

CANADA COBALT WORKS INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Canada Cobalt Works Inc. (Formerly Castle Silver Resources Inc.) (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established processes which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that: (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the consolidated financial statements; and (ii) the consolidated financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

[Signed]

[Signed]

'Frank J. Basa'

"Thomas P. Devlin"

President and Chief Executive Officer

Chief Financial Officer

CANADA COBALT WORKS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 685,715	\$ 281,659
Amounts receivable (Note 4)	126,130	153,116
Prepaid expenses	50,000	-
Total Current Assets	861,845	434,775
Non-current assets		
Equipment (Note 6)	287,337	157,671
Non-current assets	287,337	157,671
Total Assets	1,149,182	592,446
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	632,322	859,455
Total Liabilities	632,322	859,455
Shareholders' Equity (Deficiency)		
Share capital (Note 7)	29,690,079	24,924,775
Reserves (Note 8)	3,825,909	3,309,944
Contributed surplus	4,456,096	4,032,972
Deficit	(37,455,224)	(32,534,700)
Total Shareholders' Equity (Deficiency)	516,860	(267,009)
Total Liabilities and Shareholders' Equity	\$ 1,149,182	\$ 592,446
Nature of operations and going concern (Note 1)		
Commitments and Contingencies (Note 13)		
Subsequent events (Note 14)		
APPROVED ON BEHALF OF THE BOARD		
Signed "Frank Basa"		
Signed "Jacques Monette"		

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

CANADA COBALT WORKS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended December 31,

	2019	2018
Expenses		
Exploration and evaluation		
Acquisition	\$ 86,350	\$ -
Assays and testing	71,339	106,452
Depreciation	71,834	39,418
Drilling	266,122	1,270,944
Equipment	444,401	314,998
Facility expense	249,914	251,264
Feasibility and scoping study	126,219	-
Geology, geophysics and surveys	212,175	337,537
Labour	307,757	65,538
Project management and engineering	363,283	335,932
Royalties	15,000	15,000
Taxes, permits and licensing	46,715	23,863
Travel	19,652	35,189
	<u>2,280,761</u>	<u>2,796,135</u>
Corporate		
Advertising and promotion expenses	93,705	453,753
General and administration	92,265	97,788
Professional fees	792,124	828,818
Filing costs and shareholders' information	147,233	155,066
Travel	101,323	209,400
	<u>1,226,650</u>	<u>1,744,825</u>
Other items		
Sale of RE-20X process	(103,245)	-
Interest and other income	-	(1,845)
Impairment on amounts receivable (Note 4)	203,281	853,787
Polymet wxpenses	60,964	-
Tax interest and penalties	20,248	-
2013 flow-through tax loss	19,496	-
Stock option compensation	1,212,370	1,293,050
	<u>1,413,114</u>	<u>2,144,992</u>
Net loss and comprehensive loss for the year	\$ 4,920,525	\$ 6,685,952
Net loss per share - basic and diluted	\$ 0.06	\$ 0.10
Weighted average number of shares outstanding basic and diluted	<u>80,743,442</u>	<u>66,605,836</u>

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

CANADA COBALT WORKS 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	1,813,005	-	666,049	-	-	2,479,054
Exercise of warrants - Cash	2,114,021	-	-	-	-	2,114,021
Exercise of warrants - BV	569,983	-	(569,983)	-	-	-
Warrants expired	-	-	(4,657)	4,657	-	-
Exercise of options - Cash	204,900	-	-	-	-	204,900
Exercise of options - BV	184,450	-	(184,450)	-	-	-
Options granted	-	-	1,293,050	-	-	1,293,050
Options Expired	-	-	(288,500)	288,500	-	-
Share Issue costs	(41,221)	-	(11,626)	-	-	(52,847)
Issued for debt	-	-	-	-	-	-
Compensation warrants	-	-	16,117	-	-	16,117
Issued for property	13,000	(27,001)	14,001	-	-	-
Adjustment for Part XII.6 tax	-	-	-	-	857	857
Net loss for the year	-	-	-	-	(6,685,952)	(6,685,952)
Balance December 31, 2018	24,924,775	-	3,309,944	4,032,972	(32,534,700)	(267,009)
Private placements	2,446,089	-	488,411	-	-	2,934,500
Premium on FT shares	(160,000)	-	-	-	-	(160,000)
Exercise of warrants - Cash	1,270,948	-	-	-	-	1,270,948
Exercise of warrants - BV	298,058	-	(298,058)	-	-	-
Warrants expired	-	-	(423,124)	423,124	-	-
Exercise of options - Cash	422,600	-	-	-	-	422,600
Exercise of options - BV	485,440	-	(485,440)	-	-	-
Options granted	-	-	1,212,370	-	-	1,212,370
Share Issue costs	(67,831)	-	(165)	-	-	(67,996)
Compensation warrants	-	-	21,971	-	-	21,971
Issued for property	70,000	-	-	-	-	70,000
Net loss for the year	-	-	-	-	(4,920,525)	(4,920,525)
Balance December 31, 2019	29,690,079	-	3,825,909	4,456,096	(37,455,224)	516,860

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

CANADA COBALT WORKS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31,

2019

2018

Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (4,920,525)	\$ (6,685,952)
Items not involving cash		
Stock option compensation	1,212,370	1,293,050
Depreciation	71,834	39,418
Non-cash acquisition costs	70,000	-
Impairment on amounts receivable (Note 4)	-	853,787
Changes in non-cash working capital items		-
Amounts receivable	26,986	(55,038)
Prepaid expenses	(50,000)	
Accounts payable and accrued liabilities	(227,133)	543,943
Net cash flows from operating activities	(3,816,468)	(4,010,792)
Investing activities		
Due from related party	-	(718,602)
Purchase of equipment	(201,500)	(197,089)
Net cash flows from investing activities	(201,500)	(915,691)
Financing activities		
Issuance of common shares and warrants	4,468,049	4,797,975
Share issue cost	(46,025)	(36,730)
Net cash flows from financing activities	4,422,024	4,761,245
Increase in cash	404,056	(165,238)
Cash, beginning of year	281,659	446,897
Cash, end of year	\$ 685,715	\$ 281,659

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

CANADA COBALT WORKS INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Canada Cobalt Works Inc. ("CCM" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act. The address of the Company's head office is 3028 Quadra Court, Coquitlam, BC V3B 5X6. 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 consolidated financial statements were approved by the Board of Directors on April 29, 2020.

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 and aboriginal land claims.

Going concern

As at December 31, 2019, the Company had not yet achieved profitable operations, had a working capital deficit, had accumulated losses and expects to incur future 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 has 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.

These 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation and Functional currency

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. 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 in future periods when the revision affects both current and future periods.

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.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (cont'd)

Significant accounting estimates and judgments (cont'd)

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Decommissioning, restoration and similar liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Going concern

See Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Castle Silver Mines Inc. up until their amalgamation during the year ended December 31, 2018.

Intercompany balances and transactions, including unrealized gains and losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

Fair value hierarchy

The Company classifies its financial instruments measured at fair value according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are 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 assets or liabilities, either directly or indirectly;
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

As at December 31, 2019 and 2018, there were no financial instruments measured at fair value, and the fair value of assets and liabilities carried at amortized cost was the same as their respective carrying values due to the short term nature of these assets and liabilities.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated over the estimated useful lives of the item, as follows:

Equipment	20% declining balance
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining properties and exploration expenditures

The Company expenses all exploration and evaluation costs relating to mineral properties, in the period in which they are incurred. All exploration and evaluation expenditures acquired through a business combination are capitalized as intangible assets. They are subsequently measured at cost less accumulated impairment.

Income taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous reporting periods. Deferred tax is recorded using the asset and 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 following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss to the extent that they will probably not reverse in the foreseeable future. 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 end of the reporting period.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax deductions. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities and the expenditures are incurred.

Share issue costs

Costs incurred for the issue of common shares and warrants are deducted from share capital and warrants, respectively.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. As at December 31, 2019 and 2018, all options and warrants are anti-dilutive and have been excluded from the calculation of diluted loss per share.

Stock-based compensation and warrants

The Company has in effect a stock option plan ("the Plan") which is described in Note 8. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation and warrants (cont'd)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Warrants are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing model. Consideration paid on the exercise of warrants is credited to share capital and the value recorded in warrants reserve is transferred to share capital upon exercise. Upon expiration, the value of warrants is reclassified to contributed surplus.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment at the end of each reporting period and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, recognizing an impairment loss in the statement of operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises.

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 depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the impact of discounting and for changes to the current market based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2019 and 2018, the Company has no material restoration, rehabilitation and environmental costs as the environmental disturbance to date is minimal.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statement of loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash equivalents include highly liquid Canadian bank guaranteed funds that are valued at cost plus accrued interest. The carrying amounts approximate the fair market value as they have maturities at the date of purchase of less than one year with early redemption without penalties available. The Company does not have any cash equivalents as of December 31, 2019 or 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

Effective January 1, 2019, the Company adopted IFRS 16, Leases (“IFRS 16”). With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The adoption of this new standard had no impact on these financial statement as the Company does not have any leases.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020

CANADA COBALT WORKS INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE

The Company's amounts receivable are comprised of the following;

	December 31, 2019	December 31, 2018
Commodity taxes	\$ 126,130	\$ 153,116
	\$ 126,130	\$ 153,116

During the year ended December 31, 2019 the Company recorded an impairment loss of \$203,281 (2018 - \$853,787) on amounts owing from Granada Gold Mines Inc, a related party with which there are three common directors.

5. EXPLORATION AND EVALUATION PROJECTS

Castle Silver Mine Project, Ontario

CCW 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 Property, 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, which are subject to a 3% NSR royalty. Each 1% can be purchased for \$1,500,000.

CANADA COBALT WORKS INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

6. EQUIPMENT

	December 31, 2019				
	Balance December 31, 2018	Additions (Disposals) (Write-down)	Balance December 31, 2019	Accumulated Amortization	Net
Equipment	157,671	201,500	359,171	71,834	287,337

	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

Equipment with a total cost of \$201,500 (2018 – \$132,774) was purchased during the year ended 2019 from companies controlled by the CEO of the Company, who is also a director of the Company.

7. 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	8,045,238	2,446,089	5,172,170	1,813,005
Premium on FT shares	-	(160,000)	-	-
Exercise of warrants - Cash	5,647,913	1,270,948	9,406,989	2,114,021
Exercise of warrants - BV	-	298,058	-	569,983
Exercise of options - Cash	1,432,000	422,600	1,370,000	204,900
Exercise of options - BV	-	485,440	-	184,450
Share issue costs	-	(67,831)	-	(41,221)
Issued for property	200,000	70,000	2,500,000	13,000
Balance, end of year	90,275,528	\$ 29,690,079	74,950,377	\$ 24,924,775

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7. SHARE CAPITAL (Continued)

2019 Fiscal year issuances

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.

The 1,410,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$107,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.22, an average exercise price of \$0.50, risk free interest rate of 1.49%, expected life of warrants of 2 years, expected volatility rate of 100% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

On September 23, 2019 the Company closed a private placement offering, raising gross proceeds of \$304,907. 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.

The 1,016,667 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$76,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.23, an average exercise price of \$0.50, risk free interest rate of 1.57%, expected life of warrants of 2 years, expected volatility rate of 99% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

On November 14, 2019 the Company closed a private placement offering, raising gross proceeds of \$1,406,500. The Company issued 4,018,571 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 \$0.55 per share for a period of 2 years. The Company's related parties have purchased a total of 204,286 units for aggregate proceeds of \$71,500

The 4,018,571 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$305,411 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.27, an average exercise price of \$0.55, risk free interest rate of 1.50%, expected life of warrants of 2 years, expected volatility rate of 85% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

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On December 4, 2019 the Company closed a non-brokered flow-through (“FT”) private placement with strategic investors, raising gross proceeds of \$800,000. The Company issued 1,600,000 FT shares at \$0.50 per share. Finder’s fees were paid in connection with the private placement in the amount of \$45,500 in cash and 91,000 finder warrants. Each finder warrant is exercisable at \$0.50 per share for two years from closing. The Company’s related parties have purchased a total of 100,000 FT shares for aggregate proceeds of \$50,000.

The 91,000 finder warrants issued in connection to the FT shares listed above have been recorded at an estimated value of \$21,878 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.40, an average exercise price of \$0.50, risk free interest rate of 1.50%, expected life of warrants of 5 years, expected volatility rate of 80% (based on the Company's historical volatility for 5 years up to the issuance date) and expected dividend rate of 0%.

2018 Fiscal year issuances

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. The warrants were assigned a value of \$347,257 using the Black Scholes option pricing model. using the following assumptions: expected dividend yield of 0%, expected volatility of 131%, a risk free interest rate of 1.8% and an expected life of 2 years. The CEO of the Company, who is also a director, and three persons related to the CEO subscribed for 2,113,571 units for \$739,750.

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. The warrants were assigned a value of \$318,792 using the Black Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 118%, a risk free interest rate of 2% and an expected life of 2 years. Finder’s fees were paid in connection with the private placement in the amount of \$36,630 in cash and 56,354 broker warrants on the same terms as the purchaser warrants.

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8. RESERVES

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	6,445,238	488,411	4,057,514	666,049
Warrants exercised	(5,597,913)	(298,058)	(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	92,750	21,971	56,354	16,117
Balance, end of year	10,126,856	\$1,118,807	15,451,794	\$1,329,772

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Number of Warrants	Grant date fair value	Exercise Price	Expiry Date
2,417,857	285,307	\$0.500	January 15, 2020
1,171,011	323,283	0.900	July 25, 2020
1,410,000	107,000	0.500	September 6, 2021
1,016,667	76,000	0.500	September 23, 2021
1,750	131	0.500	September 23, 2021
4,018,571	305,411	0.550	November 14, 2021
91,000	21,840	0.500	December 4, 2021
10,126,856	1,118,972	\$0.100	

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8. RESERVES (continued)

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.

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; and
- (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.

Options transactions

	Number of options	2019 Weighted Average Exercise price	Grant date fair value	Number of options	2018 Weighted Average Exercise price	Grant date fair value
Balance, beginning of year	6,155,000	\$ 0.322	\$,980,172	5,575,000	0.060	\$1,160,072
Exercised	(1,432,000)	0.295	(485,440)	(1,370,000)	0.045	(184,450)
Expired and cancelled	-	-	-	(1,000,000)	0.350	(288,500)
Granted	3,350,000	0.362	1,212,370	2,950,000	0.300	1,293,050
Balance, end of year	8,073,000	\$ 0.335	\$ 2,707,102	6,155,000	0.322	\$1,980,172

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8. RESERVES (continued)

STOCK OPTIONS (continued)

Options Outstanding

Number of Options	Options Vested	Exercise Price	Expiry Date
603,000	603,000	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
100,000	100,000	0.35	October 17, 2024
1,700,000	1,700,000	0.30	November 13, 2024
950,000	950,000	0.33	November 29, 2024
400,000	400,000	0.45	December 5, 2024
<u>8,073,000</u>	<u>8,073,000</u>		

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 year ended December 31, 2019 was \$364,814 (2018 - \$267,766) and share based payments valued at \$245,680 (2018 - \$NIL).

There were no Directors' fees paid to members of the Board of Directors for the years ended December 31, 2019 and 2018.

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As of December 31, 2019, there is a total of \$47,806 of amounts payables to related parties included in accounts payable and accrued liabilities of the Company. These amounts are unsecured and non-interest bearing with no fixed terms of repayment. See note 4, 6 and 7 for other related party transactions.

10. INCOME TAXES

Current Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31 is as follows:

	2019	2018
	\$	\$
(Loss) before income taxes	(4,920,525)	(6,685,952)
Expected income tax recovery based on statutory rate	(1,250,000)	(1,772,000)
Adjustment to expected income tax benefit:		
Stock Based Compensation	321,000	343,000
Other (Change in tax benefits not recognized)	929,000	1,429,000
Deferred income tax provision (recovery)	-	-

Deferred Income Tax

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can use these benefits:

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	2019 \$	2018 \$
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	10,964,000	9,820,180
Capital loss carry-forwards		278,600
Mineral property costs	9,844,150	7,477,140
Other temporary differences	941,780	887,380
Total	21,749,930	18,463,300

As at December 31, 2019, the Company has income tax loss carry forwards of approximately \$10,964,373 expiring as follows:

Expires in	\$
2025	64,720
2026	113,940
2027	372,110
2028	566,540
2029	270,670
2030	1,597,600
2031	1,658,710
2032	823,270
2033	160,450
2034	405,050
2035	267,220
2036	151,410
2037	450,000
2038	2,928,400
2039	1,134,283
	10,964,000

11. 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.

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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 December 31, 2019 and 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 year ended December 31, 2019 and 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV 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.

As of December 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this potential violation is not known and is ultimately dependent on the discretion of the TSXV.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is exposed to credit risk on its cash. The Company has deposited its cash with reputable financial institutions, from which management believes the risk of loss is minimized. As at December 31, 2019 and 2018 cash was held with major Canadian financial institutions.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company is currently seeking equity financing as indicated in Note 1. There can be no assurance that the Company

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will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, existing shareholders ownership may be diluted.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

(a) Interest rate risk

The Company is not exposed to interest rate risk as it does not have interest bearing debt.

(b) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market prices of silver, uranium and nickel.

(c) Marketable securities price risk

At December 31, 2019 and 2018, the Company was not exposed to marketable securities price risk.

Currency Risk

As the Company transacts business in Canadian dollars, there is minimal foreign currency risk at December 31, 2019 and 2018.

13. 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

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) Management Contracts

The Company is party to a management contracts. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to \$270,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.