

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended

September 30, 2019

(Expressed in Canadian Dollars)

(UNAUDITED)

CANADA COBALT WORKS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Canada Cobalt Works Inc. for the nine months ended September 30, 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2) to the unaudited interim condensed consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

Auditors Involvement

The external auditors of Canada Cobalt Works Inc. have not audited or performed a review of the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2019.

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2019	December 31, 2018
		audited
Assets		
Current assets		
Cash	\$ 294,653	\$ 281,659
Accounts receivable	107,679	153,116
Total Current Assets	402,332	434,775
Fixes Assets		
Equipment (Note 5)	134,020	157,671
Total Fixed Assets	134,020	157,671
Total Assets	536,352	592,446
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	716,132	859,455
Total Liabilities	716,132	859,455
Shareholders' Equity (Deficiency)		
Share capital (Note 6)	27,363,490	24,924,775
Reserves (Notes 7 & 8)	4,456,097	3,309,944
Contributed surplus	2,630,028	4,032,972
Deficit	(34,629,395)	(32,534,700)
Total Shareholders' Equity (Deficiency)	(179,780)	(267,009)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 536,352	\$ 592,446

Nature of operations and going concern (Note 1)
Commitments and Contingencies (Note 12)
Subsequent events (Note 13)

APPROVED ON BEHALF OF THE BOARD
Signed "Frank Basa"
Signed "Jacques Monette"

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Expenses				
Exploration and evaluation				
Acquisition costs	\$ -	\$ -	\$ 86,350	\$ -
Assays and testing	5,341	6,721	56,506	58,159
Depreciation	7,884	-	23,651	-
Drilling	66,730	323,576	132,176	574,727
Equipment	87,116	215,429	307,246	421,807
Facility expenses	24,891	64,029	135,740	142,264
Feasibility and scoping studies	18,191	74,095	124,721	111,832
Geology	15,099	61,853	191,122	91,854
Labour	58,273	21,079	170,722	34,050
Project management and engineering	47,387	135,000	151,313	211,387
Royalties	15,000	15,000	15,000	15,000
Taxes, permits and licensing	17,252	20,584	29,493	23,398
Travel	-	22,044	-	31,639
	363,164	959,410	1,424,040	1,716,117
Corporate				
Advertising and promotion	12,257	235,108	74,474	425,144
Administrative and general expenses	19,197	33,617	59,148	85,883
Professional fees	270,512	409,621	510,457	687,783
Filing costs and shareholders' information	24,802	27,797	99,873	118,886
Travel	12,420	90,943	35,441	171,105
	339,188	797,086	779,393	1,488,801
Other items				
Interest and other income	-	-	-	1,287
Sales of RE-20X process	-	-	(176,991)	-
First Nation Costs	-	(11,179)	-	-
Stock Option Compensation	58,000	470,000	58,000	1,142,000
Tax interest and penalties	-	-	10,253	-
	58,000	458,821	(108,738)	1,143,287
Total Expenses	760,352	2,215,317	2,094,695	4,348,205
Net and comprehensive loss for the period	\$ (760,352)	\$ (2,215,317)	\$ (2,094,695)	\$ (4,348,205)
Net loss per share - basic and fully diluted	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.07)
Weighted average number of shares outstanding basic and fully diluted	80,874,926	65,119,841	78,735,482	61,354,267

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

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital	Units to be issued	Warrants and Options	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance December 31, 2017	\$ 20,066,637	\$ 27,001	\$ 2,379,943	\$ 3,739,815	\$ (25,849,605)	\$ 363,791
Private placements	1,413,418	-	1,065,637	-	-	2,479,055
Exercise of warrants - Cash	1,831,186	-	-	-	-	1,831,186
Exercise of warrants - BV	481,999	-	(481,999)	-	-	-
Warrants expired	-	-	(4,657)	4,657	-	-
Exercise of options - Cash	83,900	-	-	-	-	83,900
Exercise of options - BV	63,450	-	(63,450)	-	-	-
Options granted	-	-	1,142,000	-	-	1,142,000
Options Expired	-	-	(325,000)	325,000	-	-
Share Issue costs	(38,873)	-	(29,416)	-	-	(68,289)
Compensation	-	-	31,558	-	-	31,558
Issued for property	13,000	(27,001)	14,001	-	-	-
Net loss for the period	-	-	-	-	(4,348,205)	(4,348,205)
Balance, September 30, 2018	23,914,717	-	3,728,617	4,069,472	(30,197,810)	1,514,996
Private placements	399,587	-	(399,588)	-	-	(1)
Exercise of warrants - Cash	282,835	-	-	-	-	282,835
Exercise of warrants - BV	87,984	-	(87,984)	-	-	-
Exercise of options - Cash	121,000	-	-	-	-	121,000
Exercise of options - BV	121,000	-	(121,000)	-	-	-
Options granted	-	-	151,050	-	-	151,050
Options Expired	-	-	36,500	(36,500)	-	-
Share Issue costs	(2,348)	-	17,790	-	-	15,442
Compensation	-	-	(15,441)	-	-	(15,441)
Adjustment for part XII.6 tax	-	-	-	-	857	857
Net loss for the period	-	-	-	-	(2,337,747)	(2,337,747)
Balance December 31, 2018	24,924,775	-	3,309,944	4,032,972	(32,534,700)	(267,009)
Private placements	545,000	-	183,000	-	-	728,000
Exercise of warrants - Cash	1,108,448	-	-	-	-	1,108,448
Exercise of warrants - BV	259,708	-	(259,708)	-	-	-
Warrants expired	-	-	(423,124)	423,124	-	-
Exercise of options - Cash	218,000	-	-	-	-	218,000
Exercise of options - BV	238,050	-	(238,050)	-	-	-
Options granted	-	-	58,000	-	-	58,000
Share Issue costs	(491)	-	(165)	-	-	(656)
Compensation	-	-	131	-	-	131
Issued for property	70,000	-	-	-	-	70,000
Net loss for the period	-	-	-	-	(2,094,695)	(2,094,695)
Balance, September 30, 2019	\$ 27,363,490	\$ -	\$ 2,630,028	\$ 4,456,096	\$ (34,629,395)	\$ (179,780)

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

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the nine months ended September 30, **2019** **2018**

Cash (used in) provided by:		
Operating activities		
Net gain (loss) for the year	(2,094,695)	(4,348,205)
Items not involving cash		
Acquisition costs	70,000	
Depreciation	23,651	-
Stock option compensation	58,000	1,142,000
Changes in non-cash working capital items		
Receivables	45,437	(45,980)
Due from related parties	-	(567,416)
Trade and other payables	(143,322)	(23,928)
Net cash flows used in operating activities	(2,040,929)	(3,843,529)
Financing activities		
Issuance of common shares and warrants - Net of costs	727,475	2,442,325
Issuance of common shares for exercise of warrants	1,108,448	1,831,186
Issuance of common shares for exercise of options	218,000	83,900
Net cash flows generated from financing activities	2,053,923	4,357,411
Increase in cash during the period	12,994	513,882
Cash , beginning of year	281,659	446,897
Cash , end of period	\$ 294,653	\$ 960,779

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

CANADA COBALT WORKS INC.**(formerly Castle Silver Resources Inc.)****Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)****For the nine months ended September 30, 2019****(Expressed in Canadian Dollars)**

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Canada Cobalt Works Inc. ("Canada Cobalt" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act under the name Naples Capital Corp. On November 19, 2007, the Company amended its articles to change its name to Takara Resources Inc. and on November 28, 2018 the Company amended its name to Canada Cobalt Works Inc. The address of the Company's head office is 3028 Quadra Court, Coquitlam, BC V3B 5X6. Canada Cobalt's principal business activities are the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties.

These Condensed Interim consolidated financial statements were approved by the Board of Directors on November 27, 2019.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, government licensing requirements or regulations, social licensing requirements, non-compliance with regulatory and environmental requirements or aboriginal land claims.

Going concern

As at September 30, 2019, the Company had not yet achieved profitable operations, has an accumulated deficit, has a working capital deficiency and expects to incur further losses in the development of its business. These items represent material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern. The Company is in the process of exploring its properties and had not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties. Management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

CANADA COBALT WORKS INC.
(formerly Castle Silver Resources Inc.)
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN (continued)

These interim condensed consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and 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 also in future periods when the revision affects both current and future periods.

CANADA COBALT WORKS INC.

(formerly Castle Silver Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's audited financial statements for the year ended December 31, 2018 have been applied consistently to these interim condensed consolidated financial statements.

4. EXPLORATION AND EVALUATION PROJECTS

Castle Silver Mine Project, Ontario

The Company holds a 100% interest in certain claims and parcels located in the Haultain and Nicol townships of Ontario. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US\$15 or lower per troy ounce and up to 5% when the price of silver is greater than US\$30 per troy ounce and a 5% gross overriding royalty on the sale of products derived from the property with a minimum annual payment of \$15,000 in the form of royalties on all future production from the property and a 1% NSR.

Beaver and Violet Properties, Ontario

The Company holds a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario. The properties are subject to a 3% NSR royalty of which each 1% can be purchased for \$1.5M.

CANADA COBALT WORKS INC.**(formerly Castle Silver Resources Inc.)****Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)****For the nine months ended September 30, 2019****(Expressed in Canadian Dollars)****5. EQUIPMENT**

The Company did not have any equipment during the 2017 year. Equipment with a total cost of \$197,089 was acquired in 2018. \$132,974 worth of this Equipment was purchased from companies controlled by the CEO who is also a director of the Company.

	September 30, 2019				
	Balance December 31, 2018	Additions (Disposals) (Write-down)	Balance September 30, 2019	Accumulated Amortization	Net
Equipment	157,671	-	157,671	23,651	134,020

	December 31, 2018				
	Balance December 31, 2017	Additions (Disposals) (Write-down)	Balance December 31, 2018	Accumulated Amortization	Net
Equipment	-	197,089	197,089	39,418	157,671

6. SHARE CAPITAL**Authorized**

Unlimited number of common shares without par value

Unlimited number of preferred shares issuable in series

Issued

Common

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	74,950,377	\$24,924,775	56,501,218	\$20,066,637
Private placements	2,426,667	545,000	5,172,170	1,813,005
Issued on exercise of warrants - Cash	5,272,913	1,108,448	9,406,989	2,114,021
Issued on exercise of warrants - BV	-	259,708	-	569,983
Issued on exercise of options - Cash	750,000	218,000	1,370,000	204,900
Issued on exercise of options - BV	-	238,050	-	184,450
Share issue costs	-	(491)	-	(41,221)
Issued for property	200,000	70,000	2,500,000	13,000
Balance, end of period	83,599,957	\$27,363,490	74,950,377	\$24,924,775

CANADA COBALT WORKS INC.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd)

- (i) On January 15, 2018 the Company closed a private placement offering, raising gross proceeds of \$1,030,000. The Company issued 2,942,857 units at a price of \$0.35 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.
- (ii) On July 25, 2018 the Company issued 2,229,314 units at a purchase price of \$0.65 per unit. Each unit comprises one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.90 per share for a period of two years from closing, subject to TSX Venture Exchange ("Exchange") approval. Finder's fees were paid in connection with the private placement in the amount of \$36,629.97 in cash and 56,354 broker warrants on the same terms as the purchaser warrants.
- (iii) On September 6, 2019 the Company closed a private placement offering, raising gross proceeds of \$423,000. The Company issued 1,410,000 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.
- (iv) On September 23, 2010 the Company closed a private placement offering, raising gross proceeds of \$305,000. The Company issued 1,016,667 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

7. WARRANTS

Warrant Transactions

	2019		2018	
	Number of Warrants	Book Value	Number of Warrants	Book Value
Balance, beginning of year	15,451,794	\$ 1,329,772	19,076,379	\$ 1,219,871
Issued by private placements	2,426,667	183,000	4,057,514	666,049
Warrants exercised	(5,272,913)	(259,708)	(9,406,989)	(569,983)
Warrants expired	(6,265,013)	(423,124)	(831,464)	(4,657)
Issue costs related to warrants	-	(165)	-	(11,626)
Issued for property			2,500,000	14,001
Issued as compensation	1,750	131	56,354	16,117
Balance, end of period	6,342,285	829,906	15,451,794	\$ 1,329,772

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date
2,742,857	0.500	January 15, 2020
1,171,011	0.900	July 25, 2020
1,410,000	0.500	September 6, 1021
1,016,667	0.500	September 23, 1021
1,750	0.500	September 23, 1021
6,342,285	0.100	

8. STOCK OPTIONS

The Company has in place a stock option plan (the "Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options. The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Toronto Stock Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not lower than the fair market value of the option shares on the date of the grant of the option.

CANADA COBALT WORKS INC.
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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

8. STOCK OPTIONS (cont'd)

The terms of the plan are as follows:

- (i) the maximum number of shares that can be received by a beneficiary during any 12 month period is limited to 5% of issued and outstanding shares;
- (ii) the maximum number of shares that can be reserved for a consultant during any 12 month period is limited to a 2% of issued and outstanding shares;
- (iii) the maximum number of shares that can be reserved for a supplier of investor relations services during any 12 month period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised on a 12 month period after the grant, at the rate of 25% per quarter.

Stock Option Transactions

	Options	2019 Weighted Average Exercise price	Value	Options	2018 Weighted Average Exercise price	Value
Balance, beginning of year	6,155,000	\$ 0.322	\$1,980,172	5,575,000	\$ 0.060	\$1,160,072
Exercised	(750,000)	0.291	(238,050)	(1,370,000)	0.045	(184,450)
Expired and cancelled	-	-	-	(1,000,000)	0.350	(288,500)
Granted	200,000	-	58,000	2,950,000	0.300	1,293,050
Balance, end of period	5,605,000	\$ 0.321	\$1,800,122	6,155,000	\$ 0.322	\$ 1,980,172

Options outstanding

Number of Options	Options Vested	Exercise Price	Expiry Date
735,000	735,000	0.05	April 13, 2021
300,000	300,000	0.20	May 24, 2022
100,000	100,000	0.20	June 29, 2022
320,000	320,000	0.18	October 12, 2022
2,050,000	2,050,000	0.30	December 5, 2022
650,000	650,000	0.32	June 5, 2023
400,000	400,000	0.70	August 2, 2023
300,000	300,000	0.52	August 3, 2023
550,000	550,000	0.36	October 4, 2023
200,000	200,000	0.30	June 4, 2024
<u>5,605,000</u>	<u>5,605,000</u>		

CANADA COBALT WORKS INC.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with officers of the Company and private companies controlled by officers and directors of the Company for management consulting, geological consulting and other services required by the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of officers and directors of the Company for the nine months ended September 30, 2019 was \$202,200 (2018 - \$200,543)

10. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its exploration, development and operating activities.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at September 30, 2019 and December 31, 2018, the Company had no bank debt.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the Nine months ended September 30, 2019 and year ended December 31, 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

CANADA COBALT WORKS INC.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are set out in the Company's audited financial statements for the year ended December 31, 2018.

12. COMMITMENTS AND CONTINGENCIES

(a) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Flow-Through Shares

Pursuant to the issuance of 2,560,000 flow-through shares on December 31, 2013, the Company renounced \$128,000 of qualified exploration expenditures with an effective date of December 31, 2013. The Company was required to expend this amount on qualified exploration expenditures by December 31, 2014. As of December 31, 2014, the Company has expended \$64,990 of this amount on qualified exploration expenditures. There was a shortfall of qualified expenditures of approximately \$63,010 as at December 31, 2014. The Company is currently working with the Investors in this private placement and CRA to resolve this matter. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

(c) Canada Cobalt Works has two active memorandums of understandings held with First Nations. The memorandum of understandings were entered into with the First Nations to respect their required engagement processes of mineral exploration and development that occurs within their traditional territory. The first MOU is an agreement with Matachewan First Nation; while the second MOU is also an agreement with two representative First Nations groups which are Temagami First Nation and the Teme-Augama Anishnabai.

These agreements were entered into separately with the respective First Nations primarily because the project property is understood to be located with the traditional territory of these identified First Nation groups. These MOUs provide for a framework on addressing various topics identified within the agreement.

The MOUs also includes terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the First Nation communities.

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(Expressed in Canadian Dollars)

13. SUBSEQUENT EVENTS

On November 14, 2019 the Company closed an over-subscribed hard dollar financing at 35 cents per unit for total proceeds of \$1,406,500.

A total of 4,018,571 units were issued to strategic investors with this private placement. Each unit consisted of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from closing at an exercise price of 55 cents per share.

The expiry of the warrants may be accelerated if the closing price of Canada Cobalt shares on the TSX Venture Exchange is at least 75 cents per share for a period of 10 consecutive trading days during the term of the warrant. The company may accelerate the expiry of the warrants to 20 calendar days from the date express written notice is given by the Company to the holder.