acreage of ON Johnson Cobalt Prospect to approximately 900 acres; the Company acquired a 100% interest in 36 claim units for staking costs of \$3,600 to increase the acreage of ON Bucke Cobalt Prospect to approximately 1,480 acres; and the Company acquired a 100% interest in 137 claim units (ON Hector Cobalt Prospect) comprising of approximately 5,500 acres for staking costs of \$13,700.

In December 2016, the Company acquired a 100% interest in 23 claim units for staking costs of \$2,300 to increase the acreage of ON Coleman Cobalt Prospect to approximately 900 acres.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

As at July 31, 2017, the Company had spent a total of \$111,968 in exploration expenditures on the ON Cobalt Prospects.

As disclosed in a news release on June 9, 2017, the Company announced that it has retained Toby Hughes as a consulting geologist to focus on the Ontario cobalt prospects. Mr. Hughes, PGeol, PGeo, has 35 years of global mineral exploration experience and is an expert in precious and base metals. As disclosed in a news release on July 7, 2017, the Company announced that it is making an application for an exploration permit on the Coleman Cobalt Prospect in Ontario. As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company announced that the drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, have been approved by the Ministry of Northern Development and Mines (the "MNDM"). As disclosed in a news release on August 1, 2017, the Company announced that it has secured the services of Eagle GeoPhysics ("Eagle") based out of Quebec to conduct the airborne work program over the Ontario cobalt prospects. As disclosed in a news release on August 15, 2017, the Company announced that it completed an airborne work program on its four separate cobalt prospects in Ontario. As disclosed in a news release on October 4, 2017, the airborne survey uncovered six primary cobalt targets within its Ontario Cobalt Prospects. These targets will be the focus of the next phase of operations.

Management anticipates commencing a drill program in the first half of 2018.

*Idaho Star Cobalt Prospect - Staking*

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese,

Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within the Idaho Cobalt Belt.

As disclosed in a news release on June 16, 2017, the Company announced that it has retained Aaron Powell PLLC (AP) to oversee a work program on its Idaho Star Cobalt Prospect. As disclosed in a news release on August 17, 2017, the Company announced that it has mobilized crews and has commenced a work program on the Idaho Cobalt Prospect.

As at July 31, 2017, the Company had spent a total of \$26,413 in exploration expenditures on this prospect.

Montana Chicken Hawk Cobalt Prospect - Agreement and Staking

In February 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In consideration, the Company issued 3,000,000 common shares (issued at a value of \$600,000) to the Montana Vendor.

As disclosed in a news release on June 27, 2017, the Company announced that it has engaged Aaron Powell PLLC (AP) to oversee a work program on its Montana Chicken Hawk Cobalt Prospect. As disclosed in a news release on September 12, 2017, the Company announced that it has mobilized crews on the Chicken Hawk Cobalt Prospect in Montana.

In July 2017, the Company acquired a 100% interest in 30 mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

As at July 31, 2017, the Company had spent a total of \$105,653 in exploration expenditures on this prospect.

Nevada Clayton Valley West Lithium Prospect

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor (the "Nevada Vendor") to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. In consideration for these claims the Company issued 900,000 shares to the Nevada Vendor valued at \$30,000.

As of July 31, 2017, the Company had incurred a total of \$2,701 in claim maintenance fees on this prospect.

A work program is currently being formulated for this property. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

Sale of Idaho Cobalt Prospect

In September 2016, the Company partnered with three non-related parties (the "Idaho Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Idaho Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20%



of the acquisition costs in the amount of \$14,355. On September 9, 2016, the Company and the Idaho Vendors entered into a share purchase agreement with Scientific Metals Corp. ("Scientific"), an arm's length party, to sell their equity interests in the BC Company. In consideration, Scientific issued 500,000 common shares valued at \$150,000 to the Company and 2,000,000 common shares to the Idaho Vendors. Accordingly, the Company recorded a realized gain of \$135,645 for the sale of this asset.

#### Ontario Albany East Hydrothermal Graphite Prospect

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Albany Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 300,000 common shares at a value of \$160,000 to the Albany Vendors.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$194,313.

#### Quebec Gaspe Bay Aluminous Clay and Rare Earth Prospect

In June 2012, the Company acquired a 100% interest in additional claims (the "Staking Claims") for staking costs of \$4,164. The Company owned a 100% interest in these claims.

During the year ended July 31, 2013, the Company decided not to renew certain of the Staking Claims and allowed them to lapse as they became due. Prior acquisition costs of \$3,956 associated with these claims were written off.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$3,110.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company’s commitments relating to its mineral properties is discussed above under “Nature of Business – Mineral Properties”.

The Company did not generate any revenue during the years ended July 31, 2017 and 2016. The Company’s net comprehensive loss increased from \$594,155 for the year ended July 31, 2016 to \$1,138,590 for the year ended July 31, 2017. The increase in net comprehensive loss was mainly due to an increase in operating expenses of \$981,815, in realized gain on sale of exploration and evaluation assets of \$135,645 and in realized gain on sale of marketable securities of \$145,990. The Company’s cash and cash equivalents increased from \$46,162 as at July 31, 2016 to \$1,926,311 as at July 31, 2017. The Company had a working capital of \$1,248,574 as at July 31, 2017, as compared to a working capital deficiency of \$1,478,926 as at July 31, 2016.

The Company’s current assets have increased to \$2,006,108 as at July 31, 2017 from \$100,458 as at July 31, 2016, due mainly to an increase in cash and cash equivalents. The Company’s current liabilities have decreased from \$1,579,384 as at July 31, 2016 to \$757,534 as at July 31, 2017, mainly due to a decrease in accounts payable and accrued liabilities and a decrease in loans payable offset by an increase in flow-through share premium liability. The value ascribed to the Company’s exploration and evaluation assets has increased from \$97,319 as at July 31, 2016 to \$1,836,204 as at July 31, 2017, due mainly to the acquisition of cobalt prospects in British Columbia, Ontario and Montana.

Additional information about the risks and uncertainties relating to the Company’s business and financial performance is discussed below under “Risks and Uncertainties”.

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2017 Fourth	2017 Third	2017 Second	2017 First	2016 Fourth	2016 Third	2016 Second	2016 First
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)	\$(197,379)	\$(46,590)	\$(36,992)	\$(107,891)
<b>Loss before other items</b>	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)	\$(197,379)	\$(46,590)	\$(36,992)	\$(107,891)
<b>Loss per share (Basic and diluted)</b>	\$(0.006)	\$(0.007)	\$(0.010)	\$(0.010)	\$(0.012)	\$(0.003)	\$(0.003)	\$(0.009)
<b>Other items:</b>								
<b>Interest income</b>	\$846	\$979	\$(823)	\$3,436	\$Nil	\$Nil	\$Nil	\$Nil
<b>Interest expense</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$(23)	\$Nil	\$Nil	\$Nil
<b>Other income on settlement of flow-through share premium liability</b>	\$24,742	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Realized gain on sale of exploration and evaluation assets</b>	\$Nil	\$Nil	\$Nil	\$135,645	\$Nil	\$Nil	\$Nil	\$Nil
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$137,325	\$(210)	\$8,875	\$Nil	\$Nil	\$Nil	\$Nil
<b>Unrealized gain on marketable securities</b>	\$Nil	\$(3,480)	\$(10,020)	\$13,500	\$Nil	\$Nil	\$Nil	\$Nil
<b>Write-down of mineral properties</b>	\$(78,738)	\$Nil	\$Nil	\$Nil	\$(194,313)	\$(10,967)	\$Nil	\$Nil
<b>Net comprehensive loss</b>	\$(401,333)	\$(265,998)	\$(234,402)	\$(236,857)	\$(391,715)	\$(57,557)	\$(36,992)	\$(107,891)

<b>Basic and diluted loss per share</b>	\$(0.007)	\$(0.005)	\$(0.006)	\$(0.006)	\$(0.024)	\$(0.004)	\$(0.003)	\$(0.009)
---	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss decreased by \$70,899 from the first to the second quarter of 2016 mainly due to a decrease in consulting fees. Net comprehensive loss increased by \$20,565 from the second to the third quarter of 2016 mainly due to an increase in consulting fees and in the write-down of exploration and evaluation assets. Net comprehensive loss increased by \$334,158 from the third to the fourth quarter of 2016 mainly due to an increase in share-based payments and in the write-down of exploration and evaluation assets. Net comprehensive loss decreased by \$154,858 from the fourth quarter of 2016 to the first quarter of 2017 mainly due to a decrease in the write-down of exploration and evaluation assets and an increase in realized gain on sale of exploration and evaluation assets offset by an increase in travel and promotion expense. Net comprehensive loss slightly decreased by \$2,455 from the first to the second quarter of 2017 mainly due to a decrease in share-based payments and transfer agent and filing fees offset by a decrease in the gain on sale of exploration and evaluation assets. Net comprehensive loss increased by \$31,596 from the second to the third quarter of 2017 mainly due to an increase in share-based payment expenses and in travel and promotion expenses offset by an increase in realized gain on sale of marketable securities. Net comprehensive loss increased by \$135,335 from the third to the fourth quarter of 2017 mainly due to an increase in the write-down of exploration and evaluation assets and a decrease in realized gain on sale of marketable securities offset by a decrease in travel and promotion expenses.

**Selected Annual Information**

The following table sets out selected audited financial information for the Company, which has been prepared in accordance with IFRS:

	<b>Year ended July 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total revenues</b>	\$Nil	\$Nil	\$Nil
<b>Loss before discontinued operations and extraordinary items:</b>			
<b>Total</b>	\$(1,138,590)	\$(594,155)	\$(834,847)
<b>Per share</b>	\$(0.02)	\$(0.04)	\$(0.08)
<b>Per share fully diluted</b>	\$(0.02)	\$(0.04)	\$(0.08)
<b>Net comprehensive loss:</b>			
<b>Total</b>	\$(1,138,590)	\$(594,155)	\$(834,847)
<b>Per share</b>	\$(0.02)	\$(0.04)	\$(0.08)
<b>Per share fully diluted</b>	\$(0.02)	\$(0.04)	\$(0.08)
<b>Total assets</b>	\$3,871,932	\$206,329	\$335,972
<b>Total long term debt</b>	\$Nil	\$Nil	\$Nil
<b>Cash dividends</b>	\$Nil	\$Nil	\$Nil

*Year ended July 31, 2017 Compared to the Year ended July 31, 2016*

The Company did not generate any revenue for the year ended July 31, 2017 ("fiscal 2017") or the year ended July 31, 2016 ("fiscal 2016). Net comprehensive loss increased by \$544,435 from \$594,155 for the year ended July 31, 2016 to \$1,138,590 for the year ended July 31, 2017 due mainly to an increase in operating expenses (fiscal 2017: \$1,370,667; fiscal 2016: \$388,852), offset by an increase in realized gain on sale of exploration and evaluation assets (fiscal 2017: \$135,645; fiscal 2016: \$Nil), an increase in realized gain on sale of marketable securities (fiscal 2017: \$145,990; fiscal 2016: \$Nil) and a decrease in the write-down of exploration and evaluation assets (fiscal 2017: \$78,738; fiscal 2016: \$205,280). Total operating expense increased by \$981,815 from \$388,852 for the year ended July 31, 2016 to \$1,370,667 for the year ended July 31, 2017 due mainly to an increase in management fees (fiscal 2017: \$103,950; fiscal 2016: \$13,000), share based payments (fiscal 2017: \$363,702; fiscal 2016: \$82,668), transfer agent and filing fees (fiscal 2017: \$85,478; fiscal 2016: \$24,329), and travel and promotion (fiscal 2017: \$450,769; fiscal 2016: \$12,188). These expenses represent the costs of administering a public company.

Total assets increased by \$3,665,603 to \$3,871,932 as at July 31, 2017 from \$206,329 as at July 31, 2016 due mainly to an increase of \$1,880,149 in cash and cash equivalents (July 31, 2016: \$1,926,311; July 31, 2016: \$46,162) and an increase in exploration and evaluation assets (July 31, 2017: \$1,836,204; July 31, 2016: \$97,319).

The Company's current assets have increased by \$1,905,650 from \$100,458 as at July 31, 2016 to \$2,006,108 as at July 31, 2017 due mainly to an increase in cash and cash equivalents. The Company's current liabilities have decreased by \$821,850 to \$757,534 as at July 31, 2017 from \$1,579,384 as at July 31, 2016. Current liabilities as at July 31, 2017 consisted of accounts payable and accrued liabilities of \$709,026 (July 31, 2016: \$1,409,884) and flow-through share premium liability of \$48,508 (July 31, 2016: \$Nil).

*Year Ended July 31, 2016 Compared to the Year Ended July 31, 2015*

The Company did not generate any revenue for the year ended July 31, 2016 ("fiscal 2016") or the year ended July 31, 2015 ("fiscal 2015"). Net comprehensive loss decreased by \$240,692 to \$594,155 for the year ended July 31, 2016 from \$834,847 for the year ended July 31, 2015, due mainly to a decrease in consulting fees (fiscal 2016: \$165,670; fiscal 2015: \$377,800), in management and directors' fees (fiscal 2016: \$20,500; fiscal 2015: \$91,500), and in the write-down of exploration and evaluation assets (fiscal 2016: \$205,280; fiscal 2015: \$267,976), offset by an increase in share-based payments (fiscal 2016: \$82,668; fiscal 2015: \$Nil).

Total assets decreased by \$129,643 to \$206,329 as at July 31, 2016 from \$335,972 as at July 31, 2015 due to a decrease of \$169,572 in exploration and evaluation assets to \$97,319 as at July 31, 2016 from \$266,891 as at July 31, 2015, offset by an increase of \$40,449 in total current assets.

The Company's current assets have increased by \$40,449 from \$60,009 as at July 31, 2015 to \$100,458 as at July 31, 2016. The Company's current liabilities have increased by \$153,974 to \$1,579,384 as at July 31, 2016 from \$1,425,410 as at July 31, 2015. Current liabilities as at July 31, 2016 consisted of accounts payable and accrued liabilities of \$1,409,884 (July 31, 2015: \$1,239,410) and loans payable of \$169,500 (July 31, 2015: \$186,000).

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See “Overall Performance” for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and “Risks and Uncertainties” for a discussion of risk factors affecting the Company.

## Discussion of Operations

### Use of Proceeds

Financing	Previously Disclosed Use of Proceeds	Status of Use of
\$1,800,000 Non flow-through \$293,000 Flow-through <i>August 2016                      Private Placement</i>	Non flow-through funds - towards accounts payable, accrued liabilities, repayment of loans, public company costs, working capital, and for future identification, negotiations, acquisition, and potential work commitments on mineral properties.  Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$1,800,000 in non flow-through funds and \$243,521 in flow-through funds were used; and \$49,479 in flow-through funds has not been used.
\$550,000 Flow-through <i>August 2017                      Private Placement</i>	Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$550,000 in flow-through funds has not been used.

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection with the financing, the Company paid aggregate finder’s fees of \$93,852 and issued 801,762 non flow-through broker warrants (“NFT Broker Warrants”) and 102,600 flow-through broker warrants (“FT Broker Warrants”). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019.

Subsequent to July 31, 2017, the Company closed a non-brokered private placement (the “Offering”) consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders’ fees of \$38,500, and issued 183,333 broker warrants (the “Broker Warrants”) in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

## Liquidity and Capital Resources

### Liquidity

At July 31, 2017, the Company had \$1,926,311 in cash and cash equivalents and a working capital of \$1,248,574 as compared to \$46,162 in cash and a working capital deficiency of \$1,478,926 at July 31, 2016.

The Company’s current assets have increased from \$100,458 as at July 31, 2016 to \$2,006,108 as at July 31, 2017 due mainly to an increase in cash and cash equivalents. The Company’s current liabilities have decreased from \$1,579,384 as at July 31, 2016 to \$757,534 as at July 31, 2017, mainly due to a decrease in loans payable and a decrease in accounts payable and accrued liabilities. The value ascribed to the

Company's exploration and evaluation assets has increased from \$97,319 as at July 31, 2016 to \$1,836,204 at July 31, 2017, due mainly to the acquisition of cobalt prospects in British Columbia, Ontario and Montana.

In October 2014, the Company entered into agreements with three arm's length lenders, whereby the lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and are payable upon demand. During the year ended July 31, 2015, the Company repaid a total of \$150,000 to the three lenders. During the year ended July 31, 2016, the Company repaid a total of \$16,500 to one lender. During the year ended July 31, 2017, the Company fully repaid all the outstanding loans.

As at July 31, 2017, there was \$Nil (July 31, 2016: \$169,500) outstanding in loans payable.

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000.

During the year ended July 31, 2017, the Company received gross proceeds of \$1,185,286 for 1,285,000 share purchase warrants exercised at \$0.05 per share, 7,063,220 share purchase warrants exercised at \$0.15 per share, and 368,580 share purchase warrants exercised at \$0.167 per share; and the Company received gross proceeds of \$716,605 for 2,925,000 stock options exercised at \$0.20 per share and 1,125,000 stock options exercised at \$0.117 per share.

Subsequent to July 31, 2017, the Company received gross proceeds of \$429,256 for the following transactions:

- 1,250,041 share purchase warrants exercised at \$0.15 per share and 35,000 share purchase warrants exercised at \$0.05 per share; and
- 1,200,000 stock options exercised at \$0.20 per share.

Subsequent to July 31, 2017, the Company also closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a

number of factors, including changes in commodity prices, market volatility and general economic downturns.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of July 31, 2017. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle and Purcell Cobalt Prospects:*
  - The Company owns a 100% interest in these mineral claims, which are in good standing until December 13, 2017. In order to keep these claims in good standing, the Company is required to incur a minimum of \$13,346 in exploration expenditures on these claims by December 13, 2017 or to pay cash-in-lieu of \$26,691.
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2018. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2018 for the Yukon Quartz claims, unless the Company spend an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2018.
- *Ontario Coleman, Bucke, Hector and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2018 or later. In order to keep these claims in good standing, the Company was required to incur a minimum of \$88,400 in exploration expenditures on these claims by July 19, 2018, of which \$243,521 had been incurred. The Company will file a report with Ontario to renew these claims.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD1,860 and county fees of USD240 by September 1, 2018.
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD6,820 by September 1, 2018.
- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD14,570 by September 1, 2018.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is to pay office rent (net of taxes) as follows: pay a total of \$82,161 by July 31, 2018; pay a total of \$83,073 by July 31, 2019; and pay a total of \$84,622 by July 31, 2020. However, the Company shares its office space with four related public companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the year ended July 31, 2017 and, 2016, operating activities used cash of \$1,813,806 and \$171,200, respectively. The use of cash for the year ended July 31, 2017 was mainly attributable to its loss for the year of \$1,138,590, to accounts payable and accrued liabilities of \$764,710, to realized gain on sale of marketable securities of \$145,990 and to realized gain on sale of exploration and evaluation assets of \$135,645, offset by share-based payment of \$363,702. The use of cash for the year ended July 31, 2016 was mainly attributable to its loss for the year of \$594,155, offset mainly by non-cash accounts payable and accrued liabilities of \$170,472 and by the write-down of exploration and evaluation assets of \$205,280.

#### *Investing Activities*

During the year ended July 31, 2017, the Company used cash of \$24,636 in investing activities due to investments in exploration and evaluation assets in the amount of \$320,626 offset by proceeds from sale of marketable securities of \$295,990. During the year ended July 31, 2016, the Company used cash of \$5,706 in investing activities due to investments in exploration and evaluation assets.

#### *Financing Activities*

During the year ended July 31, 2017, the Company was provided \$3,718,591 by financing activities, of which \$3,994,891 was proceeds from issuance of share capital, offset by share issue costs of \$106,800 and loan repayments of \$169,500.

During the year ended July 31, 2016, the Company was provided \$181,370 by financing activities, of which \$200,000 was provided from the issuance of share capital and \$16,700 from loan proceeds, offset by loan repayments of \$33,200 and share issue costs of \$2,130.

### **Changes in Accounting Policies**

#### ***Accounting standards issued but not yet effective***

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive



income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

#### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated 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 the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **Related Parties Transactions**

During the year ended July 31, 2017, the Company incurred aggregate management fees of \$103,950 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. During the year ended July 31, 2017, the Company accrued a total of \$7,500 in directors’ fees payable to three directors, James Nelson, Seth Kay and Gregory Thomson. Management fees, directors’ fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the year ended July 31, 2017, the Company paid \$19,500 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

During the year ended July 31, 2017, the Company incurred share-based payments of \$22,563 to three directors, James Nelson, Seth Kay and Gregory Thomson. As a mineral exploration issuer, the Company partially relies on the issuance of stock options to compensate its directors and officers for their time and dedication to the Company.

As at July 31, 2017, accounts payable and accrued liabilities include \$7,794 (July 31, 2016: \$37,377) payable to payable to three directors and an officer for unpaid fees as follows: \$294 payable to an officer for unpaid office expenses; and \$7,500 in aggregate directors' fees payable to three directors.

During the year ended July 31, 2017, the Company reimbursed Makena Resources Inc., a public company with two common directors, in the amount of \$18,396 (year ended July 31, 2016: \$12,991) for service provided by the Chief Financial Officer.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

#### **Fourth Quarter - Unaudited**

The Company did not have any revenue during the three months ended July 31, 2017 and 2016. Total operating expenses were \$348,183 for the three months ended July 31, 2017, as compared to \$197,379 for the three months ended July 31, 2016. The increase resulted primarily from an increase in share-based

payments (three months ended July 31, 2017: \$162,419; three months ended July 31, 2016: \$82,668) and travel and promotion expenses (three months ended July 31, 2017: \$70,864; three months ended July 31, 2016: \$12,188).

Net comprehensive loss slightly increased to \$401,333 for the three months ended July 31, 2017 as compared to \$391,715 for the three months ended July 31, 2016. The increase in operating expenses was offset by a decrease in the write-down of exploration and evaluation assets.

## **Financial Instruments and Other Instruments**

### Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values due to the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2017, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2017, the Company is not exposed to any significant credit risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2017, the Company is not exposed to any significant interest rate risk.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity

financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

#### Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

#### Proposed Transactions

The Company does not have any proposed transactions as of the date of this report.

#### Additional Disclosure for Venture Issuers without Significant Revenue

During the year ended July 31, 2017 and 2016, the Company incurred expenses including the following:

	<u>2017</u>	<u>2016</u>
Operating expenses	\$1,370,667	\$388,852
Capitalized exploration costs	\$261,665	\$212
Capitalized acquisition costs	\$1,555,958	\$35,496
Write-down of exploration and evaluation assets	\$78,738	\$205,280

Please refer to Note 8 *Exploration and Evaluation Assets* in the consolidated financial statements for the year ended July 31, 2017 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

#### Additional Disclosure of Outstanding Share Data

##### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at July 31, 2017, the Company had 60,341,046 common shares issued and outstanding. Subsequent to July 31, 2017, the following common shares were issued:

- 1,250,041 common shares pursuant to the exercised of share purchase warrants at a price of \$0.15 per share;
- 35,000 common shares pursuant to the exercised of share purchase warrants at a price of \$0.05 per share;
- 1,200,000 common shares pursuant to the exercised of stock options at a price of \$0.20 per share; and
- 2,619,047 flow-through shares were issued pursuant to a non-brokered private placement.

As of November 24, 2017, the Company had 65,445,134 common shares issued and outstanding.

*Stock options*

As at July 31, 2017, the Company had 4,334,125 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,000,000	\$0.25	October 9, 2017
4,350	\$1.33	October 11, 2017
<u>329,775</u>	\$0.67	September 3, 2018
<u>4,334,125</u>		

Subsequent to July 31, 2017, the following occurred:

- The Company granted 6,000,000 incentive stock options to directors, officers and consultants at an exercise price of \$0.20 per share for a period of one year;
- 1,200,000 stock options were exercised at a price of \$0.20 per share; and
- 4,000,000 stock options at a price of \$0.25 and 4,350 stock options at a price of \$1.33 expired unexercised.

As of November 24, 2017, the Company had 5,129,775 share purchase options outstanding and exercisable.

*Warrants*

As at July 31, 2017, the Company had 25,477,587 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
802,275	\$1.33	January 28, 2018
11,738,542	\$0.15	August 24, 2019
1,931,520	\$0.17	August 24, 2019
6,290,250	\$0.33	December 18, 2019
<u>4,715,000</u>	\$0.05	June 13, 2021
<u>25,477,587</u>		

Subsequent to July 31, 2017, the following occurred:

- The Company granted 183,333 broker warrants in connection with a non-brokered private placement;
- 1,250,041 share purchase warrants were exercised at a price of \$0.15 per share; and
- 35,000 share purchase warrants were exercised at a price of \$0.05 per share.

As of November 24, 2017, the Company 24,375,879 share purchase warrants issued and outstanding.

**Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered

in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and

the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the years ended July 31, 2017 and 2016. The Company will continue to incur operating expenses without revenues if and until the Company engage in

commercial operations. Accumulated loss as of July 31, 2017 was \$13,887,043 since inception. The Company had cash and cash equivalents in the amount of \$1,926,311 as at July 31, 2017. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2017. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

## RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

Cruz Cobalt Corp.

For the year ended July 31, 2017 – Page 20

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

**Additional Information**

The Company file annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.



## **CRUZ CAPITAL CORP.**

For the year ended July 31, 2016

---

Management's Discussion and Analysis ("MD&A")

Date of Report: October 18, 2016

The following discussion and analysis of the Company's financial condition and results of operations for the year ended July 31, 2016 should be read in conjunction with its consolidated financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect its management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking

statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled “Risk Factors” below.

## **Nature of Business**

Cruz Capital Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At July 31, 2016, the Company had mineral property interests located in Canada and in the USA.

During the year ended July 31, 2016, the Company consolidated its share capital, stock options and share purchase warrants on a one-new-for-twenty-old basis, changed its name to Cruz Capital Corp., and changed its trading symbol to “CUZ”. These consolidated financial statements and MD&A reflect the share consolidation. All common shares, stock options, share purchase warrants and per common share amounts have been retroactively restated.

## ***Mineral Properties***

### ***Yukon Quartz Claims***

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the year ended July 31, 2013, the Company decided not to continue with certain claims. In September 2013, the Company decided not to continue with certain other claims, and the Company allowed these claims to lapse. Accordingly, the related acquisition costs of \$577,085 and exploration costs of \$26,475 associated with these lapsed claims were written off as of July 31, 2013.

In September 2015, the Company decided not to continue with certain claims and allowed them to lapse when they became due. Prior acquisition costs of \$86,563 and exploration costs of \$7,720 associated with these claims were written off as of July 31, 2015.

During the year ended July 31, 2016, the Company decided to drop one claim and allowed it to lapse when it became due. Prior acquisition costs of \$7,214 and exploration costs of \$643 associated with this lapsed claim were written off.

Additional work plans would require the Company to raise additional funds. The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties.

As at July 31, 2016, the Company had spent a total of \$1,287 in exploration expenditures on the remaining Yukon quartz claims.

Ontario Kenagami Hydrothermal Graphite Prospect

On November 13, 2013, the Company entered into a purchase agreement with an arm's length vendor (the "Kenagami Vendor") to acquire a 100% interest in the Kenagami hydrothermal graphite prospect, consisting of four claims. The Kenagami Vendor currently holds a 100% interest in these claims.

On December 22, 2014, the Company amended the purchase agreement with the Kenagami Vendor. The Kenagami Vendor agreed to defer the cash payment of \$20,000 and the remaining 50,000 share issuance to September 25, 2016. On September 22, 2016, the Company further amended the purchase agreement and the amendment dated December 22, 2014 with the Kenagami Vendor. The Kenagami Vendor agreed to defer the cash payment of \$20,000 by one year to September 25, 2017. The Company is now required to make a cash payment as follows:

	Cash	Common Shares
Upon Approval (issued at a value of \$40,000)	\$ -	50,000
On or before September 25, 2016 (issued subsequent to July 31, 2016)	-	50,000
On or before September 25, 2017	<u>20,000</u>	<u>-</u>
	<u>\$ 20,000</u>	<u>100,000</u>

The Company contracted Prospectair Geosurveys Inc. to assist in the exploration and development of this property, including an airborne magnetic and electromagnetic survey. The survey was completed in December 2013. As disclosed in a news release on March 12, 2014, the airborne survey discovered a large TDEM conductive anomaly measuring approximately 800 metres by 500 metres. A follow up work program is being considered however, the Company would need to raise additional funds to allocate to this project. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

As at July 31, 2016, the Company had spent a total of \$4,400 in exploration expenditures on this property.

BC War Eagle Cobalt Prospect

In June 2016, the Company acquired a 100% interest in certain mineral claims (the "War Eagle Cobalt Prospect") in British Columbia for staking costs of \$3,496.

The Company plans to dispatch crews to the property shortly to start operations on the prospect. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

### BC and ON Cobalt Prospects

On July 22, 2016, the Company entered into a share purchase agreement with four arm's length vendors (the "Cobalt Vendors") to purchase 100% of the issued and outstanding shares of Cobalt Locators Inc. ("Cobalt Locators"), which holds a 100% interest in two cobalt prospects in B.C. ("BC Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario ("ON Coleman Cobalt Prospect", "ON Bucke Cobalt Prospect", "ON Gilles Cobalt Prospect", and "ON Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company received Exchange approval, paid \$20,000 cash and issued 1,600,000 shares (issued at a value of \$816,000) to the Cobalt Vendors. Cobalt Locators Inc. became a wholly-owned subsidiary of the Company.

Subsequent to July 31, 2016, the Company acquired a 100% interest in 22 mineral claims for staking costs of \$2,200 to increase the acreage of ON Johnson Cobalt Prospect. The Company also acquired a 100% interest in 36 mineral claims for staking costs of \$3,600 to increase the acreage of ON Bucke Cobalt Prospect. Management expects to commence operations in Ontario shortly utilizing the flow-through funds on hand.

### Nevada Clayton Valley West Lithium Prospect

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor (the "Nevada Vendor") to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. In consideration for these claims the Company issued 300,000 shares to the Nevada Vendor valued at \$30,000.

A work program is currently being formulated for this property. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

### Idaho Cobalt Prospect

In September 2016, the Company partnered with three non-related parties (the "Idaho Vendors") to acquire prospective cobalt assets and properties through a private British Columbia corporation (the "BC Company"). The BC Company and the Company were related as they have one common director. The Company held a 20% equity interest and the Idaho Vendors held an 80% equity interest in the BC Company, respectively. The BC Company indirectly acquired certain mineral claims located in the State of Idaho through its wholly-owned subsidiary (the "Idaho Subco") for \$71,774. The Company paid 20% of the acquisition costs in the amount of \$14,355. On September 9, 2016, the Company and the Idaho Vendors entered into a share purchase agreement with Scientific Metals Corp. ("Scientific"), an arm's length party, to sell their equity interests in the BC Company. Scientific received Exchange approval in October. In consideration, Scientific issued 2,000,000 common shares to the Company and 8,000,000 common shares to the Idaho Vendors.

### Idaho Star Cobalt Prospect

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles

southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within the Idaho Cobalt Belt.

#### Ontario Albany East Hydrothermal Graphite Prospect

On July 7, 2013, the Company entered into a purchase agreement with two arm's length vendors (the "Albany Vendors") to acquire a 100% interest in certain mineral claims located in Ontario. In consideration, the Company paid \$10,000 cash and issued 100,000 common shares at a value of \$160,000 to the Albany Vendors.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$194,313.

#### Quebec Gaspé Bay Aluminous Clay and Rare Earth Prospect

In June 2012, the Company acquired a 100% interest in additional claims (the "Staking Claims") for staking costs of \$4,164. The Company owned a 100% interest in these claims.

During the year ended July 31, 2013, the Company decided not to renew certain of the Staking Claims and allowed them to lapse as they became due. Prior acquisition costs of \$3,956 associated with these claims were written off.

During the year ended July 31, 2016, the Company decided to drop this property and fully wrote off the carrying value in the amount of \$3,110.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and

“Risk and Uncertainties” for a discussion of risk factors that may impact the Company’s ability to raise funds.

Information about the Company’s commitments relating to its mineral properties is discussed above under “Nature of Business – Mineral Properties”.

The Company did not generate any revenue during the year ended July 31, 2016 and 2015. The Company’s net comprehensive loss decreased from \$834,847 for the year ended July 31, 2015 to \$594,155 for the year ended July 31, 2016, mainly due to decreases in consulting fees of \$212,130, in management fees of \$71,000, and in the write-down of exploration and evaluation assets of \$62,696, offset by an increase in share-based payment of \$82,668. The Company’s cash slightly increased from \$41,698 as at July 31, 2015 to \$46,162 as at July 31, 2016, and its working capital deficiency increased from \$1,365,401 as at July 31, 2015 to \$1,478,926 as at July 31, 2016.

The Company’s current assets have increased to \$100,458 as at July 31, 2016 from \$60,009 as at July 31, 2015, due mainly to an increase in prepaid expenses. The Company’s current liabilities have increased from \$1,425,410 as at July 31, 2015 to \$1,579,384 as at July 31, 2016, due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company’s exploration and evaluation assets has decreased from \$266,891 as at July 31, 2015 to \$97,319 as at July 31, 2016, due mainly to the write-down of the Ontario Albany East Hydrothermal Graphite Prospect.

Additional information about the risks and uncertainties relating to the Company’s business and financial performance is discussed below under “Risks and Uncertainties”.

### *Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2016 Fourth	2016 Third	2016 Second	2016 First	2015 Fourth	2015 Third	2015 Second	2015 First
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(197,379)	\$(46,590)	\$(36,992)	\$(107,891)	\$(124,136)	\$(132,893)	\$(181,368)	\$(128,474)
<b>Loss before other items</b>	\$(197,379)	\$(46,590)	\$(36,992)	\$(107,891)	\$(124,136)	\$(132,893)	\$(181,368)	\$(128,474)
<b>Loss per share (Basic and diluted)</b>	\$(0.036)	\$(0.010)	\$(0.008)	\$(0.026)	\$(0.030)	\$(0.032)	\$(0.059)	\$(0.062)
<b>Other items:</b>								
<b>Interest expense</b>	\$(23)	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Write-down of mineral properties</b>	\$(194,313)	\$(10,967)	\$Nil	\$Nil	\$(100,233)	\$(167,743)	\$Nil	\$Nil
<b>Net comprehensive loss</b>	\$(391,715)	\$(57,557)	\$(36,992)	\$(107,891)	\$(224,369)	\$(300,636)	\$(181,368)	\$(128,474)
<b>Basic and diluted loss per share</b>	\$(0.071)	\$(0.013)	\$(0.008)	\$(0.026)	\$(0.054)	\$(0.072)	\$(0.059)	\$(0.062)

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss increased by \$52,894 from the first to the second quarter of 2015 mainly due to an increase in consulting and management fees. Net comprehensive loss increased by \$119,268 from the second to the third quarter of 2015 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in management fees. Net comprehensive loss decreased by \$76,267 from the third to the fourth quarter of 2015 mainly due to a decrease in the write-down of exploration and evaluation assets. Net comprehensive loss decreased by \$116,478 from the fourth quarter of 2015 to the first quarter of 2016 mainly due to a decrease in professional fees and a decrease in the write-down of exploration and evaluation assets. Net comprehensive loss decreased by \$70,899 from the first to the second quarter of 2016 mainly due to a decrease in consulting fees. Net comprehensive loss increased by \$20,565 from the second to the third quarter of 2016 mainly due to an increase in consulting fees and in the write-down of exploration and evaluation assets. Net comprehensive loss increased by \$334,158 from the third to the fourth quarter of 2016 mainly due to an increase in share-based payments and in the write-down of exploration and evaluation assets.

**Selected Annual Information**

The following table sets out selected audited financial information for the Company, which has been prepared in accordance with IFRS:

	<b>Year ended July 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total revenues</b>	\$Nil	\$Nil	\$Nil
<b>Loss before discontinued operations and extraordinary items:</b>			
<b>Total</b>	\$(594,155)	\$(834,847)	\$(998,096)
<b>Per share</b>	\$(0.13)	\$(0.25)	\$(0.48)
<b>Per share fully diluted</b>	\$(0.13)	\$(0.25)	\$(0.48)
<b>Net comprehensive loss:</b>			
<b>Total</b>	\$(594,155)	\$(834,847)	\$(998,096)
<b>Per share</b>	\$(0.13)	\$(0.25)	\$(0.48)
<b>Per share fully diluted</b>	\$(0.13)	\$(0.25)	\$(0.48)
<b>Total assets</b>	\$206,329	\$335,972	\$571,337
<b>Total long term debt</b>	\$Nil	\$Nil	\$Nil
<b>Cash dividends</b>	\$Nil	\$Nil	\$Nil

*Year Ended July 31, 2016 Compared to the Year Ended July 31, 2015*

Net comprehensive loss decreased by \$240,692 to \$594,155 for the year ended July 31, 2016 from \$834,847 for the year ended July 31, 2015, due mainly to a decrease in consulting fees (fiscal 2016: \$165,670; fiscal 2015: \$377,800), in management and directors' fees (fiscal 2016: \$20,500; fiscal 2015: \$91,500), and in the write-down of exploration and evaluation assets (fiscal 2016: \$205,280; fiscal 2015: \$267,976), offset by an increase in share-based payments (fiscal 2016: \$82,668; fiscal 2015: \$Nil).

Total assets decreased by \$129,643 to \$206,329 as at July 31, 2016 from \$335,972 as at July 31, 2015 due to a decrease of \$169,572 in exploration and evaluation assets to \$97,319 as at July 31, 2016 from \$266,891 as at July 31, 2015, offset by an increase of \$40,449 in total current assets.

The Company's current assets have increased by \$40,449 from \$60,009 as at July 31, 2015 to \$100,458 as at July 31, 2016. The Company's current liabilities have increased by \$153,974 to \$1,579,384 as at July 31, 2016 from \$1,425,410 as at July 31, 2015. Current liabilities as at July 31, 2016 consisted of accounts payable and accrued liabilities of \$1,409,884 (July 31, 2015: \$1,239,410) and loans payable of \$169,500 (July 31, 2015: \$186,000).

*Year Ended July 31, 2015 Compared to the Year Ended July 31, 2014*

Net comprehensive loss decreased by \$163,249 to \$834,847 for the year ended July 31, 2015 from \$998,096 for the year ended July 31, 2014, due mainly to a decrease in share-based payments (fiscal 2015: \$Nil; fiscal 2014: \$265,148).

Total assets decreased by \$235,365 to \$335,972 as at July 31, 2015 from \$571,337 as at July 31, 2014 due to a decrease of \$265,401 in exploration and evaluation assets to \$266,891 as at July 31, 2015 from \$532,292 as at July 31, 2014.

The Company's current assets have increased by \$30,684 from \$29,325 as at July 31, 2014 to \$60,009 as at July 31, 2015. This was in addition to increased current liabilities of \$1,425,410 as at July 31, 2015 compared to \$1,227,870 as at July 31, 2014. Current liabilities as at July 31, 2015 consisted of accounts payable and accrued liabilities of \$1,239,410 (July 31, 2014: \$1,227,870) and loans payable of \$186,000 (July 31, 2014: \$Nil).

See "Overall Performance" for a discussion of trends in financial position and financial performance of the Company and "Changes in Accounting Policies" for a discussion of the trends and risks that have affected the Company as a result of transition from Canadian GAAP to IFRS effective August 1, 2010.

## **Discussion of Operations**

The Company did not generate any revenue for the year ended July 31, 2016 and 2015. Net comprehensive loss decreased from \$834,847 for the year ended July 31, 2015 to \$594,155 for the year ended July 31, 2016. The primary cause of this decrease was a decrease to operating expenses as well as a decrease to the write-down of exploration and evaluation assets. Total operating expenses were \$388,852 for the year ended July 31, 2016 compared to \$566,871 for the year ended July 31, 2015. The decrease was due to a decrease in consulting fees (fiscal 2016: \$165,670; fiscal 2015: \$377,800), in management and directors' fees (fiscal 2016: \$20,500;



fiscal 2015: \$91,500), and in the write-down of exploration and evaluation assets (fiscal 2016: \$205,280; fiscal 2015: \$267,976), offset by an increase in share-based payments (fiscal 2016: \$82,668; fiscal 2015: \$Nil). These expenses represent the costs of administering a public company.

See “Selected Annual Information” for a discussion of the Company's financial condition and financial performance and factors that have caused period to period variations.

See “Nature of Business – Mineral Properties” for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See “Overall Performance” for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and “Risks and Uncertainties” for a discussion of risk factors affecting the Company.

#### *Use of Proceeds*

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
\$200,000 <i>June 2016</i> <i>Non-Brokered</i> <i>Private Placement</i>	Towards general working capital.	As of the date of this report, all proceeds had been used towards general working capital.
\$1,800,000 Non flow-through \$293,000 Flow-through <i>August 2016</i> <i>Private Placement</i>	Non flow-through funds - towards accounts payable, accrued liabilities, repayment of loans, public company costs, working capital, and for future identification, negotiations, acquisition, and potential work commitments on mineral properties.  Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$684,000 in non flow-through funds were used. \$293,000 in flow-through funds and \$1,116,000 in non flow-through funds has not been used.

In June 2016, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until June 13, 2021. In connection with the financing, the Company incurred filing fees of \$2,130.

Subsequent to July 31, 2016, the Company closed a private placement consisting of 6,000,000 non flow-through units at \$0.30 per unit and 732,500 flow-through units at \$0.40 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.45 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.50 per share until August 24, 2019. In connection with the financing, the Company paid aggregate finder's fees of \$93,852 and issued 267,254 non flow-through broker warrants ("NFT Broker Warrants") and 34,200 flow-through broker warrants ("FT Broker Warrants"). Each NFT

Broker Warrant will be exercisable at \$0.45 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.50 per share into one common share until August 24, 2019.

## **Liquidity and Capital Resources**

### *Liquidity*

At July 31, 2016, the Company had \$46,162 in cash and a working capital deficiency of \$1,478,926 as compared to cash of \$41,698 and a working capital deficiency of \$1,365,401 at July 31, 2015.

The Company's current assets have increased from \$60,009 as at July 31, 2015 to \$100,458 as at July 31, 2016 due mainly to an increase in prepaid expenses. The Company's current liabilities have increased from \$1,425,410 as at July 31, 2015 to \$1,579,384 as at July 31, 2016, mainly due to an increase in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has decreased from \$266,891 as at July 31, 2015 to \$97,319 at July 31, 2016, due mainly to the write-down of exploration and evaluation assets offset by the acquisition of the Nevada Clayton Valley West lithium property.

In October 2014, the Company entered into agreements with three arm's length lenders, whereby the lenders agreed to convert a total of \$336,000 in consulting fees payable into loans payable, bearing no interest and are payable upon demand. During the year ended July 31, 2015, the Company repaid a total of \$150,000 to the three lenders. During the year ended July 31, 2016, the Company repaid a total of \$16,500 to one lender.

During the year ended July 31, 2016, the Company received loan advances totaling \$16,700 from two arm's length parties, an officer and a director of the Company (\$2,000 from an officer and \$1,200 from a director), bearing no interest and due upon demand. The Company fully repaid these loans during the period.

As at July 31, 2016, \$169,500 (July 31, 2015: \$186,000) of principal had not been repaid. Subsequent to July 31, 2016, the Company fully repaid all the outstanding loans.

In June 2016, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000.

In August 2016, the Company closed a private placement consisting of 6,000,000 non flow-through units at \$0.30 per unit and 732,500 flow-through units at \$0.40 per unit for gross proceeds of \$2,093,000.

Management believes that the Company's cash is sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of July 31, 2016. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle and Purcell Cobalt Prospects:*
  - The Company owns a 100% interest in these mineral claims, which are in good standing until June 13, 2017. In order to keep these claims in good standing, the Company is required to incur a minimum of \$26,691 in exploration expenditures on these claims by June 13, 2017 or to pay cash-in-lieu of \$53,382.
- *Ontario Kenagami Hydrothermal Graphite Prospect:*
  - November 2013 purchase agreement and amendments dated December 2014 and September 25, 2016: As at July 31, 2016, the Company was required to pay \$20,000 in acquisition costs prior to September 25, 2016. Subsequent to July 31, 2016, the Company further amended the purchase agreement and the amendment dated December 22, 2014 with the Kenagami Vender to defer the cash payment of \$20,000 by one year. The Company is now required to pay \$20,000 in acquisition costs prior to September 25, 2017. In addition, these mineral claims are in good standing until September 25, 2017. In order to keep these claims in good standing, the Company is required to incur a minimum of \$1,600 in exploration expenditures on these claims by September 25, 2017.
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2017. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2017 for the Yukon Quartz claims, unless the Company spend an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2017.

- *Ontario Coleman, Gilles, Bucke, and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2018. In order to keep these claims in good standing, the Company is required to incur a minimum of \$14,400 in exploration expenditures on these claims by July 19, 2018.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2017. In order to keep these claims in good standing, the Company is required to incur pay BLM fees of USD1,860 and county fees of USD240 by September 1, 2017.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

### *Operating Activities*

During the year ended July 31, 2016 and July 31, 2015, operating activities used cash of \$171,200 and \$221,301, respectively. The use of cash for the year ended July 31, 2016 was mainly attributable to its loss for the year of \$594,155, offset mainly by non-cash accounts payable and accrued liabilities of \$170,472 and by the write-down of exploration and evaluation assets of \$205,280. The use of cash for the year ended July 31, 2015 was attributable to its loss for the year of \$834,847, offset mainly by non-cash accounts payable and accrued liabilities of \$351,540 and by the write-down of exploration and evaluation assets of \$267,976.

### *Investing Activities*

During the year ended July 31, 2016 and July 31, 2015, the Company used cash of \$5,706 and \$5,000, respectively, from investing activities due to investments in exploration and evaluation assets.

### *Financing Activities*

During the year ended July 31, 2016 and July 31, 2015, the Company was provided \$181,370 and \$251,942 by financing activities, respectively. During the year ended July 31, 2016, \$200,000 was provided from the issuance of share capital and \$16,700 from loan proceeds, offset by loan repayments of \$33,200 and share issue costs of \$2,130. During the year ended July 31, 2015, \$415,000 was provided from the issuance of share capital and \$10,000 from loan proceeds, offset by loan repayments of \$160,000 and share issue costs of \$13,058.

## **Changes in Accounting Policies**

### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Parties Transactions**

During the year ended July 31, 2016, the Company incurred management fees of \$13,000 to two directors. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. During the year ended July 31, 2016, the Company accrued \$7,500 in directors' fees payable to three directors. Management fees, directors' fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the year ended July 31, 2016, the Company paid \$500 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer.

During the year ended July 31, 2016, the Company incurred share-based payments of \$8,267 to one director. As a mineral exploration issuer, the Company partially relies on the issuance of stock options to compensate its directors and officers for their time and dedication to the Company.

As at July 31, 2016, accounts payable and accrued liabilities include \$37,377 (July 31, 2015: \$291,652) payable to three directors and two public companies with directors in common for unpaid fees. The Company accrued \$17,001 payable to Makena Resources Inc., a public company with common directors, for reimbursement of accounting and office expenses. The Company accrued \$476 payable to Sienna Resources Inc., a public company with a common director, for reimbursement of administrative expenses. The Company also accrued \$13,600 in aggregate to three directors for 2015 and 2016 directors' fees, as well as \$6,300 in aggregate to two directors in respect of management fees.

During the year ended July 31, 2016, office and miscellaneous expenses included \$3,000 which was for reimbursement of accounting overhead to Makena Resources. These amounts are unsecured, non-interest bearing and payable on demand.

During the year ended July 31, 2016, the Company received loan advances totaling \$3,200 from a director and an officer of the Company, bearing no interest and due upon demand. The Company fully repaid these loans during the period.

During the year ended July 31, 2016, the Company reimbursed Makena Resources in the amount of \$12,991 (2015: 11,407) for the service provided by the Chief Financial Officer.

These transactions are in the normal course of operations and were measured at the exchange amount, which is a reasonable amount agreed upon by the Company and the particular related party or parties.

#### **Fourth Quarter - Unaudited**

The Company did not have any revenue during the three months ended July 31, 2016 and 2015. Total operating expenses were \$197,379 for the three months ended July 31, 2016, as compared to \$124,136 for the three months ended July 31, 2015. The increase resulted primarily from an increase in share-based payments (three months ended July 31, 2016: \$82,668; three months ended July 31, 2015: \$Nil), offset by a decrease in consulting fees (three months ended July 31, 2016: \$40,037; three months ended July 31, 2015: \$90,000).

Net comprehensive loss increased to \$391,715 for the three months ended July 31, 2016 as compared to \$224,369 for the three months ended July 31, 2015. The increase resulted mainly from a write-down of exploration and evaluation assets of \$194,313 being recognized during the three months ended July 31, 2016 compared to \$100,233 being recognized during the three months ended July 31, 2015, as well as an increase of \$73,243 in operating expenses.

#### **Financial Instruments and Other Instruments**

##### Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values due to the short term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

##### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2016, the Company has a minimal exposure to the US\$ that is subject to fluctuations as a result of exchange rate variations to the extent that

transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2016, the Company is not exposed to any significant credit risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2016, the Company is not exposed to any significant interest rate risk.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

#### Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk.

#### **Proposed Transactions**

The Company does not have any proposed transactions as of the date of this report.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

During the year ended July 31, 2016 and 2015, the Company incurred expenses including the following:

	<u>2016</u>	<u>2015</u>
Operating expenses	\$388,852	\$566,871
Capitalized exploration costs	\$212	\$2,575
Capitalized acquisition costs	\$35,496	\$Nil
Write-down of exploration and evaluation assets	\$205,280	\$267,976

Please refer to Note 6 *Exploration and Evaluation Assets* in the consolidated financial statements for the year ended July 31, 2016 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

### **Additional Disclosure of Outstanding Share Data**

#### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at July 31, 2016, the Company had 6,475,582 common shares issued and outstanding. Subsequently, the Company issued 6,732,500 common shares pursuant to a private placement and the Company issued a total of 1,650,000 common shares in respect to mineral property acquisitions. As of October 18, 2016, the Company had 14,858,082 common shares issued and outstanding.

#### *Stock options*

As at July 31, 2016, the Company had 627,800 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
16,425	\$4.00	January 13, 2017
500,000	\$0.35	January 25, 2017
1,450	\$4.00	October 11, 2017
<u>109,925</u>	\$2.00	September 3, 2018
<u><u>627,800</u></u>		

In September, the Company granted 250,000 stock options to directors, officers and consultants at an exercise price of \$0.60 per share for a period of three months. As of October 18, 2016, the Company had 877,800 share purchase options outstanding and exercisable.

#### *Warrants*

As at July 31, 2016, the Company had 4,603,130 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:



<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
230,205	\$10.00	September 6, 2016
8,750	\$12.00	September 6, 2016
267,425	\$4.00	January 28, 2018
2,096,750	\$1.00	December 18, 2019
<u>2,000,000</u>	\$0.15	June 13, 2021
<u>4,603,130</u>		

Subsequent to July 31, 2016, the Company issued 6,732,500 share purchase warrants and 301,454 broker warrants in connection with a private placement. 230,205 share purchase warrants at an exercise price of \$10 and 8,750 share purchase warrants at an exercise price of \$12, all expired unexercised. As of October 18, 2016, the Company 11,398,129 share purchase warrants issued and outstanding.

### **Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration

activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the years ended July 31, 2016 and 2015. The Company will continue to incur operating expenses without revenues if and until the Company engage in commercial operations. Accumulated loss as of July 31, 2016 was \$12,748,453 since inception. The Company had cash in the amount of \$46,162 as at July 31, 2016. The Company estimates the average monthly operating expenses to be approximately \$30,000 each month. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2016. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

## RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if

minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

**Additional Information**

The Company file annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.