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**QUANTUM COBALT CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
JULY 31, 2020 AND 2019**

**(Expressed in Canadian Dollars - Unaudited)**

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### **Notice of No Auditor Review of Interim Financial Statements**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

**QUANTUM COBALT CORP.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As at July 31, 2020 and January 31, 2020**  
**(Expressed in Canadian dollars)**

|  | July 31,<br>2020<br>(unaudited) | January 31,<br>2020<br>(audited) |
|--|---------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                 |                                  |
| <b>CURRENT</b>   |                                 |                                  |
| Cash   | \$ 9,397                        | \$ 23,857                        |
| Tax recoverable  | 3,330                           | 4,175                            |
| Prepaid expenses   | 7,313                           | 5,511                            |
|  | 20,040                          | 33,543                           |
| <b>NON-CURRENT</b>                                       |                                 |                                  |
| Exploration and evaluation assets (Note 4)               | 701,335                         | 700,000                          |
|  | \$ 721,375                      | \$ 733,543                       |
| <b>LIABILITIES</b>                                       |                                 |                                  |
| <b>CURRENT</b>   |                                 |                                  |
| Accounts payable and accrued liabilities (Notes 6 and 7) | \$ 871,715                      | \$ 825,094                       |
| Flow-through premium (Note 7)                            | 51,833                          | 51,833                           |
| Other payables (Note 4)                                  | 500,000                         | 500,000                          |
| Loans payable (Notes 5 and 6)                            | 483,837                         | 639,908                          |
|  | 1,907,385                       | 2,016,835                        |
| <b>SHAREHOLDERS' DEFICIENCY</b>                          |                                 |                                  |
| Share capital (Note 7)                                   | 20,193,782                      | 20,193,782                       |
| Subscriptions received (Note 7)                          | 1,500                           | 1,500                            |
| Reserves   | 3,150,450                       | 3,150,450                        |
| Deficit  | (24,531,742)                    | (24,629,024)                     |
|  | (1,186,010)                     | (1,283,292)                      |
|  | \$ 721,375                      | \$ 733,543                       |

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on September 29, 2020:

"Quinn Field-Dyte"  
 Director

"David Greenway"  
 Director

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

**QUANTUM COBALT CORP.****Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)****For the three and six months ended July 31, 2020 and 2019****(Expressed in Canadian dollars - unaudited)**

|   | For the three months ended |                     | For the six months ended |                     |
|---|----------------------------|---------------------|--------------------------|---------------------|
|   | July 31,<br>2020           | July 31,<br>2019    | July 31,<br>2020         | July 31,<br>2019    |
| <b>EXPENSES</b>   |                            |                     |                          |                     |
| Geological consulting fees (recovery)   | \$ -                       | \$ -                | \$ -                     | \$ (76,098)         |
| Interest expense (Note 5)   | 7,136                      | 34,318              | 13,928                   | 34,318              |
| Management fees (Note 6)  | 18,000                     | 18,000              | 36,500                   | 36,000              |
| Office and miscellaneous  | 7,231                      | 157                 | 7,683                    | 109                 |
| Professional fees   | 35,308                     | 9,000               | 44,308                   | 25,570              |
| Transfer agent and filing fees  | 7,610                      | 7,214               | 10,072                   | 10,632              |
|   | (75,285)                   | (68,689)            | (112,491)                | (30,531)            |
| <b>OTHER ITEMS</b>  |                            |                     |                          |                     |
| Foreign exchange loss   | (245)                      | (14)                | (227)                    | (23)                |
| Write-off of receivables  | -                          | -                   | -                        | (430)               |
| Write-off of loan payable (Note 5)  | -                          | -                   | 210,000                  | -                   |
| Settlement on mineral property claims (Note 5)  | -                          | (210,000)           | -                        | (210,000)           |
|   | (245)                      | (210,014)           | 209,773                  | (210,453)           |
| <b>NET INCOME (LOSS) AND<br/>COMPREHENSIVE INCOME (LOSS)<br/>FOR THE PERIOD</b>         | <b>\$ (75,530)</b>         | <b>\$ (278,703)</b> | <b>\$ 97,282</b>         | <b>\$ (240,984)</b> |
| <b>EARNINGS (LOSS) PER SHARE –<br/>BASIC AND DILUTED</b>                                | <b>\$ (0.00)</b>           | <b>\$ (0.01)</b>    | <b>\$ 0.00</b>           | <b>\$ (0.01)</b>    |
| <b>WEIGHTED AVERAGE NUMBER OF<br/>COMMON SHARES OUTSTANDING<br/>– BASIC AND DILUTED</b> | <b>60,425,192</b>          | <b>40,425,192</b>   | <b>60,425,192</b>        | <b>40,425,192</b>   |

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

**QUANTUM COBALT CORP.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)**  
**For the six months ended July 31, 2020 and 2019**  
***(Expressed in Canadian dollars - unaudited)***

|                                     | <b>Common<br/>Shares</b> | <b>Amount</b> | <b>Subscriptions<br/>Received</b> | <b>Reserves</b> | <b>Deficit</b>  | <b>Total</b>   |
|-------------------------------------|--------------------------|---------------|-----------------------------------|-----------------|-----------------|----------------|
| Balance at January 31, 2019         | 40,425,192               | \$ 19,548,082 | \$ 252,200                        | \$ 3,150,450    | \$ (10,966,865) | \$ 11,983,867  |
| Subscriptions received              | -                        | -             | (305,000)                         | -               | -               | (305,000)      |
| Net loss and comprehensive loss     | -                        | -             | -                                 | -               | (240,984)       | (240,984)      |
| Balance at July 31, 2019            | 40,425,192               | \$ 19,548,082 | \$ (52,800)                       | \$ 3,150,450    | \$ (11,207,849) | \$ 11,437,883  |
| Balance at January 31, 2020         | 60,425,192               | \$ 20,193,782 | \$ 1,500                          | \$ 3,150,450    | \$ (24,629,024) | \$ (1,283,292) |
| Net income and comprehensive income | -                        | -             | -                                 | -               | 97,282          | 97,282         |
| Balance at July 31, 2020            | 60,425,192               | \$ 20,193,782 | \$ 1,500                          | \$ 3,150,450    | \$ (24,531,742) | \$ (1,186,010) |

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

**QUANTUM COBALT CORP.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three and six months ended July 31, 2020 and 2019**  
**(Expressed in Canadian dollars - unaudited)**

|  | For the three months ended |                  | For the six months ended |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | July 31,<br>2020           | July 31,<br>2019 | July 31,<br>2020         | July 31,<br>2019 |
| <b>OPERATING ACTIVITIES</b>                |                            |                  |                          |                  |
| Net income (loss)                          | \$ (75,530)                | \$ (278,703)     | \$ 97,282                | \$ (240,984)     |
| Adjustment for non-cash items:             |                            |                  |                          |                  |
| Accrued interest                           | 7,137                      | 34,318           | 13,928                   | 34,318           |
| Write-off of receivables                   | -                          | -                | -                        | 430              |
| Write-off of loan payable                  | -                          | -                | (210,000)                | -                |
| Changes in non-cash working capital items: |                            |                  |                          |                  |
| Tax recoverable                            | (1,789)                    | (1,827)          | 845                      | 687              |
| Prepaid expenses                           | (1,802)                    | -                | (1,802)                  | 8,000            |
| Accounts payable and accrued liabilities   | 37,499                     | 6,774            | 46,622                   | (101,084)        |
| Net cash used in operating activities      | (34,485)                   | (239,438)        | (53,125)                 | (298,633)        |
| <b>INVESTING ACTIVITY</b>                  |                            |                  |                          |                  |
| Mineral property exploration costs         | (1,335)                    | -                | (1,335)                  | -                |
| Net cash used in investing activity        | (1,335)                    | -                | (1,335)                  | -                |
| <b>FINANCING ACTIVITIES</b>                |                            |                  |                          |                  |
| Proceeds from loans                        | 40,000                     | 245,050          | 40,000                   | 305,050          |
| Subscriptions refund                       | -                          | (5,000)          | -                        | (5,000)          |
| Net cash provided by financing activities  | 40,000                     | 240,050          | 40,000                   | 300,050          |
| INCREASE (DECREASE) IN CASH                | 4,180                      | 612              | (14,460)                 | 1,417            |
| CASH, BEGINNING OF PERIOD                  | 5,217                      | 4,603            | 23,857                   | 3,798            |
| CASH, ENDING OF PERIOD                     | \$ 9,397                   | \$ 5,215         | \$ 9,397                 | \$ 5,215         |

Supplementary cash flow information and non-cash transactions (Note 10)

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

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**QUANTUM COBALT CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended July 31, 2020 and 2019*****(Expressed in Canadian dollars - unaudited)***

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**1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

Quantum Cobalt 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 400-837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6.

At July 31, 2020, the Company had a working capital deficiency of \$1,887,345 (January 31, 2020 - \$1,983,292). The Company has incurred losses since its inception and has an accumulated deficit of \$24,531,742 as of July 31, 2020 (January 31, 2020 - \$24,629,024) which has been funded primarily by the issuance of shares and loans.

These condensed consolidated interim 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 has incurred ongoing losses and has a working capital deficiency. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to raise additional financing. In addition, the Company has not made all of the required payments under its November 29, 2017 share exchange agreement to acquire the Nipissing Lorain Property described in Note 4, which may cause the Company to be considered in default under the share exchange agreement. 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.

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak might increase the difficulty in capital raising which may negatively impact the Company's business and financial condition.

These condensed consolidated interim 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 condensed consolidated interim 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"). These condensed consolidated interim financial statements comply with International Accounting Standards ("IAS") 34 ("Interim Financial Reporting").

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on September 29, 2020.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **b) Basis of presentation**

The condensed consolidated interim 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. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed consolidated interim 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 except for changes described in Note 3 to all periods presented in these condensed consolidated interim financial statements.

### **c) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, 10336602 Canada Inc., 1142674 BC Ltd. and Bravura Ventures (NV) Corp. 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 condensed consolidated interim 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; and
- iv. The determination of functional currency.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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 period. 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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 income (loss) and reduces the other liability.

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 July 31, 2020, 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **n) Financial instruments**

#### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive 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 following table shows the classification under IFRS 9:

| <b>Financial assets/liabilities</b>      | <b>IFRS 9 Classification</b> |
|--|------------------------------|
| Cash                                     | FVTPL                        |
| Accounts payable and accrued liabilities | Amortized cost               |
| Loans payable                            | Amortized cost               |
| Other payables                           | Amortized cost               |

#### **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 statements of loss and comprehensive loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of loss and comprehensive loss in the period in which they arise.

#### **Impairment of financial assets 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's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve months expected credit losses. The Company shall recognize in the 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **n) Financial instruments (continued)**

#### **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 statements of loss and comprehensive 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 statements of income (loss) and comprehensive income (loss).

### **o) Leases**

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Lease payments for short-term leases with a term of 12 months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in cost of sales or selling, general and administrative expenses on a straight-line or other systematic basis.

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

As at July 31, 2020, the Company did not have any lease.

**QUANTUM COBALT CORP.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended July 31, 2020 and 2019**  
**(Expressed in Canadian dollars - unaudited)**

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

#### New accounting standards issued and effective

##### *IFRS 16 - Leases*

The Company has adopted all of the requirements of IFRS 16 *Leases* ("IFRS 16") as of February 1, 2019. This standard sets out a new model for lease accounting. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated, and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. The Company has elected not to recognize right - of- use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term. As at the date of transition, management has assessed that that all leases that were previously expensed over the lease term where considered to be either short-term leases or leases of low value assets. The adoption of the new IFRS pronouncement has therefore not resulted in adjustments in previously reported figures and there have been no changes to the opening deficit balance as at February 1, 2019.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

#### Accounting standards and amendments issued but not yet adopted

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. The Company has not early adopted these new standards in preparing these consolidated financial statements. There new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

### 4. EXPLORATION AND EVALUATION ASSETS

|                           | <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>Albanel<br/>Lithium<br/>Property</b> | <b>Kelso<br/>Lithium<br/>Property</b> | <b>Total</b>  |
|---------------------------|--|------------------------------------|---------------------------------------|---------------------------------------|--|---|---------------------------------------|---------------|
| 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    |
| Property acquisition      | -                                      | -                                  | -                                     | -                                     | -  | 350,000                                 | 350,000                               | 700,000       |
| Write-off                 | -                                      | -                                  | (2,436,067)                           | (1,022,567)                           | (9,700,000)                              | -                                       | -                                     | (13,158,634)  |
| Balance, January 31, 2020 | -                                      | -                                  | -                                     | -                                     | -  | 350,000                                 | 350,000                               | 700,000       |
| Exploration expenditures  | -                                      | -                                  | -                                     | -                                     | -  | 978                                     | 357                                   | 1,335         |
| Balance, July 31, 2020    | \$ -                                   | \$ -                               | \$ -                                  | \$ -                                  | \$ -                                     | \$ 350,978                              | \$ 350,357                            | \$ 701,335    |

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**QUANTUM COBALT CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended July 31, 2020 and 2019*****(Expressed in Canadian dollars - unaudited)***

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****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. As a result, a write-off of \$629,139 was recorded to the consolidated statement of loss and comprehensive loss.

During the year ended January 31, 2020, the Company was served with a notice of civil claim (the "Claim") filed with the Second Judicial District Court of the State of Nevada for failure to pay the United States Bureau of Land Management federal annual mining claim maintenance fees on the Musgrove Creek Property. On May 3, 2019, the claim was dismissed as a result of the settlement whereby the Company agreed to make a settlement payment of \$210,000 (USD \$150,000). The Company recorded an expense of \$210,000 in relation to this settlement.

**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.
- 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.

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****Grew Creek Property (continued)**

- 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 loss and 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.

As at January 31, 2020, substantive expenditure on further exploration for and evaluation of the Rabbit Cobalt Property has not yet been planned and will be evaluated pending the Company obtaining further funding. As a result, a write-off of \$2,436,067 was recorded to the consolidated statement of loss and comprehensive loss.

**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.

As at January 31, 2020, substantive expenditure on further exploration for and evaluation of the Kahuna Cobalt Property has not yet been planned and will be evaluated pending the Company obtaining further funding. As a result, a write-off of \$1,022,567 was recorded to the consolidated statement of loss and comprehensive loss.



#### **4. EXPLORATION AND EVALUATION ASSETS (continued)**

##### **Nipissing Lorain Property**

On November 29, 2017, the Company closed the acquisition of 1142674 B.C. Ltd. ("1142674") pursuant to a share exchange agreement, among the Company, 1142674 and the shareholders of 1142674. The Nipissing Lorain cobalt project is located 26 kilometers 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, 2020, the Company has recorded a liability of \$500,000 (2019 - \$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.

As at January 31, 2020, substantive expenditure on further exploration for and evaluation of the Nipissing Lorain Property has not yet been planned and will be evaluated pending the Company obtaining further funding. In addition, the Company has not made all of the required payments under its November 29, 2017 share exchange agreement. As a result, a write-off of \$9,700,000 was recorded to the consolidated statement of loss and comprehensive loss.

##### **Albanel Quebec Lithium Property**

On October 3, 2019, the Company entered into a binding acquisition agreement with 1225768 B.C. Ltd. to acquire 100% interest in, and to, certain mineral properties, together with surface right, mineral rights, personal property and permits associated there with, located in the Albanel Quebec lithium property. The Albanel property is a lithium prospect with an approximate area of 2,751 hectares in a mining-friendly jurisdiction of Quebec. Pursuant to the acquisition agreement, the Company issued a total of 10,000,000 common shares in the capital of the Company with a fair value of \$350,000 (Note 7).

##### **Kelso Quebec Lithium Property**

On October 3, 2019, the Company entered into a binding acquisition agreement with 1225768 B.C. Ltd. to acquire 100% interest in, and to, certain mineral properties, together with surface right, mineral rights, personal property and permits associated there with, located in the Kelso Quebec lithium property. The Kelso property is a lithium prospect with an approximate area of 2,592 hectares in a mining-friendly jurisdiction of Quebec. Pursuant to the acquisition agreement, the Company issued a total of 10,000,000 common shares in the capital of the Company with a fair value of \$350,000 (Note 7).

**QUANTUM COBALT CORP.**  
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**5. LOANS PAYABLE**

As at July 31, 2020 and January 31, 2020, the Company had following loans payable:

|  | <b>July 31,<br/>2020</b> | <b>January 31,<br/>2020</b> |
|--|--------------------------|-----------------------------|
| Third party loans, unsecured<br>(due on demand and bear interest at 7% per annum) (a)  | \$ 300,000               | \$ 300,000                  |
| Third party loans, unsecured<br>(due on demand and bear interest at 8% per annum) (b)  | 81,800                   | 81,800                      |
| Third party loan, unsecured<br>(due on demand and bear interest at 3% per annum) (e)   | 20,000                   | -                           |
| Related party loan, unsecured<br>(due on demand and bear interest at 3% per annum) (e) | 20,000                   | -                           |
| Related party loans, unsecured<br>(due on demand and non-interest bearing) (c)         | -                        | 210,000                     |
| Accrued interest   | 62,037                   | 48,108                      |
|  | <b>\$ 483,837</b>        | <b>\$ 639,908</b>           |

- a) During the year ended January 31, 2018, the Company received \$300,000 share subscriptions from a non-related party. On July 31, 2019, the share subscriptions were converted into a loan which bears interest at 14% per annum from February 1, 2019 to January 31, 2020 and 7% per annum onwards. The loan is unsecured and due on demand.
- b) During the year ended January 31, 2020, the Company received \$81,800 from non-related parties which bear interest at 8% per annum, unsecured, and due on demand.
- c) On May 1, 2019, the Company obtained a loan of \$210,000 from a company controlled by a former director. This loan is unsecured, non-interest bearing and due on demand (Note 6). The funds were used to settle a fee dispute and legal claim brought against the Company on the Musgrove Creek Property (Note 6). During the six months ended July 31, 2020, the loan was forgiven pursuant to a settlement agreement with its former director (Note 4).
- d) On May 31, 2019, the Company obtained a loan of \$22,050 from a company controlled by a director. The funds were used for general operating expenses. This loan is unsecured, non-interest bearing and due on demand. This loan was repaid during the year ended January 31, 2020 (Note 6).
- e) On June 2, 2020, the Company received \$40,000 loan, of which \$20,000 was from a non-related party and the remaining \$20,000 was from a company controlled by a director. The loans bear interest at 3% per annum, unsecured, and due on demand (Note 6).

**6. 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 six months ended July 31, 2020 and 2019:

|                 | <b>2020</b>      | <b>2019</b>      |
|-----------------|------------------|------------------|
| Management fees | \$ 36,500        | \$ 36,000        |
|                 | <b>\$ 36,500</b> | <b>\$ 36,000</b> |

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**QUANTUM COBALT CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended July 31, 2020 and 2019*****(Expressed in Canadian dollars - unaudited)***

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**6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

As at July 31, 2020, the Company has included in accounts payable and accrued liabilities a total of \$203,463 (January 31, 2020 - \$199,213), which are payable to former directors, former officers, and companies controlled by former officer.

As at July 31, 2020, the Company has included in accounts payable and accrued liabilities a total of \$283,473 (January 31, 2020 - \$246,353), which are payable to directors, officers, and companies controlled by directors (Note 5).

During the six months ended July 31, 2020, the Company received a loan of \$20,000 from a company controlled by a director. The loan bears interest at 3% per annum, unsecured, and due on demand (Note 5).

During the year ended January 31, 2020, the Company obtained loans for a total of \$232,050 from companies controlled by directors and former directors of the Company. The Company repaid \$22,050 of these loans (Note 5). These loans are unsecured, non-interest bearing and due on demand.

On November 8, 2019, the Company commenced legal action against the former CEO, David Schmidt, for gross negligence that resulted in significant shareholder value loss. The claim alleged that while serving in the role of chief executive officer of the Company, Mr. Schmidt failed to act honestly and in good faith with a view to the best interests of the Company and failed to exercise the care, diligence and skill of a reasonably prudent individual. Mr. Schmidt failed to make key property payments, which caused significant loss and damage, in particular:

- Payment to Idaho's Bureau of Land Management by September 1, 2018: The failure to make this payment resulted in the irrevocable forfeiture of the Company's Musgrove mining claims. Further, Mr. Schmidt failed to direct the Company to take any steps to restake the claims, which resulted in a third party acquiring the claims.
- Option payment due by December 31, 2018: The failure to respond to notices of payment for Grew Creek and the further failure to direct the company to cure the default resulted in Quantum losing its option on the Grew Creek property.

On March 20, 2020, the Company entered into a settlement agreement with Mr. Schmidt. Pursuant to the settlement agreement, Mr. Schmidt forgave a loan of \$210,000 to the Company (Note 5). The Company has provided Mr. Schmidt a full and final release.

**7. SHARE CAPITAL****a) Authorized**

Unlimited number of common shares without par value.

**b) Issued and outstanding: 60,425,192 (January 31, 2020 - 60,425,192).**

No shares were issued during the six months ended July 31, 2020.

During the year ended January 31, 2020:

On October 3, 2019, the Company issued a total of 20,000,000 common shares with a fair value of \$700,000 pursuant to Albanel Quebec Lithium Property and Kelso Quebec Lithium Property acquisition (Note 4).

As at July 31, 2020 and January 31, 2020, the Company had \$1,500 share subscriptions receipts.

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**7. SHARE CAPITAL (continued)**

c) 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 July 31, 2020, the amount of flow-through proceeds remaining to be spent on qualifying expenditures was \$309,665.

As a result of not incurring the qualified expenditures and not filing the forms with Canada Revenue Agency during the year ended January 31, 2020, the Company recognized an expense of \$36,392 (2019 - \$6,667) for late filing penalties and accrued. As at July 31, 2020, accounts payable and accrued liabilities include \$43,059 (January 31, 2020 - \$43,059) related to interest and penalties.

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. During the year ended at January 31, 2020, the Company recognized an expense of \$64,331 (2019 - \$171,200) for the indemnification of flow-through shareholders. As at July 31, 2020, accounts payable and accrued liabilities include \$235,531 (January 31, 2020 - \$235,531) related to these indemnification provisions.

d) Stock options

The Company has no outstanding options as at July 31, 2020 and at January 31, 2020.

e) Share purchase warrants

A summary of share purchase warrant activities are as follows:

|   | <b>Number of warrants</b> | <b>Weighted average exercise price</b> |
|---|---------------------------|--|
| Outstanding and exercisable at January 31, 2019                   | 1,552,500                 | \$ 0.22                                |
| Warrants expired  | (1,500,000)               | 0.20                                   |
| Outstanding and exercisable at January 31, 2020 and July 31, 2020 | 52,500                    | \$ 0.70                                |

During the year ended January 31, 2020, 1,500,000 share purchase warrants with an exercise price of \$0.20 expired unexercised.

A summary of the share purchase warrants issued at July 31, 2020 is as follows:

|                         | <b>Warrants issued and exercisable</b> | <b>Exercise price</b> | <b>Expiry date</b> |
|-------------------------|--|-----------------------|--------------------|
| Share purchase warrants | 52,500                                 | \$ 0.70               | May 19, 2021       |

The weighted average life of warrants outstanding at July 31, 2020 is 0.80 year.

## **8. 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 July 31, 2020, 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.

## **9. FINANCIAL INSTRUMENTS**

### **Fair Values**

The Company's financial instruments consist of cash, accounts payable, loans payable and other payables. The following table summarizes the carrying values of the Company's financial instruments as at July 31, 2020 and January 31, 2020:

|                     |    | <b>July 31,<br/>2020</b> | <b>January 31,<br/>2020</b> |
|---------------------|----|--------------------------|-----------------------------|
| FVTPL (i)           | \$ | 9,397                    | \$ 23,857                   |
| Amortized cost (ii) | \$ | 1,491,657                | \$ 1,612,036                |

(i) Cash

(ii) Accounts payable, loans 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.

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. The fair values of accounts payable, loans payable and other payables approximate their carrying values because of their current nature.

### **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, loans 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.

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**QUANTUM COBALT CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended July 31, 2020 and 2019*****(Expressed in Canadian dollars - unaudited)***

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**9. FINANCIAL INSTRUMENTS (continued)**

## Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have significant foreign exchange risk as majority of its transactions are in Canadian dollars.

## Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company is not exposed to significant interest rate risk.

**10. SUPPLEMENTARY CASH FLOW INFORMATION**

During the six months ended July 31, 2020 and 2019, the Company did not pay any interest expense or income taxes in cash.