

21C METALS INC.
(Formerly Declan Cobalt Inc.)

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)
(Unaudited)

Six Month Period Ended
March 31, 2019

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

21C Metals Inc.

(Formerly Declan Cobalt Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	March 31, 2019	September 30, 2018
	(\$)	(\$)
ASSETS		
Current assets		
Cash	86,163	1,571,477
Receivables (Note 5)	154,293	83,025
Short-term investments (Note 6)	309,280	326,310
Prepaid expenses	216,517	28,666
	766,253	2,009,478
Restricted deposits (Note 7)	11,500	11,500
Exploration and evaluation assets (Note 9)	1,372,250	26,940
Equipment (Note 8)	23,215	
Deferred acquisition costs (Note 10)	-	665,490
	2,173,218	2,713,408
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	1,447,845	781,463
	1,447,845	781,463
Shareholders' equity		
Share capital (Note 13)	24,368,017	22,854,311
Share subscriptions receivable	-	(112,000)
Share-based payments reserve (Note 13)	2,426,658	2,361,016
Deficit	(26,069,302)	(23,171,382)
	725,373	1,931,945
	2,173,218	2,713,408

Nature of operations and going concern (Note 1)

Commitments (Note 18)

Subsequent Events (Note 19)

These consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2019. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"
Director

"Wayne Tisdale"
Director

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

21C Metals Inc.

(Formerly Declan Cobalt Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended March 31, 2019	Three Month Period Ended March 31, 2018	Six Month Period Ended March 31, 2019	Six Month Period Ended March 31, 2018
	(\$)	(\$)	(\$)	(\$)
EXPENSES				
Amortization	12	-	3,181	-
Consulting fees (Note 14)	223,389	57,574	375,872	78,861
Exploration and evaluation (Note 9)	30,524	-	1,021,885	-
Foreign exchange loss	(589)	-	2,133	-
Insurance	-	-	9,500	583
Interest expense (Note 12 and 14)	-	-	19	-
Investor relations	538,030	-	849,160	-
Management fees (Note 14)	52,500	-	105,000	-
Office and miscellaneous (Note 14)	69,485	30,151	135,758	47,360
Professional fees (Note 14)	21,682	26,238	35,114	27,538
Property investigation	-	-	-	(15,000)
Share-based compensation (Note 13 and 14)	57,403	-	65,643	-
Transfer agent and filing fees	14,681	8,842	44,097	16,060
Travel	109,311	28,380	204,071	28,380
Loss from operations	(1,116,427)	(151,185)	(2,851,433)	(183,782)
Gain (loss) on short-term investments (Note 6)	(33,437)	36,000	(46,487)	(475,945)
Net income (loss) and comprehensive income (loss)	(1,149,864)	(115,185)	(2,897,920)	(659,727)
Basic and diluted loss per common share	(0.02)	(0.00)	(0.06)	(0.02)
Weighted average common shares outstanding:				
Basic	46,896,602	29,869,156	45,360,748	29,869,156
Diluted	46,896,602	29,869,156	45,360,748	29,869,156

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

21C Metals Inc.

(Formerly Declan Cobalt Inc.)

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount (\$)	Share Subscriptions Receivable (\$)	Share-based Payments Reserve (\$)	Deficit (\$)	Total Shareholders' Equity (Deficiency) (\$)
Balance at September 30, 2017	22,569,809	19,106,438	-	1,554,336	(20,574,475)	86,299
Shares issued pursuant to a private placement	7,142,857	1,000,000	-	-	-	1,000,000
Share issued pursuant to debt settlement	156,490	40,687	-	-	-	40,687
Loss and comprehensive loss for the period	-	-	-	-	(659,727)	(659,727)
Balance at March 31, 2018	29,869,156	20,147,125	-	1,554,336	(21,234,202)	467,259
Shares issued pursuant to a private placement	11,282,000	2,820,500	(112,000)	-	-	2,708,500
Share issuance costs	-	(113,314)	-	-	-	(113,314)
Share-based compensation	-	-	-	806,680	-	806,680
Loss and comprehensive loss for the period	-	-	-	-	(1,937,180)	(1,937,180)
Balance at September 30, 2018	41,151,156	22,854,311	(112,000)	2,361,016	(23,171,382)	1,931,945
Shares issued pursuant to asset acquisition	1,500,000	450,000	-	-	-	450,000
Finder's fee	46,875	14,063	-	-	-	14,063
Exercise of warrants	3,448,571	862,143	-	-	-	862,143
Shares issued pursuant to a private placement	-	-	112,000	-	-	112,000
Shares issued for exploration and evaluation assets	750,000	187,500	-	-	-	187,500
Share-based compensation	-	-	-	65,643	-	65,643
Loss and comprehensive loss for the period	-	-	-	-	(2,897,920)	(2,897,920)
Balance at March 31, 2019	46,896,602	24,368,017	-	2,426,659	(26,069,302)	725,373

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

21C Metals Inc.

(Formerly Declan Cobalt Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Month Period Ended March 31, 2019 (\$)	Six Month Period Ended March 31, 2018 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	(2,897,920)	(659,727)
Items not affecting cash:		
Share-based compensation	65,642	-
Amortization	3,181	-
Loss (gain) on short-term investments	46,487	475,945
Unrealized foreign exchange loss	(7,412)	-
Changes in non-cash working capital items:		
Receivables	(71,268)	(82,164)
Prepaid expenses	(187,851)	(1,417)
Accounts payable and accrued liabilities	898,382	(447,206)
CASH USED IN OPERATING ACTIVITIES	(2,150,759)	(714,569)
FINANCING ACTIVITIES		
Issuance of common shares	862,143	1,040,687
Shares receivable	112,000	-
Repayment of notes payable	-	(248,271)
CASH PROVIDED BY FINANCING ACTIVITIES	974,143	792,416
INVESTING ACTIVITIES		
Cash acquired from acquisition	56,908	-
Deferred acquisition costs	(336,148)	-
Purchase of short term investments	(29,457)	-
CASH PROVIDED BY (USED IN) IN INVESTING ACTIVITIES	(308,697)	-
CHANGE IN CASH DURING THE PERIOD	(1,485,313)	77,847
CASH - BEGINNING OF PERIOD	1,571,477	134,013
CASH - END OF PERIOD	86,164	211,860

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

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

21C Metals Inc. (formerly Declan Cobalt Inc.) (the "Company") was incorporated on August 25, 2005 under the laws of British Columbia. The Company's head office and registered and records office is Suite 302 – 1620 West 8th Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE").

The Company is a mineral exploration company focused on acquiring and exploring exploration and evaluation assets in Europe.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors the commodity prices and other developments in the natural resources market, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

Based on its working capital as at March 31, 2019, the Company estimates that it will need additional capital to operate for the upcoming year. There can be no assurance that the Company will be successful in its future financing attempts. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2018, prepared in accordance with IFRS as issued by the IASB.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2019.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

2. BASIS OF PRESENTATION (continued)**Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and its subsidiaries.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Declan Resources (Wyoming) LLC	U.S.A.	100%	Dormant
East Bull Resources Inc.	Canada	100%	Exploration
Tisova Pty. Ltd.	Czech Republic	100%	Exploration
TGER Pty. Ltd.	Germany	100%	Exploration
5498 Nunavut Inc.	Nunavut	100%	Exploration

Significant Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

Estimates:

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Judgements:

Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

Deferred acquisition costs

The Company has entered into an agreement to acquire companies holding mineral projects. The acquisitions are being accounted for as advances toward the purchase of a company interest in accordance with IFRS 10, Consolidated Financial Statements and capitalized to the statement of financial position. Upon gaining control, the Company will consolidate the entities.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's annual consolidated financial statements for the year ended September 30, 2018.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The pronouncements are being assessed to determine their impact on the Company's results and financial position.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 2, Share-based Payment

Amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRIC 22 is a new interpretation, which clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Company does not expect these new standards to have a material impact on the Company's accounting policies and consolidated financial statements.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, *Leases*.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the balance sheet.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

The Company has not yet assessed the potential impact of the application of this standard, nor determined whether it will early adopt this standard.

5. RECEIVABLES

As at March 31, 2019, receivables consist of the following:

	March 31, 2019	September 30, 2018
	(\$)	(\$)
GST receivable	78,563	27,046
Other receivables	75,265	55,514
Interest receivable	465	465
	<u>154,293</u>	<u>83,025</u>

6. SHORT-TERM INVESTMENTS

Name	March 31, 2019		September 30, 2018	
	Number of Shares	Amount (\$)	Number of Shares	Amount (\$)
Versus Systems Inc.	1,305,000	287,100	1,305,000	326,310
Moovly Media Inc.	316,000	22,180	-	-
		<u>309,280</u>		<u>326,310</u>

The Company has classified its short-term investments as fair value through profit or loss.

During the six-month period ended March 31, 2019, the Company received net proceeds of \$Nil (September 30, 2018 - \$16,073) from the disposition of short-term investments. During the six-month period ended March 31, 2019, the Company also recorded an unrealized loss of \$46,487 (2018 - \$475,945).

The investment in Versus is related by virtue of a common director.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

7. RESTRICTED DEPOSITS

As at March 31, 2019, restricted deposits consisted of \$11,500 (September 30, 2018 - \$11,500) held in a guaranteed investment certificate as collateral for a corporate credit card.

8. EQUIPMENT

	Vehicles
	(\$)
Cost:	
At September 30, 2018	Nil
Additions	26,842
At March 31, 2019	26,842
Accumulated depreciation:	
At September 30, 2018	Nil
Charge for the period	3,627
Foreign exchange	(446)
At March 31, 2019	3,181
Net book value:	
At September 30, 2018	Nil
At March 31, 2019	23,215

9. EXPLORATION AND EVALUATION ASSETSTurner Lake Property

On July 5, 2017, the Company acquired all of the shares of 5498 Nunavut Inc. in exchange for consideration of \$25,000. 5498 Nunavut Inc.'s only asset is the Turner Lake property located in Nunavut, of which 5498 Nunavut Inc. is the registered and beneficial owner of a 100% interest in and to the mineral claims in the Turner Lake property.

During the year ended September 30, 2018, the Company entered into a mineral purchase agreement with Pacific Cascade Ventures ("PCV") whereby PCV would purchase 100% of the interest in and to the mineral claims of the Turner Lake Property in exchange for 1,000,000 common shares of PCV to be delivered to the Company within 10 days after PCV receives regulatory approval for the transaction. The Company will also be reimbursed \$46,720 by PCV, representing prior cash expenditures incurred on the property. Upon commencement of commercial production, PCV shall pay a royalty to the Company equal to 1% of net smelter returns royalty ("NSR"), which may be purchased for the sum of \$1,000,000 at any time after commercial production.

As at March 31, 2019, the Company has recorded \$26,940 (September 30, 2018 - \$26,940) related to the acquisition of the Turner Lake property. During the six-month period ended March 31, 2019, the Company incurred \$Nil (2017 - \$Nil) in claim fees on the Turner Lake property. As at March 31, 2019, PCV has not yet received Exchange approval and this transaction is pending.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (continued)Tisová/TGER European Copper-Cobalt Properties

On July 6, 2018 the Company entered into an arm's length share purchase agreement to purchase 100% of the shares of Tisová Pty. Ltd. And TGER Pty. Ltd. Tisová and TGER are private companies which have been granted 100% interest in and to certain mineral concessions located in the Czech Republic and Germany.

Pursuant to the agreement, and in exchange for the Tisová and TGER shares, the company is committed to issue, in aggregate, to the shareholders of Tisová and TGER the following:

- \$60,000 cash to the vendors upon execution of the agreement (paid);
- Upon satisfaction of certain conditions precedent, issue 1,500,000 common shares of 21C Metals to the vendors on the closing date (issued);
- 21C Metals to spend \$1,000,000 on the properties by July 1, 2019, and issue an aggregate of 2,500,000 21C Metals shares to the vendors at such time;
- 21C Metals to spend an additional \$1,000,000 on the properties each year for the next three years and no later than July 1, 2022 and issue an additional 4,000,000 21C Metals shares to the vendors.

If the Company fails to satisfy any of the above requirements, the shares of Tisová and TGER will be returned to the original vendors.

On October 23, 2018, the Company issued 1,500,000 common shares at a deemed price of \$0.30 in exchange for 100% ownership of Tisová and TGER, subject to the above terms, and their respective mineral concessions. A finder's fee was issued in connection with this closing through the issuance of 46,875 common shares at a deemed price of \$0.30. The related mineral concessions are subject to a 1.5% NSR of which one-half can be purchased for \$750,000.

East Bull Palladium Property

On February 26, 2019, the Company entered into an option agreement through its newly incorporated and wholly-owned subsidiary, East Bull Resources Inc. with Pavey Ark Minerals Inc. to acquire a 100 percent interest in the East Bull palladium property in the Sudbury mining division, Ontario.

Pursuant to the Agreement, and over a period of four years (should the Company elect to continue), the Company is obliged to incur \$1,750,000 in exploration expenditures, issue \$975,000 in cash payments, and issue an aggregate of 4.5 million common shares of 21C Metals to Pavey Ark in accordance with the following schedule:

Minimum Exploration Expenditures	Common Shares Issued	Cash Issued	Due Date
-	-	\$25,000	On Term Sheet signing (paid)
-	750,000	\$75,000	Within 5 days of signing
\$250,000	750,000	\$150,000	On or before March 1, 2020
\$500,000	1,000,000	\$200,000	On or before March 1, 2021
\$500,000	1,000,000	\$250,000	On or before March 1, 2022
\$500,000	1,000,000	\$300,000	On or before March 1, 2023
\$1,750,000	4,500,000	\$975,000	

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (continued)

During the six-month period ended March 31, 2019, the Company incurred \$1,021,885 (2018 - \$Nil) in exploration expenses on the Tisová property.

A schedule of exploration and evaluation assets during the six-month period ended March 31, 2019 is as follows:

	Turner Lake	TGER	Tisová	East Bull	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
At September 30, 2018	26,940	-	-		26,940
Acquisition costs:					
Cash	-	30,000	30,000	100,000	160,000
Common shares	-	232,031	232,031	187,500	651,562
Legal fees	-	8,106	67,183	4,148	79,437
Tisová acquisition	-	-	454,311	-	454,311
At March 31, 2019	26,940	270,137	783,525	291,648	1,021,885

The acquisition of Tisová and TGER has been recorded as an asset purchase of exploration and evaluation assets with costs of the acquisition as follows:

Acquisition of TGER Pty. Ltd.***Purchase Price:***

Common shares issues	\$ 225,000
Cash issued	30,000
Finder's fee	7,031
Legal fees	8,106
	<u>\$ 270,137</u>

Net assets acquired:

Exploration and evaluation asset	<u>\$ 270,137</u>
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Acquisition of Tisová Pty. Ltd.***Purchase Price:***

Common shares issues	\$ 225,000
Cash issued	30,000
Finder's fee	7,031
Legal fees	67,183
Exploration advances	1,098,107
	<u>\$ 1,427,321</u>

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

9. EXPLORATION AND EVALUATION ASSETS (continued)**Acquisition of Tisová Pty. Ltd.** (continued)***Net assets acquired:***

Fixed assets	\$	7,751
Exploration and evaluation asset		1,881,632
Trade receivables		4,710
Tax receivables		8,869
Advances paid		14,429
Cash		56,908
Prepaid expenses		1,284
Trade payables		(5,617)
Other payables		(542,645)
	<u>\$</u>	<u>1,427,321</u>

10. DEFERRED ACQUISITION COSTS**Tisová/TGER European Copper-Cobalt Properties**

As at March 31, 2019, the Company has recorded \$Nil (September 30, 2018 - \$665,490) as deferred acquisition costs in relation to the acquisition of the companies. During the six-month period ended March 31, 2019, the Company completed the acquisition of Tisová and TGER, and consequently expensed the exploration expenditures included in deferred acquisition costs and reallocated the acquisition costs to exploration and evaluation assets on closing (Note 9).

A schedule of deferred acquisition costs during the year ended September 30, 2018 is as follows:

	TGER	Tisová	Total
	(\$)	(\$)	(\$)
At September 30, 2017	-	-	-
Acquisition costs:			
Cash	30,000	30,000	60,000
Legal fees	-	67,183	67,183
Exploration expenditures:			
Advances	-	110,865	110,865
Geological consulting	-	288,475	288,475
Geophysical survey	-	138,829	138,829
Tools and supplies	-	25	25
Travel and accommodation	-	113	113
At September 30, 2018	30,000	635,490	665,490

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2019, the Company's accounts payable and accrued liabilities is comprised of the following:

	March 31, 2019	September 30, 2018
	(\$)	(\$)
Accounts payable	1,281,898	556,566
Related party payable (Note 13)	137,905	76,965
Accrued liabilities	16,000	77,890
Interest payable (Note 11 and 13)	12,042	70,042
	1,447,845	781,463

12. NOTES PAYABLE

During the six-month period ended March 31, 2019, the Company issued notes payable that bear interest at 10% per annum, payable quarterly, and mature three years from the date of issuance, for proceeds of \$Nil (September 30, 2018 - \$90,000).

During the six-month period ended March 31, 2019, the Company repaid \$Nil (September 30, 2018 - \$338,271) of loan principal and accrued interest. During the three-month period ended December 31, 2018, the Company accrued \$Nil (September 30, 2018 - \$4,741) in interest expense.

As at March 31, 2019, a total of \$Nil (September 30, 2018 - \$Nil) of loan principal remains outstanding and \$12,042 (September 30, 2018 - \$70,042) in accrued interest remains outstanding to be paid and is included in accounts payable and accrued liabilities (Note 11).

13. SHARE CAPITAL AND RESERVES**a) Authorized share capital**

An unlimited number of common shares without par value.

b) Issued share capital

During the six-month period ended March 31, 2019, the following transactions took place:

On October 23, 2018 the Company issued 1,500,000 common shares in exchange for ownership of Tisová Pty. Ltd. And TGER Pty. Ltd. (Note 9) at a deemed price of \$0.30. In connection with this acquisition, the Company also issued 46,875 common shares as a finder's fee to an arm's length person.

On February 26, 2019 the Company issued 750,000 common shares in an arm's length transaction, in exchange for ownership of the East Bull palladium property (Note 9) at a deemed price of \$0.25.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

13. SHARE CAPITAL AND RESERVES (continued)

During the year ended September 30, 2018, the following transactions took place:

On July 31, 2018 the Company completed a non-brokered private placement and issued 11,282,000 units at a price of \$0.25, generating gross proceeds of \$2,820,500, of which \$112,000 is recorded as subscriptions receivable as at September 30, 2018. Each unit consists of one common share and one-half of one common share purchase warrant with each whole warrant exercisable at \$0.45 for a period of one year from the date of issue.

On February 9, 2018 the Company issued 156,490 common shares valued at \$0.26 per share to settle outstanding debt of \$40,687 owed to one creditor for past services.

On November 10, 2017 the Company completed a non-brokered private placement and issued 7,142,857 units at \$0.14 per unit, generating gross proceeds of \$1,000,000. Each Unit consists of one common share and one common share purchase warrant, exercisable at \$0.25 for a period of one year from the date of issue.

c) Stock options

The Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of ten years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance - September 30, 2017	200,000	2.70
Granted	2,800,000	0.39
Balance - September 30, 2018	2,999,999	0.54
Granted	900,000	0.30
Expired	(299,999)	2.70
Balance - March 31, 2019	3,700,000	0.37

During the six-month period ended March 31, 2019, an aggregate of 299,999 stock options expired and the Company granted 900,000 stock options, recognizing \$57.403 (2018 - \$Nil) in share-based compensation.

The options were valued using the Black-Scholes option pricing model assuming a life expectancy of five years (2018 - Nil), a risk-free interest rate of 2.38%, (2018 - Nil%) a forfeiture and dividend rate of Nil (2018 - Nil), and a volatility of 164% (2018 - Nil).

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

13. SHARE CAPITAL AND RESERVES (continued)**c) Stock options (continued)**

As at March 31, 2019, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life
			(\$)	(years)
August 9, 2023	2,800,000	2,800,000	0.39	4.36
October 2, 2023	300,000	75,000	0.30	4.51
October 16, 2023	500,000	125,000	0.31	4.55
October 24, 2023	100,000	25,000	0.30	4.57
	3,700,000	3,025,000	0.37	4.40

d) Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price
		(\$)
Balance – September 30, 2017 and 2016	-	-
Granted	7,142,857	\$0.25
Granted	5,641,000	\$0.45
Balance – September 30, 2018	12,783,857	\$0.34
Expired	(3,694,286)	\$0.25
Exercised	(3,448,571)	\$0.25
Balance – December 31, 2018	5,641,000	\$0.45

During the six-month period ended March 31, 2019, an aggregate of 3,448,571 warrants were exercised for gross proceeds of \$862,142, and 3,694,286 warrants expired unexercised.

As at March 31, 2019, the Company had 5,641,000 share purchase warrants outstanding.

Expiry Date	Warrants Outstanding	Exercise Price	Weighted Average Remaining Life
		(\$)	(years)
July 31, 2019	5,641,000	0.45	0.33
	5,641,000	0.45	0.33

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

14. RELATED PARTY TRANSACTIONS

- a) The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. The following summarizes the Company's related party transactions during the six-month period ended March 31, 2019 and 2018:

Key Management Compensation

	2019	2018
Rent	44,100	38,000
Consulting fees	60,000	-
Management fees	105,000	-
Professional fees	-	1,000
	209,100	39,000

- a) As at March 31, 2019, included in accounts payable and accrued liabilities was \$149,255 (September 30, 2018 - \$105,898) owing to current and former officers and directors.
- b) During the six-month period ended March 31, 2019, the Company incurred interest expense of \$Nil (September 30, 2018 - \$4,491) to corporations controlled by related parties.
- c) As at March 31, 2019, the Company owes \$12,042 (September 30, 2018 - \$51,678) in notes payable accrued interest to corporations controlled by related parties.
- d) During the six-month period ended March 31, 2019, the Company issued notes payable of \$Nil (September 30, 2018 - \$90,000) and repaid \$58,000 (September 30, 2018 - \$412,453) of accrued interest resulting in a principal balance outstanding of \$Nil (September 30, 2018 - \$Nil) to corporations controlled by related parties.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Financial risk management*

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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash and short-term investments as fair value through profit or loss; receivables and restricted deposits as loans and receivables; and accounts payable and notes payable as other financial liabilities. The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits and accounts payable approximate their book values because of the short-term nature of these instruments.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at March 31, 2019. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities, consisting of accounts payable and accrued liabilities and notes payable, in the normal course of operations and to fund future operational and capital requirements future equity and debt financing.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long term debt and equity transactions.

Interest rate risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest-bearing assets or any variable interest-bearing liabilities that are tied into market rates.

Foreign exchange risk

The Company is not exposed to any significant foreign currency risk.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

16. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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 the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. There have been no changes to the Company's approach to capital management during the six-month period ended March 31, 2019.

17. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets that are located in Canada and in Europe (Note 8).

18. COMMITMENTS

The Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay \$7,000 plus GST per month commencing on December 1, 2017, increasing to \$7,700 effective February 1, 2019 and continuing until the expiration of the underlying head lease on July 31, 2021.

Fiscal Year	Amount
	(\$)
2019	46,200
2020	92,400
2021	77,000

21C METALS INC.

Notes to the Consolidated Financial Statements
Six Month Period Ended March 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

19. SUBSEQUENT EVENTS

On May 3, 2019 the Company closed the first tranche of a non-brokered private placement through the issuance of 15,579,122 units at a price of \$0.18 for aggregate gross proceeds of \$2,804,242. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant shall entitle the holder thereof to acquire one share at a price of \$0.30 for a period of 24 months following the closing date. If, following the closing of the offering, the volume-weighted average price of the shares on the Canadian Securities Exchange is equal to or greater than \$0.40 for any 10 consecutive trading days, the Company may, upon providing written notice to the holders of warrants, accelerate the expiry date of the warrants to the date that is 30 days following the date of such written notice.

The Company intends to use the net proceeds of the offering to commence exploration work on the Company's East Bull palladium and Tisova cobalt properties, as well as for general working capital.

In connection with the offering, the Company paid finders' fees in the amount of \$16,821 (7%) and issued 93,450 finders' warrants, each of which is exercisable to acquire a share at a price of \$0.30 for a period of 24 months from the date of issue, subject to the same acceleration clause as outlined above.