

CRUZ COBALT CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

January 31, 2021

NOTICE OF NO AUDITOR REVIEW

The unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the periods ended January 31, 2021 and 2020 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>2021</u>	July 31, <u>2020</u>
Current assets			
Cash and cash equivalents – Note 3		\$ 1,549,028	\$ 1,671,731
Receivables – Note 4		9,626	47,605
Rent deposit		-	29,620
Prepaid expenses – Note 5		13,188	37,151
Total current assets		<u>1,571,842</u>	<u>1,786,107</u>
Non-current assets			
Property and equipment – Note 6		38,545	-
Rent deposit		24,590	-
Right-of-use assets – Note 7		332,755	-
Exploration and evaluation assets – Note 8		1,773,564	1,248,556
Total assets		<u>\$ 3,741,296</u>	<u>\$ 3,034,663</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities – Notes 9 and 12		\$ 193,326	\$ 204,644
Non-current liabilities			
Lease liabilities – Note 7		337,997	-
Total liabilities		<u>531,323</u>	<u>204,644</u>
SHAREHOLDERS' EQUITY			
Share capital – Note 10		19,896,980	19,235,578
Reserves – Note 10		1,781,856	1,641,081
Accumulated deficit		(18,468,863)	(18,046,640)
Total shareholders' equity		<u>3,209,973</u>	<u>2,830,019</u>
Total liabilities and shareholders' equity		<u>\$ 3,741,296</u>	<u>\$ 3,034,663</u>

Nature and Continuation of Operations (Note 1)
Subsequent Events (Note 15)

APPROVED BY THE DIRECTORS:

<u>“Seth Kay”</u> Seth Kay	Director	<u>“James Nelson”</u> James Nelson	Director
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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,	
	2021	2020	2021	2020
Operating expenses				
Consulting	\$ 21,000	\$ 21,000	\$ 42,000	\$ 42,000
Corporate branding	5,186	3,342	9,913	9,361
Depreciation – Note 6	14,171	-	18,986	-
Management and directors’ fees – Note 12	47,400	46,400	73,800	72,800
Office and miscellaneous	24,766	30,936	49,640	52,493
Professional fees – Note 12	30,485	28,183	52,858	44,831
Shareholder information	1,714	129	2,431	2,201
Share-based payments – Notes 10 and 12	167,709	59,832	167,709	59,832
Transfer agent and filing fees	7,837	2,792	12,628	9,229
Travel and misc	1,746	7,811	2,639	7,888
	(322,014)	(200,425)	(432,604)	(300,635)
Interest income	5,185	12,043	10,381	12,199
Write-down of exploration and evaluation assets – Note 8	-	(15,290)	-	(15,290)
	5,185	(3,247)	10,381	(3,091)
Net comprehensive loss for the period	\$ (316,829)	\$ (203,672)	\$ (422,223)	\$ (303,726)
Loss per share – basic and diluted – Note 11	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted – Note 11	92,697,118	79,223,889	90,383,821	78,935,389

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>2021</u>	<u>2020</u>
Operating Activities		
Loss for the period	\$ (422,223)	\$ (303,726)
Adjustments for non-cash items:		
Depreciation	18,986	-
Share-based payments	167,709	59,832
Write-down of exploration and evaluation assets	-	15,290
Changes in non-cash working capital items:		
Receivables	37,979	13,814
Prepaid expenses	23,963	(9,258)
Rent deposit	5,030	-
Accounts payable and accrued liabilities	(11,318)	(42,169)
Cash used in operating activities	<u>(179,874)</u>	<u>(266,217)</u>
Investing Activities		
Acquisition of property and equipment	(40,893)	-
Exploration and evaluation assets	(30,008)	(17,976)
Recovery of exploration and evaluation assets	-	5,000
Cash used in investing activities	<u>(70,901)</u>	<u>(12,976)</u>
Financing Activities		
Proceeds from issuance of share capital	139,468	149,600
Share issue costs	-	(1,894)
Repayment of lease liabilities	(11,396)	-
Cash provided by financing activities	<u>128,072</u>	<u>147,706</u>
Decrease in cash during the period	(122,703)	(131,487)
Cash, beginning of the period	<u>1,671,731</u>	<u>2,062,547</u>
Cash, end of the period	<u>\$ 1,549,028</u>	<u>\$ 1,931,060</u>

Supplemental Disclosure with Respect to Cash Flows (Note 14)

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			
Balance, July 31, 2019	78,646,890	\$ 19,087,872	\$ 1,581,249	\$ (17,332,272)	\$ 3,336,849
Shares issued for private placement	4,825,807	149,600	-	-	149,600
Share issue costs	-	(1,894)	-	-	(1,894)
Stock options issued	-	-	59,832	-	59,832
Loss for the period	-	-	-	(303,726)	(303,726)
Balance, January 31, 2020	83,472,697	19,235,578	1,641,081	(17,635,998)	3,240,661
Loss for the period	-	-	-	(410,642)	(410,642)
Balance, July 31, 2020	83,472,697	19,235,578	1,641,081	(18,046,640)	2,830,019
For exploration and evaluation assets	9,000,000	495,000	-	-	495,000
Share purchase warrants exercised	319,355	15,968	-	-	15,968
Stock options exercised	1,750,000	123,500	-	-	123,500
Stock options issued	-	-	167,709	-	167,709
Transfer of reserves on options exercised	-	26,934	(26,934)	-	-
Loss for the period	-	-	-	(422,223)	(422,223)
Balance, January 31, 2021	94,542,052	\$ 19,896,980	\$ 1,781,856	\$ (18,468,863)	\$ 3,209,973

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, 2021 – Page 1

1. NATURE AND CONTINUANCE OF OPERATIONS

Cruz Cobalt Corp. (the “Company”) is an exploration stage public company and is listed on the Canadian Securities Exchange (the “CSE”) under the symbol "CRUZ". The Company’s principal business activities include acquiring and exploring exploration and evaluation assets. At January 31, 2021, 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 2905, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1K8. 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, 2021, the Company had not yet achieved profitable operations, incurred a loss of \$422,223 during the six months ended January 31, 2021 and had an accumulated deficit of \$18,468,863 since its inception. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant 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. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. 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, 2020, 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.

2. BASIS OF PREPARATION (continued)

a) Statement of Compliance (continued)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 12, 2021.

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 condensed consolidated interim 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, 2021 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest January 31, 2021	Ownership Interest July 31, 2020
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
1205011 B.C. Ltd.	Holding company	Canada	100%	-
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

3. CASH AND CASH EQUIVALENTS

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

	January 31, <u>2021</u>	July 31, <u>2020</u>
Cash at bank	\$ 1,514,528	\$ 17,231
Short-term deposits	34,500	1,654,500
	<u>\$ 1,549,028</u>	<u>\$ 1,671,731</u>

4. 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 two public companies with directors in common for recoverable office expenses.

	January 31, <u>2021</u>	July 31, <u>2020</u>
Related party receivable (Note 12)	\$ 2,892	\$ 20,608
Other receivable	2,627	8,580
Accrued interest on short-term deposits	-	13,377
GST recoverable	4,107	5,040
	<u> </u>	<u> </u>
Total receivables	<u>\$ 9,626</u>	<u>\$ 47,605</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. PREPAIDS

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

	January 31, <u>2021</u>	July 31, <u>2020</u>
Corporate branding	\$ 7,619	\$ 7,619
Other prepaids	5,569	29,532
Total prepaids	<u>\$ 13,188</u>	<u>\$ 37,151</u>

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer & office equipment	Total
	\$	\$	\$
Cost, July 31, 2020	-	-	-
Additions	34,599	6,294	40,893
Cost, January 31, 2021	<u>34,599</u>	<u>6,294</u>	<u>40,893</u>
Accumulated depreciation, July 31, 2020	-	-	-
Depreciation for the period	1,648	700	2,348
Accumulated depreciation, January 31, 2021	<u>1,648</u>	<u>700</u>	<u>2,348</u>
Net book value, July 31, 2020	-	-	-
Net book value, January 31, 2021	<u>32,951</u>	<u>5,594</u>	<u>38,545</u>

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Office Leases
Cost:	\$
At July 31, 2020	-
Additions	349,393
At January 31, 2021	349,393
Depreciation:	
At July 31, 2020	-
Charge for the period	16,638
At January 31, 2021	16,638
Net book value:	
At July 31, 2020	-
At January 31, 2021	332,755

Lease Liabilities

	\$
Lease liabilities recognized as of July 31, 2020	-
Lease liabilities recognized for the period	349,393
Lease payments made	(21,751)
Interest expense on lease liabilities	10,355
At January 31, 2021	337,997

The remaining minimum future lease payments, excluding estimated operating costs, for the terms of the lease including assumed renewal periods are as follows:

	\$
Fiscal 2021	32,626
Fiscal 2022	65,952
Fiscal 2023	66,782
Fiscal 2024	67,615
Fiscal 2025	68,449
Fiscal 2026	69,283
Fiscal 2027	70,117
Fiscal 2028	11,709

8. EXPLORATION AND EVALUATION ASSETS

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

	BC War Eagle Cobalt	BC Diamond Projects	ON Cobalt Prospects	Yukon Quartz Claims	Idaho Cobalt Belt Project	Idaho Star Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2019	\$ 9,950	\$ -	\$ 1,188,507	\$ 16,553	\$ -	\$ 7,678	\$ 39,996	\$ 1,262,324
Acquisition costs								
Recovery of acquisition costs	-	-	(5,000)	-	-	-	-	(5,000)
Deferred exploration expenditures								
Geological report	2,500	-	-	-	-	-	-	2,500
Claim maintenance fees	-	-	-	210	-	903	2,909	4,022
Write-down of exploration and evaluation assets	-	-	(15,290)	-	-	-	-	(15,290)
Balance, July 31, 2020	12,090	-	1,168,217	16,763	-	8,581	42,905	1,248,556
Acquisition costs								
Share issuance	-	247,500	-	-	247,500	-	-	495,000
Deferred exploration expenditures								
Claim maintenance fees	-	-	-	-	26,225	894	2,889	30,008
Balance, January 31, 2021	\$ 12,090	\$ 247,500	\$ 1,168,217	\$ 16,763	\$ 273,725	\$ 9,475	\$ 45,794	\$ 1,773,564

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 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.

During the year ended July 31, 2019, the Company decided to further reduce the size of certain War Eagle claims. Accordingly, prior acquisition costs of \$2,404 and exploration costs of \$18,705 were written off.

As at January 31, 2021, the Company had spent a total of \$10,998 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 year ended July 31, 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.

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

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 November 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.

In December 2017, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of \$40,000. In August 2019, the Company decided to drop these claims and allowed them to lapse when they became due. Accordingly, prior staking costs of \$40,000 were written off as of July 31, 2019.

In January and 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 \$20,890.

During the year ended July 31, 2020, the Company decided to drop certain claims and allowed them to lapse when they became due. Accordingly, prior staking costs of \$15,290 were written off.

On November 6, 2019, the Company entered into an agreement with RJK Explorations Ltd. (“RJK”), an arm’s length party. Pursuant to the agreement, RJK paid \$5,000 to the Company in exchange for the exclusive right for a period of 30 days from the date of such payment, at RJK’s own risk and expense, to enter on the Lorraine claims to conduct mineral sampling activities and geophysical surveys. Accordingly, \$5,000 were used to offset prior acquisition costs of the Lorraine claims. The agreement had been mutually terminated by the Company and RJK on December 21, 2020 with no liability or remaining obligation of any of the parties to the other except for the confidentiality obligations.

As at January 31, 2021, 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 January 31, 2021, the Company had spent a total of \$2,127 in exploration expenditures on the remaining Yukon Quartz claims.

8. EXPLORATION AND EVALUATION ASSETS (continued)

BC Diamonds Projects and Idaho Cobalt Belt Project – Share Purchase Agreement

On September 1, 2020, the Company entered into a share purchase agreement (the “SPA”) with two arm’s length vendors to purchase 100% of the issued and outstanding shares of 1205011 B.C. Ltd. (“1205011”), which through its wholly-owned subsidiary, Idaho Cobalt Discoveries Corp., holds a 100% interest in one cobalt prospect in Idaho, U.S.A. (the “Idaho Cobalt Belt Project”) and three diamond projects in B.C. (the “BC Diamond Projects”). The acquisition has been accounted for as an asset acquisition. In September 2020, the Company issued 9,000,000 shares (issued at a value of \$495,000) to the vendors pursuant to the SPA. 1205011 became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between the BC and Idaho properties.

As of January 31, 2021, the Company had incurred a total of \$26,225 in claim maintenance fees on the Idaho Cobalt Belt Project.

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, 2021, the Company had spent a total of \$5,842 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, 2021, the Company had incurred a total of \$13,794 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>2021</u>	July 31, <u>2020</u>
Trade payables	\$ 22,026	\$ 15,344
Accrued liabilities	171,300	189,300
Total accounts payable and accrued liabilities	<u>\$ 193,326</u>	<u>\$ 204,644</u>

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value due to the short-term nature of these instruments.

10. SHARE CAPITAL AND RESERVES

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

(a) Private placements

Six months ended January 31, 2021

During the six months ended January 31, 2021, the Company did not close any private placements.

Six months ended January 31, 2020

In January 2020, the Company closed a non-brokered private placement consisting of 4,825,807 units at \$0.031 per share for gross proceeds of \$149,600. 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 January 17, 2025. The Company incurred filing and legal fees totalling \$1,894 in connection with the financing.

(b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2019 to January 31, 2021:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, July 31, 2019	17,171,848	\$0.20
Issued	4,825,807	\$0.05
Expired	(12,483,515)	\$0.26
Balance, July 31, 2020	<u>9,514,140</u>	\$0.05
Exercised	(319,355)	\$0.05
Expired	<u>(183,333)</u>	\$0.21
Balance, January 31, 2021	<u><u>9,011,452</u></u>	\$0.05

10. SHARE CAPITAL AND RESERVES (continued)

(b) Share purchase warrants (continued)

At January 31, 2021, the Company had 9,011,452 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>
4,505,000	\$0.05	June 13, 2021
<u>4,506,452</u>	\$0.05	January 17, 2025
<u>9,011,452</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 market price of the Company's stock as calculated on the date of grant less the applicable discount, subject to a minimum exercise price of \$0.05. Options may be granted for a maximum term of five years and vesting periods are determined by the Board of Directors. Pursuant to the regulations of the CSE, stock options may be granted outside of the stock option plan.

The following is a summary of changes in share purchase options from July 31, 2019 to January 31, 2021:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, July 31, 2019	-	\$Nil
Granted	<u>5,000,000</u>	\$0.07
Outstanding and exercisable, July 31, 2020	5,000,000	\$0.07
Granted	4,000,000	\$0.075
Exercised	(1,750,000)	\$0.07
Expired	<u>(3,450,000)</u>	\$0.07
Outstanding and exercisable, January 31, 2021	<u>3,800,000</u>	\$0.075

As of January 31, 2021, 3,800,000 share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held at an exercise price of \$0.075 per share until January 14, 2022.

During the six months ended January 31, 2021, 1,550,000 stock options were exercised at a price of \$0.07 per share and 200,000 stock options were exercised at a price of \$0.075 per share for total proceeds of \$123,500. 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 \$26,934.

During the six months ended January 31, 2020, Nil stock options were exercised.

10. SHARE CAPITAL AND RESERVES (continued)

(c) Share-based payments (continued)

During the six months ended January 31, 2021, the Company granted 4,000,000 stock options with an exercise price of \$0.075 per share and an expiry date of January 14, 2022 (six months ended January 31, 2020: 5,000,000 stock options were granted with an exercise price of \$0.07 per share and an expiry date of January 20, 2021). The weighted average fair value of the options issued in the six months ended January 31, 2021 was estimated at \$0.04 (six months ended January 31, 2020: \$0.01) per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	<u>Six months ended January 31, 2021</u>	<u>Six months ended January 31, 2020</u>
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility *	153.99%	118.05%
Weighted average risk-free interest rate	0.16%	1.67%
Weighted average expected term	1 year	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, 2021 were \$167,709 (six months ended January 31, 2020: \$59,832).

11. LOSS PER SHARE

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

	<u>Six months ended January 31,</u>	
	<u>2021</u>	<u>2020</u>
Loss	<u>\$ (422,223)</u>	<u>\$ (303,726)</u>
Weighted average number of common shares for the purpose of basic and diluted loss per share	<u>90,383,821</u>	<u>78,935,389</u>

Basic loss per share is computed by dividing loss by the weighted average number of common shares outstanding during the period. 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 six months ended January 31, 2021 and 2020.

Basic and diluted loss per share for the six months ended January 31, 2021 was \$(0.01) (six months ended January 31, 2020: \$(0.00)).

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:

	Six months ended January 31,	
	<u>2021</u>	<u>2020</u>
Management fees	\$ 73,800	\$ 72,800
Professional fees	41,900	41,400
Share-based payments *	<u>113,203</u>	<u>53,848</u>
	<u>\$ 228,003</u>	<u>\$ 168,048</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, 2021, accounts payable and accrued liabilities include \$7,989 (July 31, 2020: \$7,500) payable to three directors of the Company for unpaid director's fees and office expense. These amounts are unsecured, non-interest bearing and payable on demand.

At January 31, 2021, related party receivables include \$2,892 (July 31, 2020: \$20,608) due from two public companies with common directors for recoverable office expenses.

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:

	January 31, <u>2021</u>	July 31, <u>2020</u>
Canada	\$ 1,444,570	\$ 1,197,070
U.S.A.	<u>328,994</u>	<u>51,486</u>
	<u>\$ 1,773,564</u>	<u>\$ 1,248,556</u>

14. 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, 2021:

The Company issued 9,000,000 common shares valued at \$495,000 pursuant to the SPA for the acquisition of the BC Diamond Projects and the Idaho Cobalt Belt Project.

15. SUBSEQUENT EVENTS

Subsequent to January 31, 2021, the following occurred:

- a) 1,800,000 share purchase warrants were exercised at \$0.05 per share; and
- b) 200,000 stock options were exercised at \$0.075 per share.