eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the Nine Months Ended

November 30, 2017

Suite 1810 – 999 West Hastings Street
Vancouver, BC, Canada
V6C 2W2

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)
November 30, 2017

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eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed interim consolidated statements of financial position

(Stated in Canadian dollars)

(Unaudited)

	Note	November 30, 2017	February 28, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**12,608,232**	19,221,353
Trade and other receivables		**26,066**	58,883
Prepaid expenses and deposits		**107,478**	97,864
Total current assets		**12,741,776**	19,378,100
Reclamation bond	3	**2,466,615**	2,973,439
Mineral properties	4	**26,308,369**	21,881,931
Property, plant and equipment	5	**44,749,749**	40,658,469
Total assets		**86,266,509**	84,891,939
Liabilities			
Current liabilities			
Accounts payable		**1,161,815**	945,254
Accrued liabilities	8	**64,117**	289,992
Total current liabilities		**1,225,932**	1,235,246
Provision for site reclamation and closure costs	6	**6,279,533**	4,671,199
Deferred tax liabilities		**25,924**	25,924
Total liabilities		**7,531,389**	5,932,369
Shareholders' Equity			
Common shares	7	**180,778,003**	178,430,193
Share purchase warrants reserve		**11,061,514**	11,504,324
Share-based payments reserve		**10,224,987**	9,532,117
Foreign currency translation reserve		**833,945**	552,769
Deficit		**(124,163,329)**	(121,059,833)
Total shareholders' equity		**78,735,120**	78,959,570
Total liabilities and shareholders' equity		**86,266,509**	84,891,939

Nature of business and going concern (Note 1)
Commitments (Note 13)

"Scott B. Hean"
Director

"J. Paul Farquharson"
Director

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed interim consolidated statements of operations and comprehensive loss

(Stated in Canadian dollars)

(Unaudited)

	Note	Three months ending November 30, 2017	November 30, 2016	Nine months ending November 30, 2017	November 30, 2016
		$	$	**$**	$
Expenses					
Accounting and audit		**25,295**	23,827	**56,560**	53,058
Accretion expense on site reclamation and closure	6	**31,189**	31,765	**104,482**	81,871
Bank charges and interest expense		**3,250**	840	**20,796**	2,728
Depreciation	5	**39,424**	13,006	**63,581**	38,160
Directors' fees and expenses	8(b)	**62,375**	19,755	**110,006**	74,805
Foreign exchange loss (gain)		**(88,254)**	(5,865)	**90,223**	24,328
Legal and advisory fees		**46,705**	24,132	**112,795**	61,460
Listing and filing fees		**20,734**	4,632	**51,111**	37,528
Office		**190,962**	87,673	**387,468**	256,035
Salary and wages		**282,250**	112,775	**953,053**	311,812
Shareholder relations		**162,834**	38,713	**428,347**	131,798
Share-based compensation	7(b)(iii)	**279,201**	745,689	**890,698**	812,125
Loss from operating activities		**(1,055,965)**	(1,096,942)	**(3,269,120)**	(1,885,708)
Interest income		**59,507**	10,345	**165,624**	20,878
Net loss		**(996,458)**	(1,086,597)	**(3,103,496)**	(1,864,830)
Other comprehensive income (loss):					
Currency translation adjustment		**(117,809)**	(97,975)	**281,176**	(19,518)
Total comprehensive loss for the period		**(1,114,267)**	(1,184,572)	**(2,822,320)**	(1,884,348)
Basic and diluted loss per share	7(d)	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Weighted average number of shares outstanding		**131,458,555**	106,964,691	**130,451,553**	101,183,570

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed interim consolidated statements of changes in shareholders' equity

(Stated in Canadian dollars)

(Unaudited)

	Note	Common shares without par value Shares	Common shares without par value Amount	Share purchase warrants reserve	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
			$	$	$	$	$	$
Balance, February 29, 2016		90,887,205	160,945,419	7,343,318	9,031,102	552,769	(118,850,133)	59,022,475
Issuance of common shares on exercise of stock options		1,488,000	528,442	-	(181,042)	-	-	347,400
Issuance of common shares on exercise of share purchase warrants		135,000	65,745	(11,745)	-	-	-	54,000
Issuance of common shares and warrants for cash, net of share issue costs		14,755,200	3,041,772	1,068,706	-	-	-	4,110,478
Share-based compensation		-	-	-	812,125	-	-	812,125
Net loss and comprehensive loss		-	-	-	-	(19,518)	(1,864,830)	(1,884,348)
Balance, November 30, 2016		107,265,405	164,581,378	8,400,279	9,662,185	533,251	(120,714,963)	62,462,130
Issuance of common shares on exercise of stock options		1,050,500	394,668	-	(130,068)	-	-	264,600
Issuance of common shares on exercise of share purchase warrants		1,744,051	948,260	(262,281)	-	-	-	685,979
Issuance of common shares and warrants for cash, net of share issue costs		17,250,000	12,505,887	3,366,326	-	-	-	15,872,213
Net loss and comprehensive loss		-	-	-	-	19,518	(344,870)	(325,352)
Balance, February 28, 2017		127,309,956	178,430,193	11,504,324	9,532,117	552,769	(121,059,833)	78,959,570
Issuance of common shares on exercise of stock options	7(a)(i)	902,182	543,833	-	(197,828)	-	-	346,005
Issuance of common shares on exercise of share purchase warrants	7(a)(ii)	3,409,813	1,803,977	(442,810)	-	-	-	1,361,167
Share-based compensation	7(b)(iii)	-	-	-	890,698	-	-	890,698
Net loss and comprehensive loss		-	-	-	-	281,176	(3,103,496)	(2,822,320)
Balance, November 30, 2017		**131,621,951**	**180,778,003**	**11,061,514**	**10,224,987**	**833,945**	**(124,163,329)**	**78,735,120**

eCobalt Solutions Inc.

(Formerly Formation Metals Inc.)

Condensed interim consolidated statements of cash flows

(Stated in Canadian dollars)

(Unaudited)

		Nine months ending	
		November 30,	November 30,
	Note	**2017**	2016
		$	$
Operating activities			
Net loss for the period		**(3,103,496)**	(1,864,830)
Items not involving cash			
Accretion expense on site reclamation and closure	6	**104,482**	81,871
Depreciation		**63,581**	38,160
Shared-based compensation	7(b)(iii)	**890,698**	812,125
Unrealized foreign exchange (gain) loss		**122,451**	(11,022)
Change in working capital items	9	**(1,171,840)**	262,075
Net cash used by operating activities		**(3,094,124)**	(681,621)
Investing activities			
Reclamation bond	3	**418,837**	-
Mineral property expenditures	9	**(2,699,149)**	(1,474,884)
Purchase of property, plant and equipment, net of deposits	5	**(2,942,693)**	(306,078)
Net cash used by investing activities		**(5,223,005)**	(1,780,962)
Financing activities			
Issuance of common shares and warrants		**-**	4,426,560
Share issue costs		**-**	(316,082)
Share purchase warrants	7(a)(ii)	**1,361,167**	54,000
Exercise of stock options	7(a)(i)	**346,005**	347,400
Net cash provided by financing activities		**1,707,172**	4,511,878
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(3,164)**	971
Net cash inflows (outflows) during the period		**(6,613,121)**	2,050,266
Cash and cash equivalents, beginning of period		**19,221,353**	1,095,357
Cash and cash equivalents, end of period		**12,608,232**	3,145,623

Financial position as at	**November 30, 2017**	November 30, 2016
Cash and cash equivalents are comprised of:		
Cash	**10,009,285**	351,781
Short-term investments	**2,598,947**	2,793,841
	12,608,232	3,145,622

Supplemental cash flow information (Note 9)

1. Nature of business and going concern

eCobalt Solutions Inc. ("the Company") was incorporated on June 13, 1988 under the Company Act of British Columbia and commenced operations on that date. The Company is in the process of exploring its mineral properties and has determined that certain of these properties contain measured and indicated resources of cobalt and copper.

The Company's primary project, located in the mining friendly state of Idaho, is the 100% owned and fully environmentally permitted, Idaho Cobalt Project (the "ICP"). The ICP is comprised of a mine and mill site located in Lemhi County outside of the town of Salmon, Idaho. A feasibility level study was completed on the ICP in 2007 to produce a high purity cobalt metal suitable for critical applications in the aerospace sector. In December 2009, the Company and the United States Department of Agriculture Forest Service signed the "Forest Service Evaluation" which approved and finalized the Company's Mine Plan of Operations (the "Mine Plan") for the ICP. The approval and finalization of the Company's Mine Plan allowed the Company to commence construction on the ICP Mine Site. By November 2012, the Company had completed two of three stages of construction at the mine and mill site. The Company had spent US$65.3 million completing two phases of the ICP mine and mill construction that commenced in June 2011 and completed in December 2012. This work was comprised of extensive earthworks including access and haul road, portal bench, mill and concentrator pads and tailing waste storage facility construction. In addition, pre-purchased mining and milling equipment, including the ball mill, flotation circuits, grizzlies, hoppers, conveyors, etc., totaling approximately US$16.0 million has been delivered to a staging area outside the town of Salmon, Idaho, proximal to the mine and mill site. The final Phase III of construction will involve underground development and the construction of the mill and concentrator and other ancillary facilities at the ICP mine site and at the cobalt processing facility.

The Company SEDAR filed a National Instrument 43-101 compliant Feasibility Study Technical Report ("FS") on the ICP on November 10, 2017. Results from the FS are based on an underground mine with a target production rate of 800 short tons per day and a weighted average annual production of 2.4M lbs of cobalt, 3.3M lbs of copper and 3,000 oz of gold over a 12.5 year mine life with an estimated pre-production period of 24 months utilizing a 0.25% cobalt cut-off grade. The economic model uses a 34% corporate tax rate and a 7.5% discount rate, resulting in an after-tax NPV of $135.8M and an IRR of 21.3% using an average base case price of $26.65/lb for contained cobalt in cobalt sulphate. The FS has been compiled in accordance with NI 43-101 guidelines.

All obligations, commitments, and permits related to the ICP remain in good standing.

Going concern

At November 30, 2017, the Company had working capital of $11,515,844 (February 28, 2017 - $18,142,854). For the nine month period ended November 30, 2017, the Company reported a comprehensive loss of $2,822,320 (November 30, 2016 – loss of $1,884,348) and an accumulated deficit of $124,163,329 (February 28, 2017 - $121,059,833).

The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to raise the financing necessary to complete development of the ICP and ultimate production. The Company filed a short form base shelf prospectus (the "Shelf Prospectus") on January 12, 2017 which, subject to securities regulatory requirements, allows the Company to make offerings of up to $100,000,000 of common shares, preference shares, debt securities, warrants, subscription receipts, units, or any combination of such securities during the 25-month period that the Shelf Prospectus is effective. Under the Shelf Prospectus, the Company completed a bought deal financing on February 28, 2017 for gross proceeds of $17,250,000 by issuing 17,250,000 units at $1.00 per unit.

1. Nature of business and going concern (continued)

With cash on hand at November 30, 2017 and the ability to scale back on the timing of planned pre-development costs, the Company has sufficient financial resources to continue its operations for at least the next 12 months. However, raising capital sufficient to complete construction of the ICP is dependent on continued discussions with off-takers, senior debt providers, alternative lenders, potential streamers and investors and is a material uncertainty. Raising further capital sufficient to establishing profitable operations is also a material uncertainty. The need to raise external financing and lack of established profitable operations are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The Company's registered office is Suite 1200 – 750 West Pender Street, Vancouver, British Columbia V6C 2T8.

2. Basis of preparation

Statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements for the year ended February 28, 2017. These condensed interim consolidated financial statements should be read in conjunction with the Company's February 28, 2017 audited consolidated financial statements. The Board of Directors authorized these condensed interim consolidated financial statements for issue on January 11, 2018.

3. Reclamation bond

In connection with the ICP, the U.S. Forest Service required the Company to place a Reclamation Performance Bond in the amount of US$6,379,617 (February 28, 2017 – US$6,379,617). There has been no change in the Reclamation Performance Bond since February 29, 2012. Earthworks and Tailing Waste Storage construction on the ICP was partially completed and subsequent disturbances to date has been minimal. The Reclamation Performance Bond will be released upon meeting the reclamation requirement of the U.S. Forest Service at the end of the Life of Mine of the Idaho Cobalt Project.

On June 21, 2011, the Company entered into an agreement with an insurance company to issue a surety bond in the amount required by the Reclamation Performance Bond. As part of the insurance agreement, the Company is required to deposit US$1,913,885 (February 28, 2017 – US$2,239,196) in trust as collateral for potential liability, as surety, incurred by the insurance company. The Safekeeping Agreement with the trustee requires the trust proceeds to be invested in any securities backed by the US Treasury, including US Treasury Bills and US Treasury Notes. The trustee can only release the trust proceeds under the following conditions:

(a) Within thirty (30) days following the written request from the insurance company; and

(Stated in Canadian dollars, unless otherwise noted)

3. Reclamation bond (continued)

(b) Within thirty (30) days following the written request from the Company subsequent to the expiration and termination of the bond whereby the insurance company has been exonerated of all past, present and future liability.

	$	November 30, 2017	February 28, 2017
		$	$
Reclamation Performance Bond Requirement	US$	**6,379,617**	6,379,617
Insured	US$	**6,379,617**	6,379,617
In Trust:			
U.S. Treasury Securities	US$	**1,913,885**	2,239,196
Foreign exchange rate		**1.29**	1.33
Reclamation bond	CDN$	**2,466,615**	2,973,439

4. Mineral properties

Mineral properties at November 30, 2017 consist of:

	November 30, 2017	Additions	February 28, 2017
	$	$	$
Idaho Cobalt Belt			
Idaho Cobalt Project	**24,804,508**	4,385,369	20,419,139
Other Projects			
Kernaghan	**501,455**	12,855	488,600
Virgin River	**969,630**	28,214	941,416
Other	**32,776**	-	32,776
	1,503,861	41,069	1,462,792
	26,308,369	4,426,438	21,881,931

During the nine month period ended November 30, 2017, the Company spent $2,699,151 (November 30, 2016 - $1,474,884) and accrued $6,264 (November 30, 2016 - $Nil) on mineral properties. A non-cash adjustment of $1,721,025 (November 30, 2016 - $965,073) for site reclamation and closure cost was also made (Note 6), resulting in a total addition of $4,426,438 (November 30, 2016 - $2,439,957) for the period.

Idaho Cobalt Project

The Company owns a 100% interest in the Idaho Cobalt Project (the "ICP"). All critical environmental permits are in place with an approved mine Plan of Operations. The ICP is comprised of the primary high grade cobalt deposit and the partially completed mine and mill located in Lemhi County outside of the town of Salmon, Idaho. The FS on the ICP has been compiled in accordance with NI 43-101 guidelines and a Technical Report was filed on SEDAR on November 10, 2017 (Note 1).

(Stated in Canadian dollars, unless otherwise noted)

5. Property, plant and equipment

	Land	Buildings	Equipment	Furniture and fixtures	Project construction and maintenance	Total
	$	$	$	$	$	$
Cost						
As at February 29, 2016	181,545	525,905	494,489	401,304	39,851,910	41,455,153
Additions for the year	19,390	-	1,827	7,320	292,863	321,400
As at February 28, 2017	200,935	525,905	496,316	408,624	40,144,773	41,776,553
Additions for the period	353,259	-	56,760	173,469	3,571,373	4,154,861
As at November 30, 2017	**554,194**	**525,905**	**553,076**	**582,093**	**43,716,146**	**45,931,414**
Accumulated Depreciation						
As at February 29, 2016	-	(224,050)	(471,206)	(371,706)	-	(1,066,962)
Additions for the year	-	(21,516)	(20,541)	(9,065)	-	(51,122)
As at February 28, 2017	-	(245,566)	(491,747)	(380,771)	-	(1,118,084)
Additions for the priod	-	(15,955)	(15,214)	(32,412)	-	(63,581)
As at November 30, 2017	**-**	**(261,521)**	**(506,961)**	**(413,183)**	**-**	**(1,181,665)**
Carrying Value						
As at February 28, 2017	200,935	280,339	4,569	27,853	40,144,773	40,658,469
As at November 30, 2017	**554,194**	**264,384**	**46,115**	**168,910**	**43,716,146**	**44,749,749**

The Company capitalizes the cost associated with construction and maintenance of the mine and mill and will depreciate those assets when they are put into use.

During the nine month period ended November 30, 2017, the Company spent $2,942,693 (November 30, 2016 - $306,078) and accrued $1,212,168 (November 30, 2016 - $Nil) on mineral properties, resulting in total additions of $4,154,861 (November 30, 2016 - $306,078) for the period.

(Stated in Canadian dollars, unless otherwise noted)

6. Provision for site reclamation and closure costs

The Company's provision for site reclamation and closure relates to the ICP and is based on the Company's legal obligations for environmental remediation, reclamation, and decommissioning at the end of the mine life. The undiscounted cash flows of the obligation as at November 30, 2017 were $4,916,811 or US$3,815,030 (February 28, 2017 - $5,066,741 or US$3,815,030). The discount rate used to determine the present value of the obligation was based on US Treasury Bond rate of 2.25% and rate of inflation of 3.30% (February 28, 2017 - US Treasury Bond rate of 2.25% and rate of inflation of 1.00%) resulting in a combined rate of 1.17% (February 28, 2017 – 0.83%), discounted by 15 years. The Company assumes that reclamation and decommissioning will take place over a three year period, commencing after the 12 year Mine Life.

	$
Reclamation and closure cost, February 29, 2016	5,972,114
Additions	-
Accretion expense	105,149
Change in discount rate	(1,314,283)
Foreign exchange	(91,781)
Reclamation and closure cost, February 28, 2017	4,671,199
Additions	-
Accretion expense	104,482
Change in discount rate	1,721,025
Foreign exchange	(217,173)
Reclamation and closure cost, November 30, 2017	**6,279,533**

7. Share capital

a) Authorized and issued

The Company has 50,000,000 preferred shares without par value authorized for issue and an unlimited number of common shares without par value authorized for issue.

At November 30, 2017, the Company had no preferred shares outstanding and 131,621,951 (February 28, 2017 - 127,309,956) common shares issued and outstanding.

(i) During the period ended November 30, 2017, 902,182 common shares were issued for stock options that were exercised and these include 259,000 options with an exercise price of $0.20, 75,000 options with an exercise price of $0.21, 150,000 options with an exercise price of $0.30, 200,000 options with an exercise price of $0.60 and 218,182 options with an exercise price of $0.52 for total proceeds of $346,005. Upon exercise, the Company transferred $197,828 from share-based payments reserve to common shares.

(ii) During the period ended November 30, 2017, 3,409,813 common shares were issued on exercise of share purchase warrants. These include 3,317,867 warrants with an exercise price of $0.40 and 91,946 warrants were exercised with an exercise price of $0.37 for total proceeds of $1,361,167. Upon exercise, the Company transferred $442,810 from share purchase warrants reserve to common shares.

(Stated in Canadian dollars, unless otherwise noted)

7. Share capital (continued)

b) Stock Options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. Under this Plan, the aggregate number of common shares which may be subject to issuance pursuant to options granted under the Plan shall in aggregate be a fixed maximum percentage such that the percentage of common shares in the capital of the Company may be reserved for issuance is a maximum 10% of the issued and outstanding shares of the Company. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued within any one year period. Options granted must be exercised no later than 10 years after the date of the grant or such lesser periods as regulations require.

All options are subject to vesting restrictions based on the Plan and at the discretion of the Board of Directors. Effective June 28, 2017, the Board of Directors have adopted the following vesting restrictions on all new options granted:

- 25% to be vested immediately;
- An additional 37.5% to be vested on the first anniversary; and
- An additional 37.5% to be vested on the second anniversary.

The exercise price is the fair value of the Company's common shares at the grant date. The maximum number of common shares to be issued under the Plan reserved for issuance as at November 30, 2017 was 13,162,195 (February 28, 2017 - 12,730,995). The maximum number of shares reserved for issuance to insiders may not exceed 10% of the outstanding shares issued. Under certain conditions, Option holders may elect to exercise their stock options on a cashless basis.

(i) As at November 30, 2017, the outstanding and exercisable stock options were as follows:

Options outstanding	Options exercisable	Exercise price	Weighted avg remaining contractual life	Expiry date
		$		
50,000	50,000	0.60	0.13 years	January 18, 2018
100,000	25,000	1.17	0.13 years	January 18, 2018
160,000	160,000	0.30	0.18 years	February 1, 2018
440,000	440,000	0.21	1.57 years	June 24, 2019
1,610,500	1,610,500	0.20	2.40 years	April 27, 2020
1,760,000	1,760,000	0.60	3.77 years	September 6, 2021
1,955,000	488,750	1.17	4.58 years	June 28, 2022
375,000	93,750	1.17	4.60 years	July 7, 2022
175,000	43,750	1.16	4.85 years	October 5, 2022
6,625,500	4,671,750	0.69		

(Stated in Canadian dollars, unless otherwise noted)

7. Share capital (continued)

b) Stock Options (continued)

As at February 28, 2017, the outstanding and exercisable stock options were as follows:

Options outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	$		
290,000	0.30	0.93 years	February 1, 2018
515,000	0.21	2.32 years	June 24, 2019
1,869,500	0.20	3.15 years	April 27, 2020
218,182	0.52	4.35 years	July 8, 2021
2,010,000	0.60	4.50 years	September 6, 2021
4,902,682	0.39		

(ii) The changes in stock options during the current and previous periods were as follows:

	November 30, 2017	**Weighted avg exercise price**	February 28, 2017	Weighted avg exercise price
		$		$
Balance outstanding,				
beginning of period	**4,902,682**	**0.39**	6,863,000	0.38
Activity during the period				
Options granted	**2,625,000**	**1.16**	2,228,182	0.59
Options exercised	**(902,182)**	**0.38**	(2,538,500)	0.24
Options expired	**-**	**-**	(1,390,000)	1.00
Options cancelled	**-**	**-**	(260,000)	0.26
Balance outstanding				
end of period	**6,625,500**	**0.68**	4,902,682	0.39

(iii) During the nine month period ended November 30, 2017, 2,625,000 (November 30, 2016 – 2,228,182) stock options were granted to directors, officers, employees and consultants of the Company. Using the Black-Scholes option pricing model, the non-cash fair value of stock options vested was $890,698 (November 30, 2016 - $812,125).

The fair value of each option granted is estimated at the time of grant with weighted average assumption used to estimate the fair value as follows:

	November 30, 2017	November 30, 2016
Risk free interest	**1.31%**	0.67%
Expected life (years)	**5**	5
Annualized volatility	**80%**	77%
Expected dividend	**$Nil**	$Nil
Stock price	**$1.14**	$0.59
Exercise price	**$1.17**	$0.59

(Stated in Canadian dollars, unless otherwise noted)

7. Share capital (continued)

c) Warrants

(i) As at November 30, 2017, the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	$		
112,956	0.37	0.50 years	June 1, 2018
2,568,733	0.40	0.50 years	June 1, 2018
948,750	1.35	1.25 years	February 28, 2019
8,625,000	1.50	1.25 years	February 28, 2019
12,255,439	1.25		

As at February 28, 2017, the outstanding and exercisable share purchase warrants were as follows:

Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
	$		
204,902	0.37	1.50 years	June 1, 2018
5,886,600	0.40	1.50 years	June 1, 2018
948,750	1.35	2.00 years	February 28, 2019
* 8,625,000	1.50	2.00 years	February 28, 2019
7,040,252	1.06		

* These warrants are subject to an acceleration clause such that, if the closing price of the Company's common shares on the Toronto Stock Exchange is equal to or greater than $1.80 per share for a period of ten consecutive trading days, the Company shall have the option, but not the obligation, to effect an accelerated expiration date that shall be 20 calendar days from the issuance by the Company of a notice of acceleration.

(ii) The changes in warrants during the current and previous periods were as follows:

	November 30, 2017	**Weighted avg exercise price**	February 28, 2017	Weighted avg exercise price
		$		$
Balance outstanding, beginning of period	**15,665,252**	**1.06**	-	-
Activity during the period				
Warrants issued	**-**	**-**	17,544,303	0.99
Warrants exercised	**(3,409,813)**	**0.40**	(1,879,051)	0.39
Balance outstanding end of period	**12,255,439**	**1.25**	15,665,252	1.06

(Stated in Canadian dollars, unless otherwise noted)

7. Share capital (continued)

d) Loss per share

	Three months ending		Nine months ending	
	November 30, 2017	November 30, 2016	**November 30, 2017**	November 30, 2016
Net loss	**$ (996,458)**	$ (1,086,597)	**$ (3,103,496)**	$ (1,864,830)
Weighted average number of common shares outstanding	**131,458,555**	106,964,691	**130,451,553**	101,183,570
Loss per share	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding				
Stock options	**4,671,750**	6,578,182	**4,671,750**	6,578,182
Warrants	**12,255,439**	7,835,554	**12,255,439**	7,835,554

8. Related party transactions

a) Subsidiaries

	Ownership interest	
	November 30, 2017	**February 28, 2017**
Formation Holdings Corp.	**100%**	100%
Formation Holdings US, Inc.	**100%**	100%
US Cobalt, Inc.	**100%**	100%
Formation Capital Corporation, U.S.	**100%**	100%
Essential Metals Corporation	**100%**	100%
Coronation Mines Ltd.	**100%**	100%
Minera Terranova S.A. de C.V.	**100%**	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

(Stated in Canadian dollars, unless otherwise noted)

8. Related party transactions (continued)

b) Compensation of key management personnel

The compensation to directors and officers of the Company during the nine months ended November 30, 2017 and 2016 were as follows:

		November 30, 2017	November 30, 2016
		$	$
Salaries and short-term employee benefits including bonuses		**792,925**	319,844
Share-based compensation	(i)	**646,550**	623,280
Directors' fees	(ii)	**96,750**	65,375
		1,536,225	1,008,499

Outstanding balances owed to directors and officers at November 30, 2017 were $39,000 (November 30, 2016 - $91,500).

(i) During the period ended November 30, 2017, the Company granted 2,025,000 stock options to directors and officers who are considered key management of the Company, of which 25%, or 506,250 stock options, vested on the grant date.

(ii) During the period ended November 30, 2017, the Company paid or accrued directors fees of $96,750 (November 30, 2016 - $65,375). The Company also reimbursed directors for business related expenses in the amount of $13,256 (November 30, 2016 - $9,430).

All executive officers are entitled to termination and change of control benefits. Pursuant to employment agreements, the Company may be obligated to pay up to $2,300,000 in the event that executive officers are terminated without cause or upon a change of control.

9. Supplementary cash flow information

Changes in working capital and mineral properties for the nine month periods ended:

	Note	**November 30, 2017**	November 30, 2016
		$	$
Accounts receivable		**32,817**	(27,135)
Prepaid expenses and deposits		**(9,614)**	(131,876)
Accounts payable and accrued liabilities, relating to operating items		**(1,195,043)**	421,086
Change in working capital for the periods ended		**(1,171,840)**	262,075
Gross addition to mineral properties	4	**(4,426,438)**	(2,439,957)
Site reclamation and closure cost adjustment	6	**1,721,025**	965,073
Accounts payable	4	**6,264**	-
Net addition to mineral properties for the periods ended		**(2,699,149)**	(1,474,884)

(Stated in Canadian dollars, unless otherwise noted)

10. Segmented information

The Company operated in two reportable segments, being exploration and development of mineral properties and corporate support. The Company's non-current assets by geographic location and total assets, liabilities and losses by operating segment are as follows:

			As at November 30, 2017
	Canada	United States	Total
	$	$	$
Non-current Assets			
Mineral properties	1,471,085	24,837,284	26,308,369
Property, plant and equipment	25,559	44,724,190	44,749,749
Reclamation bond	-	2,466,615	2,466,615
Total non-current assets	1,496,644	72,028,089	73,524,733

			As at February 28, 2017
	Canada	United States	Total
	$	$	$
Non-current Assets			
Mineral properties	1,430,016	20,451,915	21,881,931
Property, plant and equipment	28,369	40,630,100	40,658,469
Reclamation bond	-	2,973,439	2,973,439
Total non-current assets	1,458,385	64,055,454	65,513,839

			As at November 30, 2017
	Exploration and development	Corporate	Total
	$	$	$
Total Assets	71,080,508	15,186,001	86,266,509
Total Liabilities	7,384,491	146,898	7,531,389

			As at February 28, 2017
	Exploration and development	Corporate	Total
	$	$	$
Total Assets	65,504,467	19,387,472	84,891,939
Total Liabilities	4,702,903	1,229,466	5,932,369

(Stated in Canadian dollars, unless otherwise noted)

10. Segmented information (continued)

	For the nine month period ended November 30, 2017		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion & interest expense	(105,861)	(19,417)	(125,278)
Depreciation	(56,753)	(6,828)	(63,581)
Foreign exchange gain	-	(90,223)	(90,223)
General and administrative	(102,834)	(1,996,506)	(2,099,340)
Share based compensation	-	(890,698)	(890,698)
Interest income	10,227	155,397	165,624
Loss before income taxes	(255,221)	(2,848,275)	(3,103,496)
Net loss for the period	(255,221)	(2,848,275)	(3,103,496)

	For the nine month period ended November 30, 2016		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion and interest expense	(83,018)	(1,581)	(84,599)
Depreciation	(29,440)	(8,720)	(38,160)
Foreign exchange gain	-	(24,328)	(24,328)
General and administrative	(28,094)	(898,402)	(926,496)
Share based compensation	-	(812,125)	(812,125)
Interest income	-	20,878	20,878
Loss before income taxes	(140,552)	(1,724,278)	(1,864,830)
Net loss for the period	(140,552)	(1,724,278)	(1,864,830)

11. Financial instruments

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value.

The Company's financial assets consist of assets classified as fair value through profit and loss which includes cash and cash equivalents, and loans and receivables consisting of the reclamation bond. Cash and cash equivalents are valued using level 1 of the fair value hierarchy. The fair value of the reclamation bond will not be realized until the bond is released from the trustee (Note 3). At November 30, 2017, the fair value of the reclamation bond is $2,466,615 (February 28, 2017 - $2,973,439) and is calculated in accordance with level 1 of the fair value hierarchy.

The Company's financial liabilities are classified as other liabilities and consist of accounts payable and accrued liabilities. The fair value of these instruments approximate their carrying value because of the short term nature of these instruments.

(Stated in Canadian dollars, unless otherwise noted)

12. Fair values and financial risk management

The Company has exposure to risk of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, cash equivalents and reclamation bonds.

The Company invests its excess cash, cash equivalents and reclamation bond principally in highly rated government and corporate debt securities, which may be liquidated at any time. The Company has established guidelines relative to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

The Company's maximum exposure to credit risk is as follows:

	November 30, 2017	February 28, 2017
	$	$
Cash and cash equivalents	**12,608,232**	19,221,353
Reclamation bond	**2,466,615**	2,973,439
Total	**15,074,847**	22,194,792

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 has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work, capital and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans and capital investment budgets depending on current or projected liquidity.

The following summarizes the financial instruments and their maturity that are held to manage liquidity risk:

	November 30, 2017				February 28, 2017
	Within 1 year	**2-5 years**	**Over 5 years**	**Total**	Total
	$	**$**	**$**	**$**	$
Accounts payable	**1,161,815**	**-**	**-**	**1,161,815**	945,254
Accrued liabilities	**64,117**	**-**	**-**	**64,117**	289,992
	1,225,932	**-**	**-**	**1,225,932**	1,235,246

12. Fair values and financial risk management (continued)

Interest rate risk

The Company is subject to interest rate risk on its cash and cash equivalents and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

As at November 30, 2017, the Company's short term investment of $2,598,947 (February 28, 2017- $2,576,504), comprised of GIC's that are cashable within three months or less, earn an interest rate of up to 1.10% (February 28, 2017 - 1.00%). The Company has interests in equity instruments of other corporations which are not material.

Foreign exchange rate risk

The Company reports its consolidated financial statements in Canadian dollars; however, the Company has extensive operations in the US. As a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar.

Exploration and development activities in the US are held in the Company's US subsidiaries and are recorded in US dollars and translated into Canadian dollars on the consolidated financial statements date; as such, the Company can be exposed to significant fluctuations in the exchange rate between the US dollar and the Canadian dollar. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors continually assesses the Company's strategy toward its foreign exchange rate risk, depending on market conditions.

Translation exposure

A number of the Company's subsidiaries are located in countries other than Canada. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's consolidated operating results due to the translation of monetary assets and liabilities.

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes of approximately $147,700 (November 30, 2016 - $289,400).

(Stated in Canadian dollars, unless otherwise noted)

13. Commitments

The following is a schedule of the Company's commitments as at November 30, 2017:

	Note	2017	2018	2019
		$	$	$
Mineral property expenditure	(a)	7,344	233,000	-
General liability insurance	(b)	6,497	58,470	-
Office operating leases	(c)	25,426	101,605	93,046
Professional fees - Feasbility Study	(d)	-	446,500	-
		39,267	839,575	93,046

(a) As per the February 28, 1999 Virgin River joint venture exploration agreement whereby the Company has 2% interest, the Company's remaining commitment to the 2017 exploration program budget is $410. The Company has also committed to spending and additional $45,000 towards the 2018 exploration program. The Company has committed to spend $188,000 for 2018 towards the Kernaghan / Bell project representing 20% of its budget and has $6,934 remaining to spend towards the 2017 budget.

(b) The Company has a total liability of $64,967 on premiums for its commercial general and umbrella liability insurance policies payable monthly until October 12, 2018.

(c) The Company has an office lease commitment totalling $220,077 ending January 31, 2020.

(d) The Company has a total remaining commitment of $446,500 as a result of commissioning Micon Engineering Ltd. to update the FS for optimization efforts.

(e) Pursuant to employment agreements, the Company may be obligated to pay up to $2,300,000 in the event that certain senior management is terminated without cause or due to a change in control as defined in the agreements.