eCobalt Solutions Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2018
and the Ten-Month Period Ended December 31, 2017

(Stated in Canadian dollars)

Suite 1810 – 999 West Hastings Street
Vancouver, BC, Canada
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eCobalt Solutions Inc.

December 31, 2018 and December 31, 2017

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ECOBALT SOLUTIONS INC.

Opinion
We have audited the consolidated financial statements of eCobalt Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the ten-month period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and the ten-month period ended December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $25,514,741 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $150,202,695. The Company will be required to obtain the necessary financing to complete the development of the Idaho Cobalt Project and commence commercial production. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 29, 2019

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eCobalt Solutions Inc.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

	Note	**December 31, 2018**	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**7,693,536**	11,740,992
Trade and other receivables		**100,120**	82,528
Deferred financing costs		**351,748**	-
Prepaid expenses and deposits		**653,144**	574,942
Total current assets		**8,798,548**	12,398,462
Reclamation bond	4	**2,610,922**	2,400,969
Mineral properties	5	**37,948,650**	27,399,687
Property, plant and equipment	6	**52,369,066**	45,037,993
Total assets		**101,727,186**	87,237,111
Liabilities			
Current liabilities			
Accounts payable		**1,489,608**	1,247,024
Accrued liabilities	10(b)(iii)	**2,671,084**	715,747
Total current liabilities		**4,160,692**	1,962,771
Provision for site reclamation and closure costs	7	**10,350,045**	6,123,070
Deferred tax liabilities		**35,507**	25,790
Total liabilities		**14,546,244**	8,111,631
Shareholders' Equity			
Common shares	9	**211,596,292**	182,145,265
Share purchase warrants reserve		**12,752,848**	10,820,048
Share-based payments reserve		**12,481,728**	10,295,352
Foreign currency translation reserve		**552,769**	552,769
Deficit		**(150,202,695)**	(124,687,954)
Total shareholders' equity		**87,180,942**	79,125,480
Total liabilities and shareholders' equity		**101,727,186**	87,237,111

Commitments (Note 16)

"David Smith"
Director

"Michael Callahan"
Director

eCobalt Solutions Inc.

Consolidated Statements of Operations and Comprehensive Loss for the Year Ended December 31, 2018 and the Ten-Month Period Ended December 31, 2017

(Stated in Canadian dollars)

	Note	**December 31, 2018**	December 31 2017
		$	$
Expenses			
Accounting and audit		**133,665**	125,560
Accretion expense on site reclamation and closure	7	**248,049**	115,329
Bank charges and interest expense		**30,694**	21,171
Depreciation	6	**223,886**	57,034
Directors' fees and expenses	10(b)(iii)	**187,849**	123,006
Foreign exchange loss (gain)		**371,826**	(176,095)
Legal and advisory fees		**242,945**	129,652
Listing and filing fees		**148,254**	53,398
Office		**726,683**	420,091
Retirement allowance	10(b)(i)	**975,000**	-
Salary and wages	10(b)	**1,531,036**	1,452,402
Shareholder relations		**1,351,676**	494,299
Share-based payments	9(b)(iii), 10(b)(ii)	**2,248,181**	992,309
Loss from operating activities		**(8,419,744)**	(3,808,156)
Impairment of mineral properties	5	**(697,980)**	-
Impairment of property, plant and equipment	6	**(16,820,451)**	-
Other income		**433,151**	179,901
Loss before income taxes		**(25,505,024)**	(3,628,255)
Income tax (expense) recovery		**(9,717)**	134
Net loss and comprehensive loss for the period		**(25,514,741)**	(3,628,121)
Basic and diluted loss per share	9(d)	**(0.16)**	(0.03)
Weighted average number of common shares outstanding		**155,768,474**	130,059,733

See accompanying notes to the consolidated financial statements.

eCobalt Solutions Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

	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 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	9(a)(iv)	1,186,182	632,379	-	(229,074)	-	-	403,305
Issuance of common shares on exercise of share purchase warrants	9(a)(v)	4,101,313	3,082,693	(684,276)	-	-	-	2,398,417
Share-based payments	9(b)(iii)	-	-	-	992,309	-	-	992,309
Net loss and comprehensive loss		-	-	-	-	-	(3,628,121)	(3,628,121)
Balance, December 31, 2017		132,597,451	182,145,265	10,820,048	10,295,352	552,769	(124,687,954)	79,125,480
Issuance of common shares on exercise of stock options	9(a)(i)	265,000	175,355	-	(61,805)	-	-	113,550
Issuance of common shares on exercise of share purchase warrants	9(a)(ii)	4,184,935	4,585,310	(1,261,150)	-	-	-	3,324,160
Issuance of common shares and warrants for cash, net of share issue costs	9(a)(iii)	23,000,000	24,690,362	3,193,950	-	-	-	27,884,312
Share-based payments	9(b)(iii)	-	-	-	2,248,181	-	-	2,248,181
Net loss and comprehensive loss		-	-	-	-	-	(25,514,741)	(25,514,741)
Balance, December 31, 2018		**160,047,386**	**211,596,292**	**12,752,848**	**12,481,728**	**552,769**	**(150,202,695)**	**87,180,942**

See accompanying notes to the consolidated financial statements.

eCobalt Solutions Inc.

Consolidated Statements of Cash Flows
for the Year Ended December 31, 2018 and the Ten-Month
Period Ended December 31, 2017

(Stated in Canadian dollars)

	Note	December 31, 2018	December 31, 2017
		$	$
Operating activities			
Net loss for the period		**(25,514,741)**	(3,628,121)
Items not involving cash			
Accretion expense on site reclamation and closure	7	**248,049**	115,329
Depreciation	6	**223,886**	57,034
Deferred income tax expense (recovery)	8	**9,717**	(134)
Shared-based payments	9(b)(iii)	**2,248,181**	992,309
Unrealized foreign exchange loss (gain)		**366,952**	(446,799)
Impairment of mineral properties	5	**697,980**	-
Impairment of property, plant and equipment	6	**16,820,451**	-
Change in working capital items	12	**(1,878,345)**	(760,326)
Net cash used by operating activities		**(6,777,870)**	(3,670,708)
Investing activities			
Reclamation bond		**-**	407,690
Mineral property expenditures	5	**(7,165,817)**	(3,621,265)
Purchase of property, plant and equipment, net of deposits	6	**(21,685,649)**	(3,569,836)
Net cash used by investing activities		**(28,851,466)**	(6,783,411)
Financing activities			
Issuance of common shares and warrants	9(a)(iii)	**29,900,000**	-
Share issue costs	9(a)(iii)	**(2,015,688)**	-
Exercise of share purchase warrants	9(a)(ii)	**3,324,160**	2,398,417
Exercise of stock options	9(a)(i)	**113,550**	403,305
Net cash provided by financing activities		**31,322,022**	2,801,722
Effects of exchange rate changes on the balance of cash held in foreign currencies		**259,858**	172,036
Net cash outflows during the period		**(4,047,456)**	(7,480,361)
Cash and cash equivalents, beginning of period		**11,740,992**	19,221,353
Cash and cash equivalents, end of period		**7,693,536**	11,740,992

Financial position as at	December 31, 2018	December 31, 2017
Cash and cash equivalents are comprised of:		
Cash	**2,651,478**	9,139,525
Cash equivalents	**5,042,058**	2,601,467
	7,693,536	11,740,992

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements.

1. Nature of business and going concern

eCobalt Solutions Inc. ("the Company" or "eCobalt") 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, copper and gold.

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 originally completed on the ICP in 2007. 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 million was delivered to a staging area outside the town of Salmon, Idaho. During fiscal 2018, an additional US$27 million was spent on pre-construction activities to get the ICP ready for development, including the advancement and completion of environmental systems, as required by the Mine Plan. The final phase of construction will involve underground development and the construction of the mill and concentrator and other ancillary facilities at the ICP mine site.

The Company filed a National Instrument 43-101 compliant Feasibility Study Technical Report ("FS") for the ICP on SEDAR 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 pounds of cobalt, 3.3M pounds 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/pound for contained cobalt in cobalt sulfate. The FS has been compiled in accordance with NI 43-101 guidelines. Since the release of the FS, the Company has engaged in tasks to enhance project economics and to further reduce overall risks of the ICP, the results of which will be released in a new FS.

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

Going concern

At December 31, 2018, the Company had working capital of $4,637,856 (December 31, 2017 - $10,435,691). For the year ended December 31, 2018, the Company reported a comprehensive loss of $25,514,741 (December 31, 2017 – loss of $3,628,121) and an accumulated deficit of $150,202,695 (December 31, 2017 - $124,687,954).

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 and on February 23, 2018 for gross proceeds of $29,900,000 by issuing 23,000,000 units at $1.30 per unit (Note 9(a)(iii)). The Company filed a renewal of the Shelf Prospectus on March 15, 2019 (Note 17(b)).

1. Nature of business and going concern (continued)

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 establish 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

(a) Change in year end

Effective October 18, 2017, the Company changed its financial year end from February 28 to December 31. Accordingly, these consolidated financial statements present the consolidated statement of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the ten-month period ended December 31, 2017.

(b) 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").

These consolidated financial statements were approved by the Board of Directors on March 29, 2019.

(c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Significant judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Actual results could differ materially from those estimates and would impact future results of operations and cash flows. Significant judgments and estimates were used in the preparation of these consolidated financial statements; these include but are not limited to the following:

2. Basis of preparation (continued)

(d) Significant judgments and estimates (continued)

Judgments

(i) Annually, the Company assesses whether indicators of impairment exist with respect to mineral properties, and property, plant and equipment. If indicators of impairment are identified, then the Company assesses whether its asset carrying values are greater than their recoverable values. The recoverable value is the higher of an asset's fair value less costs to sell, and its value in use. The determination of the recoverable amount of mineral properties and property, plant and equipment includes critical judgments by management of items including discount rates, future commodity prices, production levels, operating and capital expenditures, taxes, length of mine life, mineral reserves and resources, and other assumptions used within the Company's mine model for assessing possible impairment. Should those judgments prove to be inaccurate, the assessed recoverable amounts could differ materially from their actual amounts.

With respect to impairment of property, plant and equipment recognized in 2018, management judgement was used to determine whether or not those assets will be used in future development of the ICP and the estimated net realizable value of those assets.

(ii) The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

(iii) Judgments by management with respect to the useful lives of property, plant and equipment, and related rates of depreciation could result in carrying values of the underlying assets being over or understated, should those judgments be determined to be incorrect.

(iv) The functional and presentation currencies of the Company are the Canadian dollar. The functional currencies of the Company's subsidiaries are also the Canadian dollar. Activities of the subsidiaries are integrated with the operations of the parent company. Should management's judgment about the nature of a subsidiary differ from its actual nature, a material difference in the cumulative translation adjustment and/or foreign exchange gain (loss) could result.

Estimates

(i) The carrying value of mineral properties, exploration and development expenditures incurred, and property, plant and equipment, and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates and judgments. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures are unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

2. Basis of preparation (continued)

(d) Significant judgments and estimates (continued)

(ii) The provision for site reclamation and closure costs (Note 7) requires the Company to examine its site reclamation and closure cost obligations annually. Significant estimates and assumptions are made to determine provision for site reclamation and closure cost due to various factors that will affect the ultimate liability. These factors include estimates of extent and cost of reclamation activities, technological and regulatory changes, cost increases and changes in discount rates. Uncertainty of these factors may result in future actual reclamation expenditures being materially different from current estimates.

(iii) The provision for income and mining taxes including expected recovery and periods of reversals of timing differences and composition of deferred income tax assets and liabilities (Note 8) requires significant estimates about the future profitability, ability to utilize deferred tax assets and future income tax rates, among others. Should the Company's performance differ from management's estimates, or should future tax rates change, the Company's estimate of income and mining taxes could differ materially from current estimates.

(iv) The fair value of stock options and warrants are subject to measurement by the Black-Scholes option pricing model, which requires market data and estimates made by the Company as inputs to the calculation. These inputs are subjective assumptions and changes in these inputs could materially affect the fair value estimated.

(e) Change in accounting estimate

In accordance with its policy, the Company reviews the significant classes, estimated useful lives and methods of depreciation of its property, plant and equipment on an ongoing basis. As a result of this review, effective January 1, 2018, the Company expanded the significant classes of its property, plant and equipment and changed the estimated useful lives to more accurately reflect the estimated periods during which these assets will remain in service. The Company also changed the method of depreciation from declining balance to straight-line, which more closely aligns depreciation recognized with the use of the assets.

The significant classes of property, plant and equipment, the estimated useful lives and the methods of depreciation are disclosed in Note 3(e).

This change in estimate has been applied prospectively and results in an immaterial decrease in depreciation expense and net loss and comprehensive loss for the year ended December 31, 2018 and for future periods.

Prior period classification of property, plant and equipment has been reclassified to conform with current period presentation as a result of this change in estimate.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements of the Company include the accounts of eCobalt Solutions Inc. and, either directly or indirectly, its wholly-owned subsidiaries: Formation Capital Corporation, U.S., a Nevada corporation; Essential Metals Corporation®, an Idaho corporation; Coronation Mines Ltd., a Saskatchewan corporation; Minera Terranova S.A. de C.V., a Mexican company; Formations Holdings US, Inc., an Idaho corporation; US Cobalt, Inc., an Idaho corporation and Formations Holdings Corp., a British Columbia corporation. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All inter-company transactions, balances, revenues and expenses have been eliminated.

(b) Functional and presentation currency and translation

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which eCobalt Solutions Inc. and each of its subsidiaries operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is eCobalt Solutions Inc.’s functional currency. All subsidiaries of the Company also have their functional currency in Canadian dollars.

Foreign exchange transactions are recorded at the rate of exchange on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the reporting period exchange rates for monetary assets and liabilities denominated in currencies other than the functional currency are recognized in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency are translated at their historic rates of exchange.

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits in banks and highly liquid short-term investments with original maturities of three months or less.

(d) Mineral properties

Acquisition costs of mineral properties together with direct exploration and development expenditures thereon are capitalized. These costs will be amortized using the unit-of-production method based on proven and probable reserves on the commencement of commercial production or written-down as the properties are sold, allowed to lapse, abandoned, or, in the case of development properties, determined to be impaired. Mineral property costs not directly attributable to specific properties are expensed during the year.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

Property, plant and equipment are depreciated to estimated residual value using the straight-line method. Management reviews the estimated useful lives, residual values and depreciation methods for the Company's property, plant and equipment annually and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Assets under construction or undergoing refurbishment will be depreciated when they are available for their intended use, over their estimated useful lives.

The significant classes of property, plant and equipment, the estimated useful lives and the methods of depreciation are as follows:

• Buildings	20 years straight-line method
• Vehicles	5 years straight-line method
• Mobile equipment	7 years straight-line method
• Office and field equipment	5 years straight-line method
• Furniture and fixtures	3 years straight-line method

(f) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there are any indicators that its property, plant and equipment and mineral properties are impaired. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's 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.

Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

(g) Income taxes

Current taxes

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the consolidated statement of financial position date, and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxes

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses can be utilized, except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each consolidated statement of financial position date and is derecognized to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of operations and comprehensive loss.

(h) Share capital

Common shares issued are classified as equity. Transaction costs directly attributable to the issuance of common shares and other equity instruments of the Company are recognized as a deduction from share capital or other equity.

The proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the relative fair value method. Under the relative fair value method, gross proceeds are proportionately allocated between common shares and share purchase warrants at the time of issuance, determined by reference to the quoted market price of the common shares on the issuance date.

3. Significant accounting policies (continued)

(i) Share-based payments

Share-based payments made to employees are measured and recognized using the fair value based method. Stock-options are typically issued fully vested and are valued at the date of grant using the Black-Scholes option pricing model with a corresponding increase to the share-based payments reserve. When stock options are issued with a vesting period, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model and compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing share-based payments reserve. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in share-based payments reserve is recorded as an increase to common shares.

(j) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method. Common equivalent shares are omitted from diluted loss per share calculation when their effect is anti-dilutive.

(k) Site reclamation and closure cost obligations

The Company records a provision for the estimated future costs of site reclamation and closure of operating projects, which are discounted to net present value using the risk-free interest rate applicable to the future cash outflows. Estimates of future costs represent management's best estimate which incorporate assumptions on the effects of inflation, movements in foreign exchange rates, other specific risks associated with the related liabilities. A provision for reclamation and closure is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining activities, changes to cost estimates and changes to the risk-free interest rate. A provision for site reclamation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs. Reclamation and closure cost obligations relating to mine development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties.

3. Significant accounting policies (continued)

(l) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

The Company adopted the new accounting standard IFRS 9, Financial Instruments effective January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 as there were no changes to the Company's assets or liabilities classifications as a result of this new accounting standard.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at January 1, 2018:

Financial assets	**Previous classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	Fair value through profit or loss	Fair value through profit or loss
Trade and other receivables	Loans and receivables - amortized cost	Amortized cost
Reclamation bond	Loans and receivables - amortized cost	Amortized cost
Financial liabilities	**Previous classification under IAS 39**	**New classification under IFRS 9**
Accounts payable and accrued liabilities	Other financial liabilities - amortized cost	Amortized cost

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income ("FVOCI"); or Fair Value through Profit or Loss ("FVPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) it is not designated as FVPL. This category of financial assets is subsequently measured at amortized cost using the effective interest method, and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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3. Significant accounting policies (continued)

(l) Financial instruments (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. Equity investments measured at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise. Financial assets classified as FVPL are subsequently measured at fair value, with net gains and losses, including any interest or dividend income, recognized in profit or loss.

Financial assets at amortized cost

Loans and receivables with fixed or determinable payments that are not quoted in an active market are designated as amortized cost. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include trade and other receivables and reclamation bond.

Financial assets at fair value through other comprehensive income ("FVOCI")

Marketable securities, investment in subscription receipts and reclamation deposits are designated as FVOCI and recorded at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. The Company does not have any financial assets classified as FVOCI.

Financial instruments at fair value through profit or loss ("FVPL")

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVPL. The Company has no derivative financial instruments or designated hedges. Financial instruments classified as FVPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include cash and cash equivalents.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities under this method.

3. Significant accounting policies (continued)

(l) Financial instruments (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Segment reporting

The Company reports segment results based on two operating segments (corporate, exploration and development), and two geographical locations of its assets (Canada and United States).

(n) Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB that were mandatory for accounting periods beginning on or after January 1, 2018. The Company adopted the following new or amended IFRS pronouncements effective January 1, 2018.

The adoption of these new or amended IFRS pronouncements did not have a material effect on the Company's consolidated financial statements or disclosures.

(i) IFRS 9 *Financial Instruments*

The following standards will become effective in future periods:

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has determined the adoption of this new standard will not have a material impact on its consolidated financial statements.

(Stated in Canadian Dollars, unless otherwise noted)

4. 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 (December 31, 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 ICP.

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 (December 31, 2017 – US$1,913,885) 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

(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.

		December 31, 2018	December 31, 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**	1,913,885
Foreign exchange rate		**1.3642**	1.2545
Reclamation bond	CDN$	**2,610,922**	2,400,969

(Stated in Canadian Dollars, unless otherwise noted)

5. Mineral properties

Mineral properties at December 31, 2018 and December 31, 2017 consist of:

	December 31, 2018	Impairment	Additions	December 31, 2017
	$		$	$
Idaho Cobalt Belt (a)				
Idaho Cobalt Project (i)	**36,870,616**	-	10,987,030	25,883,586
Other Projects (b)				
Kernaghan Lake (i)	**-**	(697,980)	186,812	511,168
Virgin River (ii)	**1,045,258**	-	73,101	972,157
Other	**32,776**	-	-	32,776
	1,078,034	(697,980)	259,913	1,516,101
	37,948,650	(697,980)	11,246,943	27,399,687

	December 31, 2017	Impairment	Additions	February 28, 2017
	$		$	$
Idaho Cobalt Belt (a)				
Idaho Cobalt Project (i)	25,883,586	-	5,464,447	20,419,139
Other Projects (b)				
Kernaghan Lake (i)	511,168	-	22,568	488,600
Virgin River (ii)	972,157	-	30,741	941,416
Other	32,776	-	-	32,776
	1,516,101	-	53,309	1,462,792
	27,399,687	-	5,517,756	21,881,931

During the year ended December 31, 2018, the Company spent $7,165,817 (December 31, 2017 - $3,621,265) and accrued $775,166 (December 31, 2017 - $175,466) on mineral properties. A non-cash adjustment of $3,305,960 (December 31, 2017 - $1,721,025) for site reclamation and closure cost was also made (Note 6), resulting in a total addition of $11,246,943 (December 31, 2017 - $5,517,756) for the period.

(a) Idaho Cobalt Belt

(i) Idaho Cobalt Project

The Company owns a 100% interest in 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).

5. Mineral properties (continued)

(b) Other projects

(i) Kernaghan / Bell Project

The Company granted an option whereby the optionee has earned an 80% interest in certain mineral claims by making certain payments (received), and completing exploration work totaling $1,000,000 (completed).

The Company is participating at the 20% level, and has the option to dilute to a 7% participation level which then becomes a net profit interest. The optionee has the right to purchase all or part of the net profit interest during the first year of commercial production by paying $700,000 per percentage point which increases to $800,000 per percentage point during the second year of production.

The operator of the project, Orano Canada Inc. (“Orano”) (previously named AREVA Resources Canada), did not conduct any exploration work during the year ended February 28, 2017. In 2018, all of the claims required an assessment filing totaling $103,845. The cost of the 2018 exploration program including overhead was $902,000, with the Company’s share being $180,000 (20%). The 2018 exploration program brought the project claims into good standing until 2025. Accordingly, there is no requirement to complete further work on the project until this date.

During the year ended December 31, 2018, the Company fully impaired the Kernaghan / Bell Project by $697,980 (December 31, 2017 – $Nil) resulting in a carrying cost of $nil. The impairment was the result of the operator not having any plan or budget to explore the property further, and the Company having no basis with which to value the property. The impairment was determined in accordance with IFRS 6 and fully impaired in accordance with IAS 36 using level 3 of the fair value hierarchy.

(ii) Virgin River

The Company owns 2% of the Virgin River project located in the Athabasca Basin of northern Saskatchewan. Cameco Corporation (“Cameco”) and Orano each own 49% in the joint exploration agreement with Cameco as the operator of the project. The Company has the first right of offer to acquire up to 10% of the project; a right which has been carried through to $10,000,000 of exploration and development.

During the year ended February 29, 2008, the Company was advised by its joint venture partners that the first $10,000,000 of exploration expenditures had been met. An updated joint venture agreement and confirmation of expenditures were concluded. As at December 31, 2018, approximately $36,630,000 has been spent on the project, with $2,345,000 spent in 2018 and the Company’s share being 2%.

A budget of $2,200,000 has been proposed for 2019 to further evaluate the Dufferin Lake Fault through electromagnetic geophysical surveys and six diamond drill holes expected to total approximately 6,000 meters. The claims are in good standing until 2035.

(Stated in Canadian Dollars, unless otherwise noted)

6. Property, plant and equipment

	Land	Buildings	Vehicles	Mobile equipment	Office and field equipment	Furniture and fixtures	Project construction and maintenance	Total
	$	$	$	$	$	$	$	$
Cost								
As at February 28, 2017	200,935	525,905	13,885	308,559	173,872	408,624	40,144,773	41,776,553
Additions for the year	353,259	-	135,364	52,527	43,472	956	3,850,980	4,436,558
As at December 31, 2017	554,194	525,905	149,249	361,086	217,344	409,580	43,995,753	46,213,111
Additions for the year	-	702,277	479,884	895,610	98,422	51,151	22,148,066	24,375,410
Impairment for the year	-	-	-	-	-	-	(16,820,451)	(16,820,451)
As at December 31, 2018	**554,194**	**1,228,182**	**629,133**	**1,256,696**	**315,766**	**460,731**	**49,323,368**	**53,768,070**
Accumulated Depreciation								
As at February 28, 2017	-	(245,566)	(13,884)	(308,559)	(169,304)	(380,771)	-	(1,118,084)
Additions for the year	-	(15,048)	(17,462)	(7,812)	(11,558)	(5,154)	-	(57,034)
As at December 31, 2017	-	(260,614)	(31,346)	(316,371)	(180,862)	(385,925)	-	(1,175,118)
Additions for the year	-	(21,388)	(66,963)	(97,827)	(20,820)	(16,888)	-	(223,886)
As at December 31, 2018	**-**	**(282,002)**	**(98,309)**	**(414,198)**	**(201,682)**	**(402,813)**	**-**	**(1,399,004)**
Carrying Value								
As at December 31, 2017	554,194	265,291	117,903	44,715	36,482	23,655	43,995,753	45,037,993
As at December 31, 2018	**554,194**	**946,180**	**530,824**	**842,498**	**114,084**	**57,918**	**49,323,368**	**52,369,066**

The Company capitalizes the costs associated with construction and maintenance of the mine, mill and processing facility and will depreciate these assets when they are put into use.

During the year ended December 31, 2018, the Company spent $21,685,649 (December 31, 2017 - $3,569,836) and accrued $2,689,761 (December 31, 2017 - $866,722) on property, plant and equipment, resulting in total additions of $24,375,410 (December 31, 2017 - $4,436,558) for the period.

(Stated in Canadian Dollars, unless otherwise noted)

6. Property, plant and equipment (continued)

In accordance with the Company's accounting policies, it assesses whether there are any indicators that its property, plant and equipment are impaired at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use.

As at December 31, 2018, the Company recognized an impairment charge to project construction and maintenance of $16,820,451 (December 31, 2017 - $Nil). During fiscal 2018, the Company focused on completing pre-construction activities to get the ICP ready for development, including the advancement of environmental systems, procurement of equipment and completion of access and maintenance roads. During this period, the Company identified certain equipment and capitalized costs from the pre-2013 construction period which have become redundant or obsolete. Accordingly, these assets have been fully impaired in accordance with IAS 36 using level 3 of the fair value hierarchy.

7. 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 December 31, 2018 were $9,831,184 or US$7,206,557 (December 31, 2017 - $4,785,955 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 3.13% and rate of inflation of 2.90% (December 31, 2017 - US Treasury Bond rate of 2.25% and rate of inflation of 3.30%) resulting in a combined rate of 0.224% (December 31, 2017 – (1.016)%), discounted by 15.5 years. The Company assumes that reclamation and decommissioning will take place over a three-year period, commencing after the 12.5 year mine life.

	$
Reclamation and closure cost, February 28, 2017	4,671,199
Accretion expense	115,329
Change in discount rate	1,721,025
Foreign exchange	(384,483)
Reclamation and closure cost, December 31, 2017	6,123,070
Additions	4,828,960
Accretion expense	248,049
Change in discount rate	(1,523,000)
Foreign exchange	672,966
Reclamation and closure cost, December 31, 2018	**10,350,045**

(Stated in Canadian Dollars, unless otherwise noted)

8. Income taxes

(a) Income tax expense (recovery)

Income tax expense recognized in net loss for the year ended December 31, 2018 is $9,717 (December 31, 2017 – recovery of $134).

The components of deferred income tax expense (recovery) are as follows:

	December 31, 2018	December 31, 2017
	$	$
Non-capital losses	**(5,755,585)**	913,554
Provision for site reclamation and closure costs	**-**	-
Unrealized foreign exchange gains	**1,696,853**	(839,663)
Property, plant and equipment	**(118,713)**	(75,827)
Mineral properties and other	**4,187,162**	1,802
	9,717	(134)

(b) Rate reconciliation

Income tax expense differs from the amount that would result by applying Canadian federal and provincial income tax rates to loss before income taxes. The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the income tax recovery for the year ended December 31, 2018 and the ten-month period ended December 31, 2017.

	December 31, 2018	December 31, 2017
	$	$
Loss before income taxes	**(25,505,024)**	(3,628,255)
Canadian federal and provincial income tax rate	**27.00%**	26.00%
Expected income tax recovery	**(6,886,356)**	(943,346)
Increase (decrease) attributable to:		
Non-deductible expenses	**5,348,992**	384,677
Losses and temporary differences for which no deferred income tax asset has been recognized	**1,547,500**	946,597
Effect of different tax rates in foreign jurisdictions	**(419)**	(388,062)
Income tax expense (recovery)	**9,717**	(134)

(Stated in Canadian Dollars, unless otherwise noted)

8. Income taxes (continued)

(b) Deferred tax assets and liabilities

The components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
	$	$
Deferred tax asset:		
Non-capital losses	**(7,968,465)**	(2,212,880)
Deferred tax liabilities:		
Unrealized foreign exchange gains	**3,768,172**	2,071,319
Property, plant and equipment	**-**	118,713
Mineral properties and other	**4,235,800**	48,638
	8,003,972	2,238,670
Deferred income tax liabilities, net	**35,507**	25,790

The Company's unrecognized tax losses, deductible temporary differences and tax credits are as follows:

	December 31, 2018	December 31, 2017
	$	$
Non-capital losses	**58,784,810**	64,515,683
Provision for site reclamation and closure costs	**10,351,578**	6,123,070
Financing fees	**2,344,857**	1,071,081
Property, plant and equipment	**32,808,248**	10,285,972
Mineral properties and other	**(3,342,043)**	3,213,135
	100,947,450	85,208,941

(c) Non-capital losses

The Company has losses for income tax purposes in the United States of $58,784,810 for which no tax benefit has been recorded. The losses will expire between 2021 and 2038 if not utilized.

Continuity of changes in the Company's net deferred tax liability is as follows:

	December 31, 2018	December 31, 2017
	$	$
Balance, beginning of period	**25,790**	25,924
Deferred income tax expense (recovery)	**9,717**	(134)
Balance, end of period	**35,507**	25,790

(Stated in Canadian Dollars, unless otherwise noted)

9. 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 December 31, 2018, the Company had no preferred shares outstanding and 160,047,386 (December 31, 2017 – 132,597,451) common shares issued and outstanding.

(i) During the year ended December 31, 2018, 265,000 common shares were issued for stock options that were exercised. These include 30,000 options with an exercise price of $0.21, 160,000 options with an exercise price of $0.30, 50,000 options with an exercise price of $0.60 and 25,000 options with an exercise price of $1.17 for total proceeds of $113,550. Upon exercise, the Company transferred $61,805 from share-based payments reserve to common shares.

(ii) During the year ended December 31, 2018, 4,184,935 common shares were issued on exercise of share purchase warrants. These include 2,568,733 warrants with an exercise price of $0.40, 1,503,250 warrants with an exercise price of $1.50 and 112,952 warrants with an exercise price of $0.37 for total proceeds of $3,324,160. Upon exercise, the Company transferred $1,261,150 from share purchase warrants reserve to common shares.

(iii) On February 23, 2018, the Company completed a bought deal financing and issued 23,000,000 units at $1.30 per unit for gross proceeds of $29,900,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $1.95 expiring August 23, 2019. The Company paid $2,015,688 for commission, legal and other expenses related to the financing. The fair value of the common shares was determined using the market price of the Company's shares on the date of issue. The fair value of the common share purchase warrants was computed using the Black-Scholes option pricing model, using the parameters outlined below. The net proceeds were then proportionately allocated using the relative fair value method to common shares ($24,690,362) and common share purchase warrants ($3,193,950). The Company used the following weighted average assumptions to estimate the fair values as follows.

	Unit Warrants
Risk free interest rate	1.74%
Expected life (years)	1.5
Annualized volatility	73%
Expected dividend	$Nil
Stock price	$1.33
Exercise price	$1.95

9. Share capital (continued)

(a) Authorized and issued (continued)

(iv) During the ten months ended December 31, 2017, 1,186,182 common shares were issued for stock options that were exercised. These include 493,000 options with an exercise price of $0.20, 125,000 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 $403,305. Upon exercise, the Company transferred $229,074 from share-based payments reserve to common shares.

(v) During the ten months ended December 31, 2017, 4,101,313 common shares were issued on exercise of share purchase warrants. These include 3,317,867 warrants with an exercise price of $0.40, 91,946 warrants with an exercise price of $0.37 and 691,500 warrants with an exercise price of $1.50 for total proceeds of $2,398,417. Upon exercise, the Company transferred $684,276 from share purchase warrants reserve to common shares.

(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 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
- The remaining 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 December 31, 2018 was 16,004,739 (December 31, 2017 - 13,259,745). 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.

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(b) Stock options (continued)

(i) As at December 31, 2018, outstanding and exercisable stock options were as follows:

Options Outstanding	Options Exercisable	Exercise price	Weighted avg remaining contractual life	Expiry date
		$		
360,000	360,000	0.21	0.48 years	June 25, 2019
1,376,500	1,376,500	0.20	1.32 years	April 27, 2020
1,760,000	1,760,000	0.60	2.68 years	September 6, 2021
1,955,000	1,221,875	1.17	3.49 years	June 28, 2022
375,000	234,375	1.17	3.52 years	July 7, 2022
175,000	109,375	1.16	3.76 years	October 5, 2022
140,000	35,000	1.92	4.03 years	January 11, 2023
60,000	15,000	1.38	4.11 years	February 9, 2023
100,000	25,000	1.40	4.20 years	March 12, 2023
200,000	50,000	1.39	4.27 years	April 6, 2023
2,725,000	681,250	1.00	4.49 years	June 28, 2023
210,000	52,500	0.83	4.73 years	September 24, 2023
1,200,000	300,000	0.87	4.76 years	October 2, 2023
100,000	25,000	0.63	4.84 years	November 1, 2023
10,736,500	6,245,875	0.85		

As at December 31, 2017, 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	0.05 years	January 18, 2018
100,000	25,000	1.17	0.05 years	January 18, 2018
160,000	160,000	0.30	0.09 years	February 1, 2018
390,000	390,000	0.21	1.48 years	June 25, 2019
1,376,500	1,376,500	0.20	2.32 years	April 27, 2020
1,760,000	1,760,000	0.60	3.68 years	September 6, 2021
1,955,000	488,750	1.17	4.49 years	June 28, 2022
375,000	93,750	1.17	4.52 years	July 7, 2022
175,000	43,750	1.16	4.76 years	October 5, 2022
6,341,500	4,387,750	0.72		

(Stated in Canadian Dollars, unless otherwise noted)

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9. Share capital (continued)

(b) Stock options (continued)

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

	December 31, 2018	**Weighted avg exercise price**	December 31, 2017	Weighted avg exercise price
		$		$
Balance outstanding, beginning of period	**6,341,500**	**0.72**	4,902,682	0.39
Activity during the period				
Options granted	**4,810,000**	**1.01**	2,625,000	1.16
Options exercised	**(265,000)**	**0.43**	(1,186,182)	0.34
Options forfeited	**(150,000)**	**1.28**	-	-
Balance outstanding, end of period	**10,736,500**	**0.85**	6,341,500	0.72

(iii) During the year ended December 31, 2018, 4,810,000 (December 31, 2017 – 2,228,182) stock options were granted to directors, officers, employees and/or consultants of the Company. Using the Black-Scholes option pricing model, the Company recognized share-based payments of $2,248,181 related to stock options vested during the period (December 31, 2017 - $992,309).

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

	December 31, 2018	**December 31, 2017**
Risk free interest rate	1.84%	1.31%
Expected life (years)	5	5
Annualized volatility	78%	80%
Expected dividend	$Nil	$Nil
Stock price	$1.05	$1.14
Exercise price	$1.07	$1.17

The Black-Scholes option pricing model requires the input of highly subjective assumptions regarding volatility. The Company has used historical volatility of the Company's share price to estimate the annualized volatility used in its Black Scholes option pricing model.

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(c) Warrants

(i) As at December 31, 2018, the outstanding and exercisable share purchase warrants were as follows:

	Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
		$		
	948,750	1.35	0.16 years	February 28, 2019
*	6,430,250	1.50	0.16 years	February 28, 2019
	11,500,000	1.95	0.64 years	August 23, 2019
	18,879,000	1.77		

As at December 31, 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	0.42 years	June 1, 2018
	2,568,733	0.40	0.42 years	June 1, 2018
	948,750	1.35	1.16 years	February 28, 2019
*	7,933,500	1.50	1.16 years	February 28, 2019
	11,563,939	1.23		

* 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 year ended December 31, 2018 and the ten-month period ended December 31, 2017 were as follows:

	December 31, 2018	**Weighted avg exercise price**	December 31, 2017	Weighted avg exercise price
		$		$
Balance outstanding, beginning of period	**11,563,935**	**1.23**	15,665,248	1.06
Activity during the period				
Warrants granted	**11,500,000**	**1.95**	-	-
Warrants exercised	**(4,184,935)**	**0.79**	(4,101,313)	0.58
Balance outstanding, end of period	**18,879,000**	**1.77**	11,563,935	1.23

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(d) Loss per share

	December 31, 2018	December 31, 2017
Net loss	**$ (25,505,024)**	$ (3,628,255)
Weighted average number of common shares outstanding	**155,768,474**	130,059,733
Loss per share - basic and diluted	**$ (0.16)**	$ (0.03)
The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding:		
Stock options	**9,000,000**	4,387,750
Warrants	**18,879,000**	11,563,939

10. Related party transactions

(a) Subsidiaries

	Ownership interest	
	December 31, 2018	December 31, 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%

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)

10. Related party transactions (continued)

(b) Compensation of key management personnel

The compensation to directors and officers of the Company during the year ended December 31, 2018 and the ten-month period ended December 31, 2017 were as follows:

		December 31, 2018	December 31, 2017
		$	$
Salaries and short-term employee benefits including bonuses		**967,783**	1,222,659
Retirement allowance	(i)	**975,000**	-
Share-based payments	(ii)	**1,514,538**	646,550
Directors' fees	(iii)	**174,000**	109,750
		3,631,321	1,978,959

(i) During the year ended December 31, 2018, the Company paid or accrued retirement allowance of $975,000 (December 31, 2017 - $Nil) due to the retirement of two members of senior management in accordance with their employment agreements.

(ii) Share-based payments (non-cash expense) are based on the fair value of stock options granted to directors and officers of the Company. During the year ended December 31, 2018, 3,350,000 stock options were granted to directors and officers who are considered key management of the Company (December 31, 2017 – 2,025,000). Using the Black-Scholes option pricing model, the Company recognized share-based payments of $1,514,538 related to stock options held by directors and officers which vested during the year (December 31, 2017 - $646,550).

(iii) During the year ended December 31, 2018, the Company paid or accrued directors fees of $174,000 (December 31, 2017 - $109,750). The Company also reimbursed directors for business related expenses in the amount of $13,849 (December 31, 2017 - $13,256). Outstanding balances owed to directors and officers at December 31, 2018 were $45,000 (December 31, 2017 - $52,000).

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 $1,990,000 in the event that certain senior management is terminated without cause and up to $2,600,000 in the event of a change in control as defined in the agreements.

(Stated in Canadian Dollars, unless otherwise noted)

11. 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 December 31, 2018
	Canada	United States	Total
	$	$	$
Non-current Assets			
Mineral properties	1,893,734	36,054,916	37,948,650
Property, plant and equipment	142,487	52,226,579	52,369,066
Reclamation bond	-	2,610,922	2,610,922
Total non-current assets	2,036,221	90,892,417	92,928,638

			As at December 31, 2017
	Canada	United States	Total
	$	$	$
Non-current Assets			
Mineral properties	1,483,325	25,916,362	27,399,687
Property, plant and equipment	23,130	45,014,863	45,037,993
Reclamation bond	-	2,400,969	2,400,969
Total non-current assets	1,506,455	73,332,194	74,838,649

			As at December 31, 2018
	Exploration and development	Corporate	Total
	$	$	$
Total Assets	90,211,940	11,515,246	101,727,186
Total Liabilities	13,579,586	966,658	14,546,244

			As at December 31, 2017
	Exploration and development	Corporate	Total
	$	$	$
Total Assets	72,746,320	14,490,791	87,237,111
Total Liabilities	7,102,828	1,008,803	8,111,631

(Stated in Canadian Dollars, unless otherwise noted)

11. Segmented information (continued)

	For the year ended December 31, 2018		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion and interest expense	253,519	25,224	278,743
Depreciation	212,535	11,351	223,886
Foreign exchange loss	-	371,826	371,826
General and administrative	471,443	4,825,665	5,297,108
Share based compensation	-	2,248,181	2,248,181
Impairment of mineral properties	697,980	-	697,980
Impairment of property, plant and equipment	16,820,451	-	16,820,451
Other income	(11,301)	(421,850)	(433,151)
Loss before income taxes	18,444,627	7,060,397	25,505,024
Income tax expense	9,717	-	9,717
Net loss for the period	18,454,344	7,060,397	25,514,741

	For the ten-month period ended December 31, 2017		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion and interest expense	116,907	19,593	136,500
Depreciation	47,777	9,257	57,034
Foreign exchange gain	-	(176,095)	(176,095)
General and administrative	109,811	2,688,597	2,798,408
Share based compensation	-	992,309	992,309
Other income	(10,212)	(169,689)	(179,901)
Loss before income taxes	264,283	3,363,972	3,628,255
Income tax recovery	(134)	-	(134)
Net loss for the period	264,149	3,363,972	3,628,121

12. Supplemental cash flow information

Changes in operating working capital during the year ended December 31, 2018 and the ten-month period ended December 31, 2017 were comprised of the following:

	December 31, 2018	December 31, 2017
	$	$
Trade and other receivables	**(17,592)**	(23,645)
Deferred financing costs	**(351,748)**	-
Prepaid expenses and deposits	**(78,202)**	(477,078)
Accounts payable and accrued liabilities	**(1,430,803)**	(259,603)
Change in operating working capital for the periods ended	**(1,878,345)**	(760,326)

(Stated in Canadian Dollars, unless otherwise noted)

12. Supplemental cash flow information (continued)

Non-cash investing activities during the year ended December 31, 2018 and the ten-month period ended December 31, 2017 were comprised of the following:

	December 31, 2018	December 31, 2017
	$	$
Accounts payable and accrued liabilities related to mineral properties	**(775,166)**	(175,466)
Accounts payable and accrued liabilities related to property, plant and equipment	**(2,689,761)**	(866,722)
Provision for site reclamation and closure costs included in mineral properties	**(3,305,960)**	(1,721,025)
Change in non-cash investing activities for the periods ended	**(6,770,887)**	(2,763,213)

13. Capital risk management

The Company's objectives when managing capital are to ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern, continue the development and exploration of its mineral properties and to maximize growth of its business and provide returns to its shareholders. The Company's capital structure consists of debt facilities and certain components of shareholders' equity, which are: issued common shares, share purchase warrants, and share-based payments reserve less deficit.

The Company manages its capital structure and makes adjustments to it based on economic conditions and the risk characteristics of the underlying assets. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share or debt issuances or by undertaking other activities as deemed appropriate under specific circumstances.

Capital, as defined above, at December 31, 2018 and December 31, 2017 is summarized in the following table.

	December 31, 2018	December 31, 2017
	$	$
Common shares	**211,596,292**	182,145,265
Share purchase warrants reserve	**12,752,848**	10,820,048
Share-based payments reserve	**12,481,728**	10,295,352
Deficit	**(150,202,695)**	(124,687,954)
	86,628,173	78,572,711

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budget and quarterly updated forecasts are approved by the Board of Directors.

(Stated in Canadian Dollars, unless otherwise noted)

14. 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 assets classified as amortized cost consisting of trade and other receivables and the reclamation bond. Cash and cash equivalents and trade and other receivables 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 4). At December 31, 2018, the fair value of the reclamation bond is $2,522,112 (December 31, 2017 - $2,395,586) and is calculated in accordance with level 2 of the fair value hierarchy.

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

15. 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 bond.

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:

	December 31, 2018	December 31, 2017
	$	$
Cash and cash equivalents	**7,693,536**	11,740,992
Reclamation bond	**2,610,922**	2,400,969
Total	**10,304,458**	14,141,961

15. Financial risk management (continued)

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 Company's financial obligations and their maturity:

	December 31, 2018				December 31, 2017
	Within 1 year	**2-5 years**	**Over 5 years**	**Total**	Total
	$	**$**	**$**	**$**	$
Accounts payable	**1,489,608**	**-**	**-**	**1,489,608**	1,247,024
Accrued liabilities	**2,671,084**	**-**	**-**	**2,671,084**	715,747
	4,160,692	**-**	**-**	**4,160,692**	1,962,771

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 December 31, 2018, the Company's cash equivalents of $5,042,058 (December 31, 2017 - $2,601,467) are comprised of short-term GIC's that are redeemable in 30 days from the date of purchase and earn an interest rate of up to 1.70% (December 31, 2017 - 1.10%). The Company is not subject to material interest rate risk.

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.

(Stated in Canadian Dollars, unless otherwise noted)

15. Financial risk management (continued)

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.

At December 31, 2018, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately $35,000 (December 31, 2017 - $457,000).

16. Commitments

The following is a schedule of the Company's annual commitments as at December 31, 2018:

	Note	2019	2020	2021
		$	$	$
Mineral property expenditure	(a)	44,000	-	-
Office operating leases	(b)	105,077	8,591	-
Construction and professional service contracts	(c)	2,215,873	-	-
		2,364,950	8,591	-

(a) The Company has committed $44,000 towards the 2019 exploration program for the Virgin River joint venture, which represents the Company's 2% interest.

(b) The Company has office lease commitments totalling $113,668 with various end dates up to January 31, 2020.

(c) The Company has committed $2,215,873 towards constructions activities to advance environmental systems at the ICP and professional services related to metallurgical testing and commissioning of a new FS.

(d) Pursuant to employment agreements, the Company may be obligated to pay up to $1,990,000 in the event that certain senior management is terminated without cause and up to $2,600,000 in the event of a change in control as defined in the agreements.

17. Subsequent events

(a) 948,750 warrants with an exercise price of $1.35 and 6,430,250 warrants with an exercise price of $1.50 expired on February 28, 2019.

(b) On March 15, 2019, the Company filed a renewal of the Shelf Prospectus, which 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. Unless otherwise specified in a prospectus supplement, the net proceeds from the sale of securities for cash will be used for general corporate purposes, including completing the development of the ICP to commercial production, working capital, funding ongoing operation and/or capital requirements, reducing the level of indebtedness outstanding from time to time, discretionary capital programs, exploration and development of additional properties or interests (direct or indirect) therein, and potential future acquisitions.

(c) The Company and Jervois Mining Limited (“Jervois”) entered into an arrangement agreement (the “Arrangement Agreement”) pursuant to which the companies will combine (the “Transaction”). The Transaction will be completed by way of a Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”) whereby Jervois will acquire all of the issued and outstanding common shares of eCobalt that Jervois does not already own.

Under the Arrangement, each common share of the Company will be exchanged for 1.65 common shares of Jervois (the “Exchange Ratio”). This represents an implied offer price of $0.36 per eCobalt share based on the closing price of Jervois’ common shares on the Australian Securities Exchange (“ASX”) on March 29, 2019. After closing of the Transaction, eCobalt stock options and warrants will provide that upon exercise the holders will receive Jervois shares. To increase eCobalt’s cash position, eCobalt has entered into a binding term sheet pursuant to which Dundee Resources Limited (“Dundee”) has agreed to subscribe for approximately 6.3 million units for aggregate gross proceeds to eCobalt of approximately $2 million (the “Dundee Placement”). Each unit is comprised of one common share of eCobalt and one common share purchase warrant. The Dundee Placement is conditional on eCobalt obtaining Toronto Stock Exchange (“TSX”) approval.

The Arrangement will be subject to the approval of at least 66 2/3% of the votes cast by eCobalt shareholders present in person or represented by proxy at a special meeting of eCobalt shareholders. In addition to the eCobalt shareholder approval, the Arrangement is also subject to Jervois shareholder approval and receipt of certain regulatory, court and stock exchange approvals, as well as shares of Jervois being conditionally accepted for listing on the TSX Venture Exchange (“TSXV”), and other closing conditions customary in transactions of this nature. Jervois may terminate the Arrangement if the Dundee Placement has not been completed by April 30, 2019.

Following completion of the Transaction, the Board of Directors of the combined entity will consist of three members from Jervois and two members from eCobalt. The Arrangement Agreement has been unanimously approved by the Board of Directors of both Jervois and eCobalt.