

# **QUANTUM COBALT CORP. (FORMERLY BRAVURA VENTURES CORP.)**

## **Management Discussion and Analysis**

**For the three months ended April 30, 2019**

The Management Discussion and Analysis (“MD&A”), prepared June 27, 2019 should be read in conjunction with the condensed consolidated interim financial statements for the three months ended April 30, 2019 and the notes thereto of Quantum Cobalt Corp. (formerly Bravura Ventures Corp.) (“Quantum” or the “Company”) which were prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise noted, all currency amounts are in Canadian dollars.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events and include without limitation, statements regarding discussions of the Company’s business strategy, future plans, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the development of the Company’s project. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, certain approvals, changes in commodity prices, risks inherent in exploration results, timing and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and mineral resources), delays in the receipt of government approvals, and changes in general economic conditions or conditions in the financial markets. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including without limitation, the assumption that any additional financing needed will be available on reasonable terms.

Additional factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other factors: (1) the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting supply and demand and economic and political events affecting supply and demand; and (2) securing and the nature of regulatory permits and approvals and the costs of complying with environmental, health and safety laws and regulations.

The Company cannot assure you that any of these assumptions will prove to be correct.

The words “expect,” “anticipate,” “estimate,” “may,” “will,” “should,” “intend,” “believe,” “target,” “budget,” “plan,” “projection” and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present during operations or if and when an undeveloped project is actually developed.

These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this MD&A and any documents incorporated by reference are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, including future-oriented financial information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as expressly required by law.

Additionally, the forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying our reasonable belief of the direction of the Company and may not be appropriate for other purposes.

The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

## DESCRIPTION OF BUSINESS

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. from Bravura Ventures 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 new business projects to pursue and develop further. The address of its head office is 400-837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1B6.

On January 31, 2017, the Company consolidated its issued and outstanding share capital on the basis of one post-consolidation share for ten pre-consolidation common shares. No fractional shares were issued under the consolidation and any fraction was rounded down to the nearest whole number.

All share and per share amounts in these consolidated financial statements have been adjusted to give retroactive effect to the share consolidations.

## MINERAL PROPERTIES

|  | <b>Musgrove<br/>Creek<br/>Property</b> | <b>Grew<br/>Creek<br/>Property</b> | <b>Rabbit<br/>Cobalt<br/>Property</b> | <b>Kahuna<br/>Cobalt<br/>Property</b> | <b>Nipissing<br/>Lorain<br/>Property</b> | <b>Total</b> |
|--|--|------------------------------------|---------------------------------------|---------------------------------------|--|--------------|
| 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 and April 30, 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 (in negotiation);
  - \$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.
- 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:

|                                    |    |           |
|------------------------------------|----|-----------|
| 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% NSR on the properties. The Company will have the right to purchase the 1% for \$1,000,000.

The Company received the approval for Kahuna Cobalt Property exploration on June 26, 2018 and completed the first phase of exploration on August 2, 2018. The first phase of exploration was completed over a 24-day period and included extensive soil sampling, prospecting and trenching. Soil sampling covered the length of the project area, targeting the Nipissing Lorrain diabase for cobalt mineralization within calcite veins.

Table 1: Rock sample results from the 2018 program

| Sample ID | Easting | Northing | Type | Cu_PPM | Ag_g/t | Ni_% | Co_% | Bi_PPM  |
|-----------|---------|----------|------|--------|--------|------|------|---------|
| 3216776   | 605644  | 5219487  | Rock | 281.50 | 1.90   | 0.37 | >0.4 | 1032.60 |
| 3216777   | 605644  | 5219487  | Rock | 125.20 | 3.40   | 1.07 | >0.4 | 1159.10 |
| 3216778   | 605644  | 5219487  | Rock | 155.10 | 0.80   | 0.16 | >0.4 | 899.10  |
| 3216779   | 605644  | 5219487  | Rock | 352.60 | 1.70   | 0.20 | >0.4 | 192.60  |
| 3216780   | 605644  | 5219487  | Rock | 241.60 | 4.00   | 0.19 | >0.4 | 1426.80 |
| 3216781   | 605644  | 5219487  | Rock | 148.40 | 1.60   | 0.17 | >0.4 | 225.10  |
| 3216782   | 605644  | 5219487  | Rock | 190.80 | 2.00   | 0.26 | >0.4 | 316.30  |
| 3216783   | 605644  | 5219487  | Rock | 98.00  | 2.10   | 0.13 | >0.4 | 4000.00 |
| 3216784   | 605644  | 5219487  | Rock | 183.40 | 2.30   | 0.12 | >0.4 | 412.20  |
| 3216785   | 605644  | 5219487  | Rock | 449.70 | 5.40   | 0.44 | >0.4 | 1175.80 |
| 3216786   | 605644  | 5219487  | Rock | 433.90 | 7.90   | 1.08 | >0.4 | 1394.20 |
| 3216787   | 605236  | 5220045  | Rock | 62.00  | 0.05   | 0.00 | 0.02 | 3.40    |
| 3216788   | 605236  | 5220045  | Rock | 71.60  | 0.05   | 0.01 | 0.01 | 1.40    |

Preliminary review of results from the soil sampling identified multiple anomalous soil areas, along trend from historic workings and associated with localised structures. Peak values of up to 1185.2 ppm Co, 150.6 ppm Ni, 2136.12 ppm Cu and 1.293 ppm Ag were detected in soils across the property. The anomalies indicate the potential for further mineralisation on the Kahuna property and will help vector Quantum's exploration going forward. The current exploration permit provisions for IP geophysics, as well as additional trenching and in-fill soil sampling.

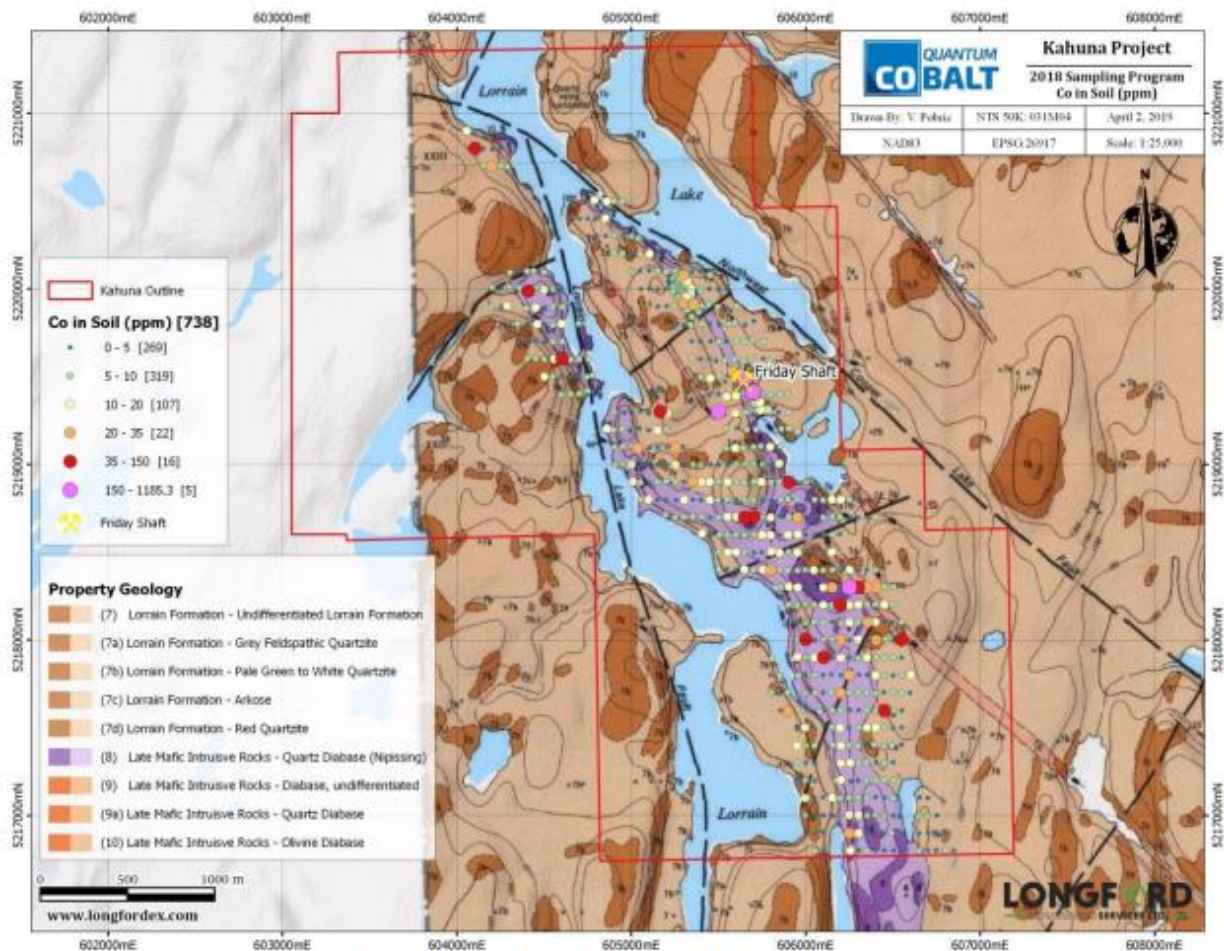


Figure 1: Co in soils from the 2018 soil sampling program

Rock and soil sample locations were recorded in field notebooks, assay sample tag books and waypoints on a Garmin 64s GPS unit. Rock samples were collected into individual 18" x 12" poly bags labeled with a unique 7-character sample ID. A tear-out tag with the barcode and unique sample ID was inserted in the bag, and the bag sealed with a cable tie in the field. Soil samples were collected from 30 to 60 cm depth using hand-held geo-tools and soil augers. The lower B and upper C horizon was targeted for sampling, with the depth, soil horizon, and colour recorded in field books. Each ~200g soil sample was placed into individually labelled Kraft paper bag with the sample tag and the sample number was written across the bottom. For the soil program every 20th sample was taken as a field duplicate for QA/QC control.

*Table 2: 2018 programs rock and soil sample analysis methods*

| Number of Samples | Media | Method Code | Description  |
|-------------------|-------|-------------|--|
| 775               | Soil  | DY060       | Dry at 60C   |
| 775               | Soil  | SS80        | Dry at 60C sieve 100g to -80 mesh                              |
| 775               | Soil  | SVRJT       | Save all or part of Soil Reject                                |
| 775               | Soil  | AQ250       | 1:1:1 Aqua Regia digestion Ultratrace ICP-MS analysis          |
| 13                | Rock  | PRP-250     | Crush 1 kg to ≥70% passing 2mm - Pulverization 250 g ≥85% 75µm |
| 13                | Rock  | MA200       | Multi acid – ICP/MS  |

### **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 |

## SELECTED ANNUAL FINANCIAL RESULTS

The following selected financial data with respect to the Company's financial condition and results of operations have been derived from the audited consolidated financial statements of the Company for the years ended January 31, 2019, 2018, and 2017. The selected financial data should be read in conjunction with those consolidated financial statements and the notes thereto. In \$000's except per share amounts:

|   | 2019    | 2018    | 2017    |
|---|---------|---------|---------|
|   | \$      | \$      | \$      |
| Total revenue   | Nil     | Nil     | Nil     |
| Net loss  | (1,892) | (5,720) | (1,423) |
| Basic and diluted loss per share                          | (0.05)  | (0.36)  | (0.94)  |
| Total assets  | 13,278  | 14,668  | 1,385   |
| Total long term liabilities                               | Nil     | Nil     | Nil     |
| Cash dividends declared per share for each class of share | Nil     | Nil     | Nil     |

## OPERATIONS

### Three months ended April 30, 2019 compared with the three months ended April 30, 2018

During the three months ended April 30, 2019, the Company reported a net income of \$37,719 compared to net loss of \$449,429 during the three months ended April 30, 2018, representing a decrease in net loss of \$487,148. The decrease in net loss was mainly attributable to the decrease in consulting fees of \$331,771 from \$331,771 during the same period of the previous year. Management fees decreased to \$18,000 from \$33,000 during the same period of the previous year due to lower management fees incurred during the current period. Geological consulting decreased to (\$76,098) from \$Nil during the same period of the previous year due to recovery of expenses during the current period. Office and miscellaneous expenses decreased to (\$48) from \$3,469 during the same period of the previous year due to decreased business activities during the current period. Professional fees increased to \$16,570 from \$12,000 during the same period of the previous year due to higher professional fees incurred during the current period. Rent expense decreased to \$Nil from \$42,500 during the same period of the previous year. Transfer agent and filing fees decreased to \$3,418 from \$26,689 during the same period of the previous year due to decreased activity and regulatory periodic filing fees incurred during the current period.

## SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

|   | April 30, 2019 | January 31, 2019 | October 31, 2018 | July 31, 2018 |
|---|----------------|------------------|------------------|---------------|
|   | \$             | \$               | \$               | \$            |
| Revenue                                   | Nil            | Nil              | Nil              | Nil           |
| Net Income (Loss)                         | 38             | (372)            | (691)            | (380)         |
| Basic and Diluted Income (Loss) per share | 0.00           | (0.00)           | (0.02)           | (0.01)        |
|   | April 30, 2018 | January 31, 2018 | October 31, 2017 | July 31, 2017 |
|   | \$             | \$               | \$               | \$            |
| Revenue                                   | Nil            | Nil              | Nil              | Nil           |
| Net Loss                                  | (449)          | (2,582)          | (1,825)          | (904)         |
| Basic and Diluted Loss per share          | (0.01)         | (0.07)           | (0.10)           | (0.14)        |



During the first quarter of 2020, the Company had a net income of \$37,719 compared to a net loss of \$449,429 in the first quarter of 2019. The change is mainly due to no consulting fees incurred during the current period, partially offset by the recovery of geological consulting expenses.

During the fourth quarter of 2019, the Company recorded a net loss of \$371,960 compared to a net loss of \$2,582,429 in the fourth quarter of 2018. The significant change is mainly due to the decrease in expenses incurred during the current period, partially offset by the increase in write-off of Musgrove Creek Property and Grew Creek Property and gain on debt settlement.

During the third quarter of 2019, the Company had a net loss of \$690,577 compared to a net loss of \$1,824,945 in the third quarter of 2018. The significant change is mainly due to no consulting fees incurred during the third quarter of 2019. The Company also recorded a write-off of Musgrove Creek Property of \$629,139.

During the second quarter of 2019, the Company had a net loss of \$380,131 compared to a net loss of \$903,517 in the second quarter of 2018. The significant change is mainly due to the decrease in consulting fees incurred during the second quarter of 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2019, the Company had a cash balance of \$4,603 and working capital deficiency of \$1,137,048 compared to \$3,798 and \$1,174,767, respectively, as at January 31, 2019.

During the three months ended April 30, 2019, net cash used in operating activities was \$59,195 (2018 - \$297,109) comprising an income of \$37,719 (2018 - loss of \$449,429), write-off of receivables of \$430 (2018 - \$Nil), a decrease in amounts receivable of \$2,514 (2018 - increase of \$2,080), a decrease in prepaid expenses of \$8,000 (2018 - \$121,400) and a decrease in accounts payable and accrued liabilities of \$107,858 (2018 - increase of \$33,000).

Cash used in investing activity for the three months ended April 30, 2019 and 2018 was \$Nil.

Cash provided by financing activities for the three months ended April 30, 2019 was \$60,000 (2018 - \$520,708), which was primarily related to the proceeds from loans.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

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 three months ended April 30, 2019 and 2018:

|                          | <b>2019</b>      | <b>2018</b>      |
|--------------------------|------------------|------------------|
| Management fees          | \$ 18,000        | \$ 33,000        |
| Office and miscellaneous | -                | 2,581            |
|                          | <b>\$ 18,000</b> | <b>\$ 35,581</b> |

As at April 30, 2019, the Company has included in accounts payable and accrued liabilities a total of \$136,263 (January 31, 2019 - \$127,113), which are payable to former directors, former officers, and companies controlled by former officers.



As at April 30, 2019, the Company has included in accounts payable and accrued liabilities a total of \$208,166 (January 31, 2019 - \$189,266), which are payable to directors, officers, and companies controlled by officers.

## **CRITICAL ACCOUNTING POLICIES**

### **Financial Instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or 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.

Financial instruments included in the consolidated statement of financial position are comprised of cash, accounts payable, loan payable and other payables. The Company is not exposed to any derivative instruments and currency exchange rate. The Company does not have foreign exchange hedges in place at this time. It is management’s opinion that the Company is not exposed to significant interest rate or credit risks.

## **SHARE CAPITAL**

### **Issued**

The Company has 40,425,192 shares issued and outstanding as at April 30, 2019 and as at June 27, 2019.

### **Share Purchase Options**

The Company has no stock options outstanding as at April 30, 2019 and as at June 27, 2019.

### **Warrants**

The Company has 1,552,500 share purchase warrants outstanding as at April 30, 2019 and June 27, 2019.

### **Escrow Shares**

The Company has no shares held in escrow as at April 30, 2019 and as at June 27, 2019.

## **Listing on Canadian Stock Exchange**

The Company began trading on the CSE on November 7, 2017 under the symbol “QBOT”. Effective February 10, 2015, the common shares of the Company were delisted from the TSX Venture Exchange (“TSXV”).

## **Private placements**

As of April 30, 2019, the Company had received \$252,200 in shares subscription.

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 per unit for gross proceeds of \$1,189,000 and 259,166 flow-through shares at a price of \$1.20 per flow-through share for gross proceeds of \$311,000. The Company closed total 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 twelve 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 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.

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 comprise 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 twelve months. Share issuance costs include cash payment of \$254,752 and issuance of 528,010 agents' warrants having the same terms.

On June 16, 2017, the Company closed the following three non-brokered private placements:

- 6,930,000 non-flow-through units at a price of \$0.15 per unit for gross proceeds of \$1,039,500. Each unit is comprised of 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 twelve months;
- 1,070,000 flow-through units at a price of \$0.15 per unit for gross proceeds of \$160,500. Each unit is comprised of 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 twelve months; and
- secured convertible debentures of \$450,000. The debentures are expected to mature 12 months from the date of issue, accrue interest at a rate of 12% per year and are convertible into units of the Company at a per-unit conversion price equal to \$0.15. Each unit comprises one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price \$0.20.

On November 14, 2017, the Company announced that further to the news release dated October 11, 2017 with respect to the Company's \$1,000,000 private placement, investor interest in the \$1 per unit financing has been well received. The Company expects to exceed the previously announced \$1,000,000 offering and anticipates closing on an oversubscribed basis.

### **Shares for debt**

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.

### **Shares issued for mineral property**

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

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

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

### **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 April 30, 2019, the amount of flow-through proceeds remaining to be spent on qualifying expenditures was \$311,000. As of April 30, 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

Canadian exploration expenditures in compliance with the applicable tax rules and pursuant to the share subscription agreement entered into. As at April 30, 2019 the Company has included a provision for the indemnification of flow-through shareholders of \$171,200 for these costs.

## **CHANGES IN ACCOUNTING POLICIES**

See Note 2 “Significant Accounting Policies” and Note 3 “Application of New and Revised International Financial Reporting Standards” of the condensed consolidated interim financial statements for the three months ended April 30, 2019.

## **MANAGEMENT CHANGES**

On August 8, 2017, the Company added Jerry Huang to the board of the Company.

On June 2, 2018, the Company appointed David Schmidt as the Company’s CEO and to the board of directors. Greg Burns has resigned from the board of directors and as the Company’s CEO.

Subsequent to the three months ended April 30, 2019, the Company appointed David Greenway as the Company’s CEO following a meeting between the directors and the resignation of David Schmidt as CEO. The Company also appointed Dino Minichiello to the board of directors.

## **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.

On May 22, 2019, the Company appointed Mr. Greenway as the Company’s CEO and Mr. Minichiello to the board of directors. Mr. Schmidt has resigned as the Company’s CEO.