eCobalt Solutions Inc.

Consolidated Financial Statements

For the Ten-Month Period Ended December 31, 2017
and the Year Ended February 28, 2017

(Stated in Canadian dollars)

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

eCobalt Solutions Inc.
December 31, 2017 and February 28, 2017

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF eCOBALT SOLUTIONS INC.

We have audited the accompanying consolidated financial statements of eCobalt Solutions Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and February 28, 2017 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the ten-month period ended December 31, 2017 and the year ended February 28, 2017 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of eCobalt Solutions Inc. as at December 31, 2017 and February 28, 2017, and its financial performance and its cash flows for the ten-month period ended December 31, 2017 and the year ended February 28, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 20, 2018

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eCobalt Solutions Inc.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

	Note	**December 31, 2017**	February 28, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**11,740,992**	19,221,353
Trade and other receivables		**82,528**	58,883
Prepaid expenses and deposits		**574,942**	97,864
Total current assets		**12,398,462**	19,378,100
Reclamation bond	4	**2,400,969**	2,973,439
Mineral properties	5	**27,399,687**	21,881,931
Property, plant and equipment	6	**45,037,993**	40,658,469
Total assets		**87,237,111**	84,891,939
Liabilities			
Current liabilities			
Accounts payable		**1,247,024**	945,254
Accrued liabilities	10(b)	**715,747**	289,992
Total current liabilities		**1,962,771**	1,235,246
Provision for site reclamation and closure costs	7	**6,123,070**	4,671,199
Deferred tax liabilities	8(c)	**25,790**	25,924
Total liabilities		**8,111,631**	5,932,369
Shareholders' Equity			
Common shares	9	**182,145,265**	178,430,193
Share purchase warrants reserve		**10,820,048**	11,504,324
Share-based payments reserve		**10,295,352**	9,532,117
Foreign currency translation reserve		**552,769**	552,769
Deficit		**(124,687,954)**	(121,059,833)
Total shareholders' equity		**79,125,480**	78,959,570
Total liabilities and shareholders' equity		**87,237,111**	84,891,939

Commitments (Note 16)

Approved by the Board and authorized for issue on March 20, 2018

"Scott B. Hean"
Director

"J. Paul Farquharson"
Director

See accompanying notes to the consolidated financial statements.

eCobalt Solutions Inc.

Consolidated Statements of Operations and Comprehensive Loss for the Ten-Month Period Ended December 31, 2017 and the Year Ended February 28, 2017

(Stated in Canadian dollars)

	Note	**December 31, 2017**	February 28 2017
		$	$
Expenses			
Accounting and audit		**125,560**	103,058
Accretion expense on site reclamation and closure	7	**115,329**	105,149
Bank charges and interest expense		**21,171**	3,617
Depreciation	6	**57,034**	51,122
Directors' fees and expenses	10(b)	**123,006**	93,555
Foreign exchange gain		**(176,095)**	(14,445)
Legal and advisory fees		**129,652**	82,830
Listing and filing fees		**53,398**	61,617
Office		**420,091**	319,104
Salary and wages	10(b)	**1,452,402**	449,922
Shareholder relations		**494,299**	171,089
Share-based payments	9(b)(iii)	**992,309**	812,125
Loss from operating activities		**(3,808,156)**	(2,238,743)
Interest income		**179,901**	28,592
Loss before income taxes		**(3,628,255)**	(2,210,151)
Income tax recovery	8(a)	**134**	451
Net loss and comprehensive loss for the period		**(3,628,121)**	(2,209,700)
Basic and diluted loss per share	9(d)	**(0.03)**	(0.02)
Weighted average number of common shares outstanding		**130,059,733**	102,861,869

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 29, 2016		90,887,205	160,945,419	7,343,318	9,031,102	552,769	(118,850,133)	59,022,475
Issuance of common shares on exercise of stock options	9(a)(v)	2,538,500	923,110	-	(311,110)	-	-	612,000
Issuance of common shares and warrants for cash, net of share issue costs	9(a)(vi)	14,755,200	3,041,772	1,068,706	-	-	-	4,110,478
Issuance of common shares on exercise of share purchase warrants	9(a)(iv)	1,879,051	1,014,005	(274,026)	-	-	-	739,979
Issuance of common shares and warrants for cash, net of share issue costs	9(a)(iii)	17,250,000	12,505,887	3,366,326	-	-	-	15,872,213
Share-based payments	9(b)(iii)	-	-	-	812,125	-	-	812,125
Net loss and comprehensive loss		-	-	-	-	-	(2,209,700)	(2,209,700)
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)(i)	1,186,182	632,379	-	(229,074)	-	-	403,305
Issuance of common shares on exercise of share purchase warrants	9(a)(ii)	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**

See accompanying notes to the consolidated financial statements.

eCobalt Solutions Inc.

Consolidated Statements of Cash Flows
for the Ten-Month Period Ended December 31, 2017 and the Year Ended February 28, 2017

(Stated in Canadian dollars)

	Note	**December 31, 2017**	February 28, 2017
		$	$
Operating activities			
Net loss for the period		**(3,628,121)**	(2,209,700)
Items not involving cash			
Accretion expense on site reclamation and closure	7	**115,329**	105,149
Depreciation	6	**57,034**	51,122
Deferred income tax recovery	8	**(134)**	(451)
Shared-based payments	9(b)(iii)	**992,309**	812,125
Unrealized foreign exchange gain		**(446,799)**	(15,004)
Change in working capital items	12	**(760,326)**	241,701
Net cash used by operating activities		**(3,670,708)**	(1,015,058)
Investing activities			
Reclamation bond	4	**407,690**	-
Mineral property expenditures	5	**(3,621,265)**	(1,957,166)
Purchase of property, plant and equipment, net of deposits	6	**(3,569,836)**	(321,400)
Net cash used by investing activities		**(6,783,411)**	(2,278,566)
Financing activities			
Issuance of common shares and warrants		**-**	21,777,089
Share issue costs		**-**	(1,693,869)
Exercise of share purchase warrants	9(a)(ii)	**2,398,417**	739,979
Exercise of stock options	9(a)(i)	**403,305**	612,000
Net cash provided by financing activities		**2,801,722**	21,435,199
Effects of exchange rate changes on the balance of cash held in foreign currencies		**172,036**	(15,579)
Net cash inflows (outflows) during the period		**(7,480,361)**	18,125,996
Cash and cash equivalents, beginning of period		**19,221,353**	1,095,357
Cash and cash equivalents, end of period		**11,740,992**	19,221,353

Financial position as at	**December 31, 2017**	February 28, 2017
Cash and cash equivalents are comprised of:		
Cash	**9,139,525**	16,644,849
Cash equivalents	**2,601,467**	2,576,504
	11,740,992	19,221,353

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

The Company's primary project, located in the mining friendly state of Idaho, is the 100% owned and fully environmentally permitted, Idaho Cobalt Project (the "ICP"). The ICP is comprised of a mine and mill site located in Lemhi County outside of the town of Salmon, Idaho. A feasibility level study was 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$16.0 million has been delivered to a staging area outside the town of Salmon, Idaho, proximal to the mine and mill site. The final Phase III of construction will involve underground development and the construction of the mill and concentrator and other ancillary facilities at the ICP mine site and at the cobalt processing facility.

The Company SEDAR filed a National Instrument 43-101 compliant Feasibility Study Technical Report ("FS") on the ICP on November 10, 2017. Results from the FS are based on an underground mine with a target production rate of 800 short tons per day and a weighted average annual production of 2.4M 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 sulphate. The FS has been compiled in accordance with NI 43-101 guidelines.

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

Going concern

At December 31, 2017, the Company had working capital of $10,435,691 (February 28, 2017 - $18,142,854). For the ten-month period ended December 31, 2017, the Company reported a comprehensive loss of $3,628,121 (February 28, 2017 – loss of $2,209,700) and an accumulated deficit of $124,687,954 (February 28, 2017 - $121,059,833).

The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to raise the financing necessary to complete development of the ICP and ultimate production. The Company filed a short form base shelf prospectus (the "Shelf Prospectus") on January 12, 2017 which, subject to securities regulatory requirements, allows the Company to make offerings of up to $100,000,000 of common shares, preference shares, debt securities, warrants, subscription receipts, units, or any combination of such securities during the 25-month period that the Shelf Prospectus is effective. Under the Shelf Prospectus, the Company completed a bought deal financing on February 28, 2017 for gross proceeds of $17,250,000 by issuing 17,250,000 units at $1.00 per unit and on February 23, 2018 for gross proceeds of $29,900,000 by issuing 23,000,000 units at $1.30 per unit (Note 17).

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1. Nature of business and going concern (continued)

With a cash balance of $11,740,992 at December 31, 2017, the subsequent financing on February 23, 2018 (Note 17) and the ability to scale back on the timing of planned construction activities, the Company has sufficient financial resources to continue its operations for at least the next 12 months. However, raising capital sufficient to complete construction of the ICP is dependent on continued discussions with off-takers, senior debt providers, alternative lenders, potential streamers and investors and is a material uncertainty. Raising further capital sufficient to 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, 2017 and February 28, 2017 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the ten and twelve-month periods then ended, respectively.

(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"). Significant accounting policies are described in Note 3.

These consolidated financial statements were approved by the Board of Directors on March 20, 2018.

(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.

(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.

(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.

2. Basis of preparation (continued)

(d) Significant judgments and estimates (continued)

(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.

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 company; 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.

3. Significant accounting policies (continued)

(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.

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 declining balance 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 and their declining balance rate of depreciation are as follows:

• Buildings	5%
• Equipment	30%
• Furniture and fixtures	30%

(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.

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets (continued)

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.

(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.

3. Significant accounting policies (continued)

(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.

(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 and fair value

Financial assets and financial liabilities, including derivatives, are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Measurement in subsequent periods depends on whether the financial instrument has been classified at fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair values recognized in profit or loss. Derivative instruments, including bifurcated embedded derivatives, are classified at fair value through profit or loss, with the exception of derivatives designated as hedges. The Company has no designated hedges.

Financial assets classified as held-to-maturity and loans and receivables, and financial liabilities classified as other liabilities, are measured at amortized cost using the effective interest method.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income until realized or a loss in value is determined to be significant or prolonged.

Transaction costs that are directly attributed to the acquisition or issue of financial assets or liabilities (other than those designated as fair value through profit or loss, which are expensed) are included in the fair value of financial instruments on initial recognition.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significant inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 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).

3. Significant accounting policies (continued)

(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, 2017. The Company adopted the following new or amended IFRS pronouncements effective March 1, 2017.

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) IAS 7 *Statement of Cash Flows* (amendments)
(ii) IAS 12 *Income Taxes* (amendments)

The following standards will become effective in future periods:

IFRS 9 *Financial Instruments*

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Previous versions of IFRS 9 introduce a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. Previous versions of IFRS 9 introduce an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

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 does not anticipate early adoption of this standard and is currently evaluating the 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 (February 28, 2017 – US$6,379,617). There has been no change in the Reclamation Performance Bond since February 29, 2012. Earthworks and Tailing Waste Storage construction on the ICP was partially completed and subsequent disturbances to date has been minimal. The Reclamation Performance Bond will be released upon meeting the reclamation requirement of the U.S. Forest Service at the end of the Life of Mine of the Idaho Cobalt Project.

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

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

(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, 2017	February 28, 2017
		$	$
Reclamation Performance Bond Requirement	US$	**6,379,617**	6,379,617
Insured	US$	**6,379,617**	6,379,617
In Trust:			
U.S. Treasury Securities	US$	**1,913,885**	2,239,196
Foreign exchange rate		**1.2545**	1.3279
Reclamation bond	CDN$	**2,400,969**	2,973,439

During the ten months ended December 31, 2017, the Company's required deposit for the surety bond was reduced by $407,690 (US$325,311) (February 28, 2017 - $Nil).

(Stated in Canadian Dollars, unless otherwise noted)

5. Mineral properties

Mineral properties at December 31, 2017 consist of:

	December 31, 2017	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 (ii)	**511,168**	22,568	488,600
Virgin River (iii)	**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

	February 28, 2017	Additions	February 29, 2016
	$	$	$
Idaho Cobalt Belt (a)			
Idaho Cobalt Project (i)	**20,419,139**	1,189,538	19,229,601
Other Projects (b)			
Kernaghan Lake (ii)	**488,600**	6,509	482,091
Virgin River (iii)	**941,416**	37,026	904,390
Other	**32,776**	-	32,776
	1,462,792	43,535	1,419,257
	21,881,931	1,233,073	20,648,858

During the ten months ended December 31, 2017, the Company spent $3,621,265 (February 28, 2017 - $1,957,166) and accrued $175,466 (February 28, 2017 - $590,190) on mineral properties. A non-cash adjustment of $1,721,025 (February 28, 2017 - $(1,314,283)) for site reclamation and closure cost was also made (Note 7), resulting in a total addition of $5,517,756 (February 28, 2017 - $1,233,073) 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).

The Company examined economic indicators to determine the likelihood of impairment and concluded impairment indicators were not present for the ten months ended December 31, 2017 and the year ended February 28, 2017.

5. Mineral properties (continued)

(b) Other projects

(i) Wallace Creek

The Company has a 100% lease option on certain additional mineral claims located in the same area as the ICP. During the year ended February 28, 2001, the terms of the lease option were amended from a required minimum annual advance royalty payment of US$8,000 to annual payments based on the price of gold ranging from no payments to US$8,000. The annual minimum advance royalty payment is applied against a 3% to 5% NSR. To exercise the option, the Company must pay a total purchase price of US$1,000,000, of which US$25,600 has been paid to date.

(ii) 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, Areva Resources Canada Inc. ("Areva"), of the project did not conduct any exploration work during the year ended February 28, 2017. In 2018, all of the claims require an assessment filing totalling $103,845 with the earliest lapse date being May 14, 2018 plus 90 days. The estimated cost of the proposed 2018 exploration program including overhead is $940,000, with the Company's share being $188,000 (20%). Seven diamond drill holes totaling 3,000 meters are planned to further evaluate three distinct under or untested geophysical conductor strike lengths in the western portion of the property. This program will bring the claims in good standing until 2025.

(iii) Virgin River

The Company owns 2% of the Virgin River project located in the Athabasca Basin of northern Saskatchewan. Cameco Corporation ("Cameco") and Areva 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, 2017, approximately $34,300,000 has been spent on the project. The 2018 exploration program will consist of mobilization and freighting, and diamond drilling on the Dufferin Lake fault (5 holes, 4,500 meters) and CF conductor (3 holes, 2,700 meters) for a total budget of $2,250,000, with the Company's share being $45,000 (2%). The claims are in good standing until 2035.

(Stated in Canadian Dollars, unless otherwise noted)

6. Property, plant and equipment

	Land	Buildings	Equipment	Furniture and fixtures	Project construction and maintenance	Total
	$	$	$	$	$	$
Cost						
As at February 29, 2016	181,545	525,905	494,489	401,304	39,851,910	41,455,153
Additions for the year	19,390	-	1,827	7,320	292,863	321,400
As at February 28, 2017	200,935	525,905	496,316	408,624	40,144,773	41,776,553
Additions for the period	353,259	-	198,528	33,791	3,850,980	4,436,558
As at December 31, 2017	**554,194**	**525,905**	**694,844**	**442,415**	**43,995,753**	**46,213,111**
Accumulated Depreciation						
As at February 29, 2016	-	(224,050)	(471,206)	(371,706)	-	(1,066,962)
Additions for the year	-	(21,516)	(20,541)	(9,065)	-	(51,122)
As at February 28, 2017	-	(245,566)	(491,747)	(380,771)	-	(1,118,084)
Additions for the period	-	(15,048)	(29,376)	(12,610)	-	(57,034)
As at December 31, 2017	**-**	**(260,614)**	**(521,123)**	**(393,381)**	**-**	**(1,175,118)**
Carrying Value						
As at February 28, 2017	200,935	280,339	4,569	27,853	40,144,773	40,658,469
As at December 31, 2017	**554,194**	**265,291**	**173,721**	**49,034**	**43,995,753**	**45,037,993**

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

During the ten months ended December 31, 2017, the Company spent $3,569,836 (year ended February 28, 2017 - $321,400) and accrued $866,722 (February 28, 2017 - $Nil) on property, plant and equipment, resulting in total additions of $4,436,558 (February 28, 2017 - $321,400).

(Stated in Canadian Dollars, unless otherwise noted)

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, 2017 were $4,785,955 or US$3,815,030 (February 28, 2017 - $5,066,741 or US$3,815,030). The discount rate used to determine the present value of the obligation was based on US Treasury Bond rate of 2.25% and rate of inflation of 3.30% (February 28, 2017 - US Treasury Bond rate of 2.25% and rate of inflation of 1.00%) resulting in a combined rate of 1.17% (February 28, 2017 – 0.83%), discounted by 15.5 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 29, 2016	5,972,114
Additions	-
Accretion expense	105,149
Change in discount rate	(1,314,283)
Foreign exchange	(91,781)
Reclamation and closure cost, February 28, 2017	4,671,199
Additions	-
Accretion expense	115,329
Change in discount rate	1,721,025
Foreign exchange	(384,483)
Reclamation and closure cost, December 31, 2017	**6,123,070**

8. Income taxes

(a) Income tax recovery

Income tax recovery recognized in net loss for the ten-month period ended December 31, 2017 is $134 (February 28, 2017 - $451).

The components of deferred income tax recovery are as follows:

	December 31, 2017	February 28, 2017
	$	$
Non-capital losses	**913,554**	2,148,181
Provision for site reclamation and closure costs	**-**	2,385,262
Unrealized foreign exchange gains	**(839,663)**	(270,778)
Property, plant and equipment	**(75,827)**	4,015
Mineral properties and other	**1,802**	(4,267,131)
	(134)	(451)

(Stated in Canadian Dollars, unless otherwise noted)

8. Income taxes (continued)

(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 ten-month period ended December 31, 2017 and the year ended February 28, 2017.

	December 31, 2017	February 28, 2017
	$	$
Loss before income taxes	**(3,628,255)**	(2,210,151)
Canadian federal and provincial income tax rate	**26.00%**	26.00%
Expected income tax recovery	**(943,346)**	(574,639)
Increase (decrease) attributable to:		
Non-deductible expenses	**384,677**	143,165
Utilization of previously unrecognized tax losses and temporary differences	**-**	(166,241)
Losses and temporary differences for which no future income tax asset has been recognized	**946,597**	916,159
Effect of different tax rates in foreign jurisdictions	**(388,062)**	(318,895)
Income tax recovery	**(134)**	(451)

(c) Deferred tax assets and liabilities

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

	December 31, 2017	February 28, 2017
	$	$
Deferred tax asset:		
Non-capital losses	**(2,212,880)**	(3,126,434)
Deferred tax liabilities:		
Unrealized foreign exchange gains	**2,071,319**	2,910,981
Property, plant and equipment	**118,713**	194,540
Mineral properties and other	**48,638**	46,837
	2,238,670	3,152,358
Deferred income tax liabilities, net	**25,790**	25,924

(Stated in Canadian Dollars, unless otherwise noted)

8. Income taxes (continued)

(c) Deferred tax assets and liabilities (continued)

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

	December 31, 2017	February 28, 2017
	$	$
Non-capital losses	**64,515,683**	59,680,691
Provision for site reclamation and closure costs	**6,123,070**	4,671,199
Financing fees	**1,071,081**	1,355,094
Property, plant and equipment	**10,285,972**	10,196,092
Mineral properties and other	**3,213,135**	9,799,272
	85,208,941	85,702,348

(d) Non-capital losses

The Company has losses for income tax purposes in the United States of $59,589,432 for which no tax benefit has been recorded. The losses will expire between 2021 and 2037 if not utilized.

(e) Changes in deferred tax liability

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

	December 31, 2017	February 28, 2017
	$	$
Balance, beginning of period	**25,924**	26,375
Deferred income tax recovery	**(134)**	(451)
Balance, end of period	**25,790**	25,924

(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, 2017, the Company had no preferred shares outstanding and 132,597,451 (February 28, 2017 – 127,309,956) common shares issued and outstanding.

(i) 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.

(ii) 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.

(iii) On February 28, 2017, the Company completed a bought deal financing and issued 17,250,000 units at $1.00 per unit for gross proceeds of $17,250,000. 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 $1.50 expiring February 28, 2019. The Company paid $1,377,787 for commission, legal and other expenses related to the financing. The Company also issued 948,750 share purchase warrants to brokers with an exercise price of $1.35 expiring February 28, 2019. These common share purchase warrants had a fair value of $3,366,326 computed using the Black-Scholes option pricing model, using the parameters outlined below. The fair value of the equity was determined using the fair value of the Company's shares on the date of issue. The gross proceeds were then proportionately allocated using the relative fair value method to common shares and common share purchase warrants.

	Unit Warrants	Broker Warrants
Risk free interest rate	0.80%	0.80%
Expected life (years)	2	2
Annualized volatility	86%	86%
Expected dividend	$nil	$nil
Stock price	$1.23	$1.23
Exercise price	$1.50	$1.35

(iv) For the year ended February 28, 2017, 1,879,051 common shares were issued on exercise of share purchase warrants. These include 1,490,999 warrants with an exercise price of $0.40 and 388,052 warrants were exercised with an exercise price of $0.37 for total proceeds of $739,979. Upon exercise, the Company transferred $274,026 from share purchase warrants to common shares.

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(a) Authorized and issued (continued)

(v) During the year ended February 28, 2017, 2,538,500 common shares were issued for stock options that were exercised and these include 1,153,500 options with an exercise price of $0.20, 380,000 options with an exercise price of $0.21, and 1,005,000 options with an exercise price of $0.30 for total proceeds of $612,000. Upon exercise, the Company transferred $311,110 from share-based payments reserve to common shares.

(vi) On June 1, 2016, the Company completed an offering and issued 14,755,200 units at $0.30 per unit for gross proceeds of $4,426,560. Each unit purchased in the offering consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.40 expiring June 1, 2018. The Company paid $316,082 for commission, legal and other expenses related to the financing. The Company also issued 592,953 share purchase warrants to brokers with an exercise price of $0.37 expiring June 1, 2018. These common share purchase warrants had a fair value of $1,068,706 computed using the Black-Scholes option pricing model, using the parameters outlined below. The fair value of the equity was determined using the fair value of the Company's shares on the date of issue. The gross proceeds were then proportionately allocated using the relative fair value method to common shares and common share purchase warrants.

	Unit Warrants	Broker Warrants
Risk free interest rate	0.69%	0.69%
Expected life (years)	2	2
Annualized volatility	80%	80%
Expected dividend	$nil	$nil
Stock price	$0.63	$0.63
Exercise price	$0.40	$0.37

(b) Stock options

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

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

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

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(b) Stock options (continued)

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, 2017 was 13,259,745 (February 28, 2017 - 12,730,995). The maximum number of shares reserved for issuance to insiders may not exceed 10% of the outstanding shares issued. Under certain conditions, Option holders may elect to exercise their stock options on a cashless basis.

(i) As at 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 24, 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		

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

Options outstanding	Options exercisable	Exercise price	Weighted avg remaining contractual life	Expiry date
		$		
290,000	290,000	0.30	0.93 years	February 1, 2018
515,000	515,000	0.21	2.32 years	June 25, 2019
1,869,500	1,869,500	0.20	3.15 years	April 27, 2020
218,182	218,182	0.52	4.35 years	July 8, 2021
2,010,000	2,010,000	0.60	4.50 years	September 6, 2021
4,902,682	4,902,682	0.39		

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(b) Stock options (continued)

(ii) The changes in stock options during the ten months ended December 31, 2017 and year ended February 28, 2017 were as follows:

	December 31, 2017	**Weighted avg exercise price**	February 28, 2017	Weighted avg exercise price
		$		$
Balance outstanding, beginning of period	**4,902,682**	**0.39**	6,863,000	0.38
Activity during the period				
Options granted	**2,625,000**	**1.16**	2,228,182	0.59
Options exercised	**(1,186,182)**	**0.34**	(2,538,500)	0.24
Options expired	**-**	**-**	(1,390,000)	1.00
Options cancelled	**-**	**-**	(260,000)	0.26
Balance outstanding, end of period	**6,341,500**	**0.72**	4,902,682	0.39

(iii) During the ten-month period ended December 31, 2017, 2,625,000 (February 28, 2017 - 2,228,182) stock options were granted to directors, officers, employees and consultants of the Company. Using the Black-Scholes option pricing model, the fair value of stock options granted was $992,309 (February 28, 2017 - $812,125).

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, 2017	February 28, 2017
Risk free interest	**1.31%**	0.69%
Expected life (years)	**5**	5
Annualized volatility	**80%**	77%
Expected dividend	**$Nil**	$Nil
Stock price	**$1.14**	$0.60
Exercise price	**$1.17**	$0.60

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, 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		

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

	Warrants outstanding	Exercise price	Weighted avg remaining contractual life	Expiry date
		$		
	204,902	0.37	1.50 years	June 1, 2018
	5,886,600	0.40	1.50 years	June 1, 2018
	948,750	1.35	2.00 years	February 28, 2019
*	8,625,000	1.50	2.00 years	February 28, 2019
	15,665,252	1.06		

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

(ii) The changes in warrants during the ten months ended December 31, 2017 and year ended February 28, 2017 were as follows:

	December 31, 2017	**Weighted avg exercise price**	February 28, 2017	Weighted avg exercise price
		$		$
Balance outstanding, beginning of period	**15,665,252**	**1.06**	-	-
Activity during the period				
Warrants issued	**-**	**-**	17,544,303	0.99
Warrants exercised	**(4,101,313)**	**0.58**	(1,879,051)	0.39
Balance outstanding, end of period	**11,563,939**	**1.23**	15,665,252	1.06

(Stated in Canadian Dollars, unless otherwise noted)

9. Share capital (continued)

(d) Loss per share

	December 31, 2017	February 28, 2017
Net loss	**$ (3,628,121)**	$ (2,209,700)
Weighted average number of common shares outstanding	**130,059,733**	102,861,869
Loss per share	**$ (0.03)**	**$ (0.02)**
The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding:		
Stock options	**4,387,750**	4,902,682
Warrants	**11,563,939**	15,665,252

10. Related party transactions

(a) Subsidiaries

	Ownership interest	
	December 31, 2017	February 28, 2017
Formation Holdings Corp.	**100%**	100%
Formation Holdings US, Inc.	**100%**	100%
US Cobalt, Inc.	**100%**	100%
Formation Capital Corporation, U.S.	**100%**	100%
Essential Metals Corporation	**100%**	100%
Coronation Mines Ltd.	**100%**	100%

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 ten-month period ended December 31, 2017 and the year ended February 28, 2017 were as follows:

		December 31, 2017	February 28, 2017
		$	$
Salaries and short-term employee benefits including bonuses		**1,222,659**	437,075
Share-based compensation	(i)	**646,550**	623,280
Directors' fees	(ii)	**109,750**	84,125
		1,978,959	1,144,480

Outstanding balances owed to directors and officers at December 31, 2017 were $52,000 (February 28, 2017 - $91,500).

(i) During the ten-month period ended December 31, 2017, the Company granted 2,025,000 (February 28, 2017 - 1,680,000) stock options to directors and officers who are considered key management of the Company, of which 25%, or 506,250 (February 28, 2017 - 100%, or 2,025,000) stock options, vested on the grant date.

(ii) During the ten-month period ended December 31, 2017, the Company paid or accrued directors fees of $109,750 (February 28, 2017 - $84,125). The Company also reimbursed directors for business related expenses in the amount of $13,256 (February 28, 2017 - $9,430).

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

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

	As at 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

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

(Stated in Canadian Dollars, unless otherwise noted)

11. Segmented information (continued)

	For the ten-month period ended December 31, 2017		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion & 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)
Interest 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)

	For the year ended February 28, 2017		
	Exploration and development	Corporate	Total
	$	$	$
Expenses			
Accretion and interest expense	(106,647)	(2,119)	(108,766)
Depreciation	(39,350)	(11,772)	(51,122)
Foreign exchange gain	-	14,445	14,445
General and administrative	(32,058)	(1,249,117)	(1,281,175)
Share based compensation	-	(812,125)	(812,125)
Interest income	63	28,529	28,592
Loss before income taxes	(177,992)	(2,032,159)	(2,210,151)
Income tax recovery	451	-	451
Net loss for the period	(177,541)	(2,032,159)	(2,209,700)

12. Supplemental cash flow information

Changes in operating working capital during the ten-month period ended December 31, 2017 and the year ended February 28, 2017 were comprised of the following:

	December 31, 2017	February 28, 2017
	$	$
Trade and other receivables	**(23,645)**	(53,939)
Prepaid expenses and deposits	**(477,078)**	(29,090)
Accounts payable and accrued liabilities	**(259,603)**	324,730
Change in operating working capital for the periods ended	**(760,326)**	241,701

(Stated in Canadian Dollars, unless otherwise noted)

12. Supplemental cash flow information (continued)

Non-cash investing activities during the ten-month period ended December 31, 2017 and the year ended February 28, 2017 were comprised of the following:

	December 31, 2017	February 28, 2017
	$	$
Accounts payable related to mineral properties	**(175,466)**	(590,190)
Accounts payable related to property, plant and equipment	**(866,722)**	-
Provision for site reclamation and closure costs included in mineral properties	**(1,721,025)**	(1,314,283)
Change in non-cash investing activities for the periods ended	**(2,763,213)**	(1,904,473)

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, 2017 and February 28, 2017 is summarized in the following table.

	December 31, 2017	February 28, 2017
	$	$
Common shares	**182,145,265**	178,430,193
Share purchase warrants reserve	**10,820,048**	11,504,324
Share-based payments reserve	**10,295,352**	9,532,117
Deficit	**(124,687,954)**	(121,059,833)
	78,572,711	78,406,801

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 loans and receivables consisting of the reclamation bond. Cash and cash equivalents are valued using level 1 of the fair value hierarchy. The fair value of the reclamation bond will not be realized until the bond is released from the trustee (Note 4). At December 31, 2017, the fair value of the reclamation bond is $2,395,586 (February 28, 2017 - $2,966,773) and is calculated in accordance with level 2 of the fair value hierarchy.

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

15. Fair values and financial risk management

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, cash equivalents and reclamation 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, 2017	February 28, 2017
	$	$
Cash and cash equivalents	**11,740,992**	19,221,353
Reclamation bond	**2,400,969**	2,973,439
Total	**14,141,961**	22,194,792

15. Fair values and 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 financial assets and their maturity that are held to manage liquidity risk:

	December 31, 2017				February 28, 2017
	Within 1 year	**2-5 years**	**Over 5 years**	**Total**	Total
	$	**$**	**$**	**$**	$
Accounts payable	**1,247,024**	**-**	**-**	**1,247,024**	945,254
Accrued liabilities	**715,747**	**-**	**-**	**715,747**	289,992
	1,962,771	**-**	**-**	**1,962,771**	1,235,246

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, 2017, the Company's cash equivalents of $2,601,467 (February 28, 2017- $2,576,504) are comprised of short term GIC's that are cashable in three months or less from the date of purchase and earn an interest rate of up to 1.10% (February 28, 2017 - 1.00%). 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. Fair values and 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, 2017, 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 $457,000 (February 28, 2017 - $315,000).

16. Commitments

The following is a schedule of the Company's annual commitments as at December 31, 2017:

	Note	2018	2019	2020
		$	$	$
Mineral property expenditure	(a)	233,000	-	-
General liability insurance	(b)	56,913	-	-
Office operating leases	(c)	101,605	101,605	8,459
		391,518	101,605	8,459

(a) The Company has committed to spend $45,000 towards the 2018 exploration program for the Virgin River joint venture, which represents the Company's 2% interest. The Company has also committed to spend $188,000 towards the 2018 exploration program for the Kernaghan/Bell joint venture, which represents the Company's 20% interest.

(b) The Company has a total liability of $56,913 on premiums for its commercial general and umbrella liability insurance policies payable monthly until October 12, 2018.

(c) The Company has an office lease commitment totalling $211,669 ending January 31, 2020.

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

17. Subsequent events

(a) Subsequent to December 31, 2017, 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.

(b) Subsequent to December 31, 2017, 1,888,450 common shares were issued on exercise of share purchase warrants. These include 385,200 warrants with an exercise price of $0.40 and 1,503,250 warrants with an exercise price of $1.50 for total proceeds of $2,408,955.

(c) 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.