
QUANTUM COBALT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JANUARY 31, 2019 AND 2018**

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Quantum Cobalt Corp.

Opinion

We have audited the consolidated financial statements of Quantum Cobalt Corp. (the "Company") which comprise the consolidated statements of financial position as at January 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company incurred a net loss of \$1,892,417 for the year ended January 31, 2019 and, as of that date, the Company had an accumulated deficit of \$10,966,865. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
May 31, 2019

QUANTUM COBALT CORP.
Consolidated Statements of Financial Position
As at January 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 3,798	\$ 259,025
Amounts receivable	107,611	87,733
Prepaid expenses (Note 5)	8,000	224,500
	119,409	571,258
NON-CURRENT		
Exploration and evaluation assets (Note 4)	13,158,634	14,096,946
	\$ 13,278,043	\$ 14,668,204
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 6 and 8)	\$ 742,343	\$ 780,898
Flow-through premium (Note 9)	51,833	51,833
Other payables (Note 4)	500,000	500,000
	1,294,176	1,332,731
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	19,548,082	18,842,496
Subscriptions received (Note 9)	252,200	227,200
Reserves	3,150,450	3,340,495
Deficit	(10,966,865)	(9,074,718)
	11,983,867	13,335,473
	\$ 13,278,043	\$ 14,668,204

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

SUBSEQUENT EVENTS (Note 14)

Approved and authorized for issue on behalf of the Board on May 31, 2019:

"Quinn Field-Dyte"
Director

"David Schmidt"
Director

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

QUANTUM COBALT CORP.
Consolidated Statements of Comprehensive Loss
For the years ended January 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
EXPENSES		
Accretion and interest (Note 7)	\$ -	\$ 24,674
Advertising and promotion	-	1,462,630
Consulting fees (Note 8)	383,371	3,309,552
Flow-through share penalties	171,200	-
Geological consulting	122,217	126,206
Indemnification provision for flow-through shares	6,667	-
Management fees (Note 8)	157,500	481,952
Office and miscellaneous	14,803	56,020
Professional fees	109,606	70,264
Rent	85,000	107,000
Transfer agent and filing fees	58,840	81,751
	(1,109,204)	(5,720,049)
OTHER ITEMS		
Foreign exchange (loss)	(1,143)	-
Gain on debt settlement	169,500	-
Write-off of mineral property (Note 4)	(951,300)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,892,147)	\$ (5,720,049)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.05)	\$ (0.36)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	40,124,769	15,702,203

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

QUANTUM COBALT CORP.
Consolidated Statements of Changes in Equity
For the years ended January 31, 2019 and 2018
(Expressed in Canadian dollars)

	Common Shares	Amount	Subscriptions Received (Receivable)	Reserves	Deficit	Total
Balance at January 31, 2017	2,279,108	\$ 3,282,704	\$ (142,500)	\$ 1,514,850	\$ (3,354,669)	\$ 1,300,385
Private placements	21,448,166	4,196,392	(17,800)	1,451,775	-	5,630,367
Share issuance costs	-	(792,433)	-	328,880	-	(463,553)
Shares issued for mineral properties	10,000,000	11,454,500	-	-	-	11,454,500
Shares issued for debentures	3,000,000	316,614	-	137,792	-	454,406
Exercise of warrants	1,140,834	384,719	(12,500)	(92,802)	-	279,417
Subscriptions received	-	-	400,000	-	-	400,000
Net loss and comprehensive loss	-	-	-	-	(5,720,049)	(5,720,049)
Balance at January 31, 2018	37,868,108	\$ 18,842,496	\$ 227,200	\$ 3,340,495	\$ (9,074,718)	\$ 13,335,473
Exercise of warrants (Note 9)	2,563,084	710,049	12,500	(188,508)	-	534,041
Shares cancelled (Note 9)	(6,000)	(4,463)	6,000	(1,537)	-	-
Subscriptions received (Note 9)	-	-	6,500	-	-	6,500
Net loss and comprehensive loss	-	-	-	-	(1,892,147)	(1,892,147)
Balance at January 31, 2019	40,425,192	\$ 19,548,082	\$ 252,200	\$ 3,150,450	\$ (10,966,865)	\$ 11,983,867

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

QUANTUM COBALT CORP.
Consolidated Statements of Cash Flows
For the years ended January 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (1,892,147)	\$ (5,720,049)
Adjustment for non-cash items:		
Accretion on convertible debentures	-	4,406
Gain on settlement of debt	(169,500)	-
Mineral property written off	951,300	-
Changes in non-cash working capital items:		
Amounts receivable	(19,878)	(64,177)
Prepaid expenses	216,500	(196,044)
Accounts payable and accrued liabilities	130,945	696,044
Net cash used in operating activities	(782,780)	(5,279,820)
INVESTING ACTIVITY		
Mineral property acquisition and exploration costs	(12,988)	(1,381,052)
Net cash used in investing activity	(12,988)	(1,381,052)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	5,218,647
Convertible debentures	-	450,000
Exercise of warrants	534,041	279,417
Subscriptions received	6,500	400,000
Net cash provided by financing activities	540,541	6,348,064
DECREASE IN CASH	(255,227)	(312,808)
CASH, BEGINNING OF YEAR	259,025	571,833
CASH, ENDING OF YEAR	\$ 3,798	\$ 259,025
NON-CASH TRANSACTIONS		
Shares issued for property acquisition (Note 4)	\$ -	\$ 11,454,500
Warrants issued as finder's fee	\$ -	\$ 328,880

Supplementary cash flow information and non-cash transactions (Note 12)

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Quantum Cobalt Corp. (formerly Bravura Ventures Corp.) (the "Company") was incorporated on August 6, 2010 under the British Columbia Business Corporations Act. On November 7, 2017, the Company changed its name to Quantum Cobalt Corp. to better reflect its direction and cobalt resource properties and begun trading under the stock symbol "QBOT". The Company is domiciled in Canada and is a reporting issuer with its common shares publicly traded on the Canadian Securities Exchange ("CSE"). The Company is currently in the process of identifying, exploring and developing mineral properties. The address of its head office is 800-1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

At January 31, 2019, the Company had a working capital deficiency of \$1,174,767 (2018 - \$761,473). For the year ended January 31, 2019, the Company has incurred a net loss of \$1,892,147, and the Company has incurred losses since its inception and has an accumulated deficit of \$10,966,865 as of January 31, 2019 (2018 - \$9,074,718) which has been funded primarily by the issuance of shares and loans.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to raise additional financing. The Company has incurred ongoing losses and has a working capital deficiency. Accordingly, these factors give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 31, 2019.

b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3 (a). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS. The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 10336602 Canada Inc. and 1142674 BC Ltd. 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. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

d) Significant accounting estimates and judgments

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated 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:

Critical accounting estimates

- i. The measurement of deferred income tax assets and liabilities;
- ii. The discount rate used to determine the fair value of loans payable; and
- iii. The valuation of share-based payments.

Critical accounting judgments

- i. The determination of categories of financial assets and financial liabilities;
- ii. The evaluation of the Company's ability to continue as a going concern;
- iii. The impairment of exploration and evaluation assets;
- iv. The determination of functional currency.

e) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Exploration and evaluation assets (continued)

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

f) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The tax rate used is the rate that is enacted or substantively enacted.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Decommissioning, restoration and similar liabilities (continued)

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to \$Nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is insignificant.

h) Share-based compensation

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity-settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity-settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity-settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

i) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

j) Flow-through shares

Current Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share. Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a tax deduction recovery on the statement of comprehensive loss and reduces the other liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

k) Impairment of non-financial assets

At the end of each reporting period, the Company assesses each cash generating unit to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate and 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

l) Cash and cash equivalents

Cash and cash equivalents consist of cash and liquid investments which are readily convertible into cash with maturities of three months or less when purchased. The Company's cash and cash equivalents are invested with major financial institutions and are not invested in any asset-backed deposits or investments. As of January 31, 2019, the Company only held cash.

m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. RECENT ACCOUNTING PRONOUNCEMENTS

a) New accounting standards issued and effective

Change in accounting policies

IFRS 9 Financial Instruments ("IFRS 9")

The Company has adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of February 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

a) New accounting standards issued and effective (continued)

Change in accounting policies (continued)

forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Accounts payable	Other financial liabilities	Amortized cost
Other payables	Other financial liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on February 1, 2018.

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs expensed in the consolidated statements of net loss. Realized and unrealized gains or

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

a) New accounting standards issued and effective (continued)

Change in accounting policies (continued)

losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss.

(iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve months expected credit losses. The Company shall recognize in the consolidated statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net loss.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is a new standard which supersedes IAS 11 - *Construction Contracts*, IAS 18 - *Revenue*, IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers*, and SIC 31 - *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. This standard is effective for annual periods beginning on or after January 1, 2018. The change has no impact to the Company's consolidated financial statements.

b) New accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2019 and have not been applied in preparing these consolidated financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's consolidated financial statements later:

QUANTUM COBALT CORP.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2019 and 2018
(Expressed in Canadian dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

b) New accounting standards issued but not yet effective (continued)

IFRS 16 - Leases

Leases specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 will have no impact on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

	Musgrove Creek Property	Grew Creek Property	Rabbit Cobalt Property	Kahuna Cobalt Property	Nipissing Lorain	Total
Balance, January 31, 2017	\$ 606,394	\$ 155,000	\$ -	\$ -	\$ -	\$ 761,394
Property acquisition and staking costs	-	84,500	2,425,000	1,011,500	9,700,000	13,221,000
Geological consulting	9,757	51,067	11,067	11,067	-	82,958
Royalty payment	-	31,594	-	-	-	31,594
Balance, January 31, 2018	\$ 616,151	\$ 322,161	\$ 2,436,067	\$ 1,022,567	\$ 9,700,000	\$ 14,096,946
Geological consulting	12,988	-	-	-	-	12,988
Write-off	(629,139)	(322,161)	-	-	-	(951,300)
Balance, January 31, 2019	\$ -	\$ -	\$ 2,436,067	\$ 1,022,567	\$ 9,700,000	\$ 13,158,634

Musgrove Creek Property

On September 14, 2016, the Company entered into an agreement with Soleil Gold Corp. ("Soleil") to acquire an undivided 100% interest in and to certain mineral property leases, together with the surface rights, mineral rights, personal property and permits associated therewith ("Musgrove Creek Property"), located in Lemhi County, Idaho. In connection with the option agreement, the Company has paid \$20,000 cash to Soleil and issued 100,000 common shares. Beginning September 1, 2020, the Company has to pay advance royalty payments. The property is subject to a 2% net smelter royalty on future gold production which includes advance royalty payments of \$50,000 annually.

During the year ended January 31, 2019, the Company was not able to renew the mining claims and is in negotiation to reacquire the property. As a result, a write-off of \$629,139 was recorded to the consolidated statement of comprehensive loss.

Grew Creek Property

On October 24, 2016, the Company closed an option agreement with Golden Predator Mining Corp. ("Golden Predator") to acquire up to a 90% in and to certain mineral properties together with the surface rights, mineral rights, personal property and permits associated therewith ("Grew Creek Property"), located in the Watson Lake mining district in southeast Yukon. The Company has the option to acquire 90% of the Grew Creek Property in consideration for:

- A. Payment to Golden Predator of an aggregate amount of \$950,000 to be paid upon the following:
- \$35,000 - on the closing date (paid);
 - \$50,000 – on the first anniversary of the closing date (paid);
 - \$75,000 – on the second anniversary of the closing date (unpaid);
 - \$140,000 – on the third anniversary of the closing date;
 - \$150,000 – on the fourth anniversary of the closing date;
 - \$250,000 – on the fifth anniversary of the closing date; and
 - \$250,000 – on the sixth anniversary of the closing date.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Grew Creek Property (continued)

B. Issuance to Golden Predator of an aggregate amount of 200,000 common shares and an additional 6% of the company to be issued upon the following:

- 50,000 – on the closing date (issued);
- 50,000 – on the first anniversary of the closing date;
- 50,000 – on the second anniversary of the closing date;
- 50,000 – on the third anniversary of the closing date;
- On the fourth anniversary of the closing date such a number of common shares as is equal to 2% of the undiluted issued and outstanding common shares of the company for 70% of the right, title and interest in assets;
- On the fifth anniversary of the closing date such a number of common shares as is equal to 2% of the undiluted issued and outstanding common shares of the company for an additional 10% of asset;
- On the sixth anniversary of the closing date such a number of common shares as is equal to 2% of the undiluted issued and outstanding common shares of the company for an additional 10 % for a total aggregate ownership of 90%; and
- Optionor shall transfer legal title to the assets to optionee on the six anniversary of closing date.

C. If during the term, the Company receives a technical report that complies with National Instrument 43-101 and defines a resource on the claims, the Company shall, within 30 days of receipt of such report, pay to Golden Predator an additional \$50,000 and issue an additional 50,000 common shares. If, during the term but after its receipt of the first report, Golden Predator receives a second technical report that increases the resource estimate by 100% or more over the estimate contained in the first report, the Company shall issue to Golden Predator such number of common shares as is equal to 2% of the issued and outstanding common shares of the Company on the date that is 10 business days prior to the date of receipt of the second report.

During the year ended January 31, 2019, the Company did not make the scheduled cash and share payments on the second anniversary of the closing date and therefore, the option agreement was terminated. As a result, a write-off of \$322,161 was recorded to the consolidated statement of comprehensive loss.

Rabbit Cobalt Property

On August 16, 2017, the Company closed its acquisition of 10336602 Canada Inc. ("10336602") pursuant to a share exchange agreement, dated July 28, 2017, among the Company, 10336602 and the shareholders of the target. 10336602 holds the approximately 1,000-hectares of a gold-nickel-silver property located 55 kilometers south of Cobalt, Ontario.

Pursuant to the share exchange agreement, the Company made a cash payment of \$350,000 and issued a total of 4,000,000 common shares in the capital of the Company, to the shareholders of 10336602 in exchange for 1,000,000 Class A common shares in the capital of 10336602. A finder's fee in the amount of \$35,000 was paid in connection with the acquisition.

The Company has accounted for the purchase of 10336602 as an asset acquisition as it did not meet the definition of a business under IFRS 3, "Business Combinations". The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

4. EXPLORATION AND EVALUATION ASSETS (continued)

Rabbit Cobalt Property (continued)

Cash paid	\$ 350,000
Finder's fee	35,000
Fair value of common shares issued	2,040,000
Total consideration	\$ 2,425,000

Assets acquired:	
Exploration and evaluation asset	\$ 2,425,000

Kahuna Cobalt Property

On October 5, 2017, the Company closed and signed the definitive agreement with Caprock Ventures Corp. dated August 10, 2017 to acquire 100% of the approximately 1,200-hectare Kahuna cobalt-silver property, located 37 kilometers south of Cobalt, Ontario. Pursuant to the share exchange agreement, the Company made a cash payment of \$300,000 and issued a total of 1,000,000 common shares in the capital of the Company. A finder's fee in the amount of \$31,500 was paid in connection with the acquisition. The properties are subject to a 0.5% net smelter return royalty on cobalt-gold production, which includes advance royalty payments of \$25,000 annually on December 31, beginning in 2020. The Company has the option at any time to purchase 0.5% of the royalty on payment of \$500,000. The original vendors of the property will retain a 1% Net Smelter Return on the properties. The Company will have the right to purchase the 1% for \$1,000,000.

Nipissing Lorain Property

On November 29, 2017, the Company closed its previously announced acquisition of 1142674 B.C. Ltd. ("1142674") pursuant to a share exchange agreement, among the Company, 1142674 and the shareholders of 1142674. The Nipissing Lorrain cobalt project is located 26 kilometres southeast of Cobalt, Ont. The property consists of two separate claims. Six separate underground workings have been historically mined for cobalt, silver and nickel.

Pursuant to the share exchange agreement, the Company will pay an aggregate amount of \$1,000,000 over a six-month period from date of close of the share exchange agreement, with an initial cash payment of \$500,000 (paid on closing) and \$250,000 subsequently every three months. As at January 31, 2019, the Company has recorded a liability of \$500,000 (2018 - \$500,000) on the consolidated statement of financial position relating to the required subsequent payments. A total of 5,000,000 common shares in the capital of the Company were also issued on closing to the shareholders of 1142674 in exchange for one Class A common share in the capital of 1142674.

The Company has accounted for the purchase of 1142674 as an asset acquisition as it did not meet the definition of a business under IFRS 3, "Business Combinations". The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Cash paid	\$ 500,000
Cash payable	500,000
Fair value of common shares issued	8,700,000
Total consideration	\$ 9,700,000

Assets acquired:	
Exploration and evaluation asset	\$ 9,700,000

5. PREPAID EXPENSES

Prepaid expenses comprise of \$8,000 (2018 - \$139,500) of prepaid consulting fees and \$Nil (2018 - \$85,000) of prepaid rent.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$189,266 (2018 - \$157,200) due to related parties. (Note 8)

7. CONVERTIBLE DEBENTURES

On June 16, 2017, the Company closed a non-brokered private placement of secured convertible debentures. The private placement consisted of proceeds of \$450,000, and the debentures were expected to mature 12 months from the date of issue, accrue interest at a rate of 12% per year and were convertible into units of the Company at a per-unit conversion price equal to \$0.15. Each unit comprised one common share and one common share purchase warrant of the Company. Each warrant entitled the holder to acquire one additional common share of the Company at an exercise price \$0.20.

As the convertible debentures each contained a liability component and an equity component, the Company split the proceeds of the secured convertible debentures and recorded the two components separately in the consolidated statement of financial position. The Company calculated the initial fair value of the liability component as \$438,261, using a discount rate of 15%. The fair value of the equity component of \$11,739 was calculated by deducting the fair value of the liability component from the total fair value of the convertible promissory notes.

On November 2017, the balance of the convertible debentures amounting to \$442,667 were converted to 3,000,000 common shares with 1,500,000 attached warrants. (Note 9)

As at January 31, 2019 and 2018, the Company has convertible debentures issued and outstanding as follows:

	January 31, 2019	January 31, 2018
Principal		
Beginning balance	\$ -	\$ -
Gross proceeds received	-	450,000
Equity component	-	(11,739)
Liability component initially recognized	-	438,261
Accretion expense	-	4,406
Converted to shares	-	(442,667)
Ending balance	\$ -	\$ -
Equity		
Beginning balance	\$ -	\$ -
Equity component recognized	-	11,739
Converted to shares	-	(11,739)
Ending balance	\$ -	\$ -

8. RELATED PARTY TRANSACTIONS AND BALANCES

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers. The following compensation was paid to key management or companies controlled by key management during the years ended January 31, 2019 and 2018:

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2019	2018
Management fees	\$ 170,500	\$ 406,809

As at January 31, 2019, the Company has included in accounts payable and accrued liabilities a total of \$127,113 (2018 - \$73,445), which are payable to former directors, former officers, and companies controlled by former officers. (Note 6)

As at January 31, 2019, the Company has included in accounts payable and accrued liabilities a total of \$189,266 (2018 - \$157,200), which are payable to directors, officers, and companies controlled by officers. (Note 6)

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding: 40,425,192 (2018 - 37,868,108). Total of 2,563,084 common shares were issued during the year ended January 31, 2019.

During the year ended January 31, 2019:

The Company issued 2,563,084 common shares pursuant to the exercise of warrants for total proceeds of \$521,541.

As of January 31, 2019, the Company had received \$252,200 in shares subscription.

During the year ended January 31, 2018:

On January 31, 2017, the Company consolidated all of the issued and outstanding common shares on a ten for one basis. The consolidation has reduced the common shares issued and

outstanding to 2,279,108 post-consolidated common shares. All shares figures and references have been retroactively adjusted to reflect the share consolidation.

On June 16, 2017, the Company closed a non-brokered private placement of 6,930,000 non-flow-through units at a price of \$0.15 per unit for gross proceeds of \$1,039,500. Each unit comprises one common share, and one-half of one common share purchase warrant exercisable into a common share at an exercise price of \$0.20 for a period of 12 months.

On the same date, the Company closed another non-brokered private placement of 1,070,000 flow-through units at a price of \$0.15 per unit for gross proceeds of \$160,500. Each unit comprises one flow-through share, and one common share purchase warrant exercisable into a common share at an exercise price of \$0.20 for a period of 12 months. In connection with the private placements, the Company incurred \$148,950 share issuance costs.

On August 16, 2017, the Company issued 4,000,000 common shares pursuant to Rabbit Cobalt Property acquisition. (Note 4)

On September 26, 2017, the Company closed a non-brokered private placement of 12,000,000 units at a price of \$0.25 per unit for gross proceeds of \$3,000,000. Each unit comprises of one common share and one-half of one common share purchase warrant exercisable into a common share at an exercise price of \$0.50 for a period of 12 months. Share issuance costs include cash payment of \$254,753 and issuance of 528,010 agents' warrants having the same terms.

9. SHARE CAPITAL (continued)

c) Issued and outstanding: (continued)

During the year ended January 31, 2018: (continued)

On October 5, 2017, the Company issued 1,000,000 common shares pursuant to Kahuna Cobalt Property acquisition. (Note 4)

On November 29, 2017, the Company issued 5,000,000 common shares pursuant to Nipissing Lorain Property acquisition. (Note 4)

In November 2017, the Company issued 3,000,000 common shares with a fair value of \$316,614 and 1,500,000 warrants with a fair value of \$137,792 upon conversion of convertible debentures. The equity portion of convertible debentures of \$11,739 was transferred to share capital. (Note 7)

On December 20, 2017, the Company closed its previously announced non-brokered private placement of 1,189,000 non-flow-through units at a price of \$1.00 per unit for gross proceeds of \$1,189,000 and 259,166 flow-through units at a price of \$1.20 per flow-through share for gross proceeds of \$311,000. The Company received gross proceeds of \$1,500,000. Each unit comprises of one common share of the Company and one-half of one common share purchase warrant of the Company. Each warrant will be exercisable into a common share of the Company for a period of 12 months at an exercise price of \$1.25 during the 12 months. On June 20, 2018, the Company cancelled 6,000 common shares that were issued with the wrong subscriber information. Share issuance costs include cash payment of \$59,850 and issuance of 59,850 agents' warrants having the same terms as the warrants. As the flow-through units were issued at a premium, the Company has recorded a flow-through premium of \$51,833 which will be reduced on a pro-rata basis as flow-through eligible expenditures are incurred.

During the year ended January 31, 2018, the Company issued a total of 1,140,834 common shares pursuant to the exercise of warrants at an exercise price ranging \$0.20 to \$0.70 per share for gross proceeds to \$301,917.

d) Flow-through shares issued

During fiscal 2018, the Company renounced \$471,500 of Canadian exploration expenditures to subscribers of the 2018 flow-through financing. As a result of the flow-through financing the Company recognized a liability relating to the premiums subscribers had paid for the flow-through feature.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds received less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent on qualifying expenditures. At January 31, 2019, the amount of flow-through proceeds remaining to be spent on qualifying expenditures was \$311,000. As of January 31, 2019, the remaining balance in the flow-through share premium liability was \$51,833 as the Company had not made the necessary qualifying expenditures.

As a result of not incurring the qualified expenditures and not filing the form with Canada Revenue Agency, the Company recognized a provision for late filing penalties and accrued interest assessed against the Company in 2018 associated with flow-through share renunciation compliance requirements. Accounts payable and accrued liabilities includes \$6,667 related to interest and penalties in connection with this assessment.

The Company agreed to indemnify the flow-through shareholders for certain costs they incurred as a result of not meeting its obligation to spend the flow-through share proceeds on qualifying

9. SHARE CAPITAL (continued)

a) Flow-through shares issued (continued)

Canadian exploration expenditures in compliance with the applicable tax rules and pursuant to the share subscription agreement entered into. As at January 31, 2019 the Company has included a provision for the indemnification of flow-through shareholders of \$171,200 for these costs.

d) Share options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall not be less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than 10 years after the grant date.

The Company has no outstanding options as at January 31, 2019.

The Company's stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, January 31, 2017 and 2018	50,000	\$ 3.00
Options expired	(50,000)	-
Balance, January 31, 2019	-	\$ -

During the year ended January 31, 2017, the Company granted 50,000 options to directors, officers and consultants at an exercise price of \$3.00 per share. These options expired during the year ended January 31, 2019.

e) Share purchase warrants

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
Outstanding and exercisable at January 31, 2017	889,844	\$ 2.16
Issuance of warrants	13,346,943	0.41
Exercise of warrants	(1,140,834)	0.26
Outstanding and exercisable at January 31, 2018	13,095,953	\$ 0.54
Exercise of warrants	(2,563,084)	0.20
Warrants expired/cancelled	(8,980,369)	0.67
Outstanding and exercisable at January 31, 2019	1,552,500	\$ 0.22

The fair value of the warrants granted during the year ended January 31, 2018 was \$1,918,447. The fair value of these warrant at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 0.90% to 1.61%, an expected life of warrants of one year, an expected volatility of 161.97% to 185.37%, and no expected dividends. The fair value of warrants granted in conjunction with the private placement units was determined using the relative fair value method.

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9. SHARE CAPITAL (continued)

e) Share purchase warrants (continued)

A summary of the share purchase warrants issued at January 31, 2019 is as follows:

	Warrants issued and exercisable	Exercise price	Expiry date
		\$	
Share purchase warrants	52,500	0.70	May 19, 2021
Share purchase warrants	1,500,000	0.20	November 6, 2019
	1,552,500	0.22	

The weighted average life of warrants outstanding at January 31, 2019 is 0.82 year.

10. MANAGEMENT OF 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 sourcing and development of various businesses. The Company does not have any externally imposed capital requirements to which it is subject.

As at January 31, 2019, the Company considers the aggregate of its equity accounts as capital. 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 common shares or dispose of assets or adjust the amount of cash on hand.

11. FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments consist of cash, accounts payable and other payables. The fair values of cash, accounts payable and other payables approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments as at January 31, 2019:

	Fair value	Carrying value
FVTPL (i)	\$ 3,798	\$ 3,798
Other financial liabilities (ii)	\$ 1,242,343	\$ 1,242,343

(i) Cash

(ii) Accounts payable and other payables

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

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11. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

The following table sets forth the Company's financial assets measured at fair value as at January 31, 2019 by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 3,798	\$ -	\$ -	\$ 3,798

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high-quality financial institution. The Company believes it has no significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. The Company's accounts payable and other payables have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits. The Company is exposed to liquidity risk.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

12. SUPPLEMENTARY CASH FLOW INFORMATION

During the years ended January 31, 2019 and 2018, the Company did not pay any interest expense or income taxes in cash.

13. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates for the years ended January 31, 2019 and 2018:

	2019	2018
Combined statutory tax rate	27%	26%
Expected Income tax recovery at statutory rate	\$ (511,000)	\$ (1,487,000)
Non-deductible expenses and other	49,000	(119,000)
Effect of change in income tax rates	-	(93,000)
Change in unrecognized deferred tax assets	462,000	1,699,000
Income tax expense	\$ -	\$ -

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13. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets (liabilities) are shown below:

	2019	2018
Mineral property	\$ 353,000	\$ 96,000
Non-capital loss carry-forwards	2,512,000	2,278,000
Share issuance costs	81,000	110,000
Tax benefit not recognized	(2,946,000)	(2,484,000)
Net deferred income tax assets	\$ -	\$ -

As at January 31, 2019, the Company has available for deduction against future taxable income non-capital losses of approximately \$9,303,000 (2018 - \$8,438,000). These non-capital losses expire as follows:

Expiry Date	
2031	\$ 30,000
2032	334,000
2033	240,000
2034	205,000
2035	207,000
2036	282,000
2037	1,319,000
2038	5,821,000
2039	865,000
	\$ 9,303,000

As at January 31, 2019, the Company has approximately \$14,465,000 (2018 - \$14,452,000) in resource expenditures that can be carried-forward for tax purposes to reduce taxable income for future years.

14. SUBSEQUENT EVENTS

On May 1, 2019, the Company obtained a non-interest bearing loan of \$210,000 from a company controlled by an officer. The funds were used to settle a fee dispute and legal claim brought against the Company on the Musgrove Creek Property. On May 3, 2019, the claim was dismissed as a result of the settlement.

On May 31, 2019, the Company obtained a non-interest bearing loan of \$22,050 from a Director. The funds were used for general operating expenses.