FIRST COBALT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017
AND THE YEAR ENDED MARCH 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of First Cobalt Corp.:
We have audited the accompanying consolidated financial statements of First Cobalt Corp., which comprise the consolidated statement of financial position as at December 31, 2017 and March 31, 2017, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the nine months ended December 31, 2017 and the year ended March 31, 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 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 First Cobalt Corp. as at December 31, 2017 and March 31, 2017 and its financial performance and its cash flows for the nine months ended December 31, 2017 and the year ended March 31, 2017, in accordance with International Financial Reporting Standards.

Vancouver, British Columbia

MNP LLP

April 2, 2018

Chartered Professional Accountants

FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND MARCH 31, 2017

(expressed in Canadian Dollars)

	December 31, 2017	March 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 29,817,031	$ 5,340,136
Prepaid expenses and deposits (Note 6)	708,966	292,540
Receivables (Note 5)	718,106	467,880
	31,244,103	6,100,556
Non-Current Assets		
Exploration and evaluation asset (Note 8)	105,858,028	2,185,058
Plant and equipment (Note 7)	4,705,776	-
Total Assets	$ 141,807,907	$ 8,285,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 1,991,221	$ 399,697
Flow-through share liability (Note 10)	1,489,760	-
	3,480,981	399,697
Non-Current Liabilities		
Asset retirement obligations (Note 7)	800,000	-
Total Liabilities	$ 4,280,981	$ 399,697
Shareholders' Equity		
Common shares (Note 10)	141,945,521	10,360,835
Common shares to be issued	2,214,433	-
Share subscriptions receivable (Note 10)	(339,928)	-
Reserve (Note 11 and 12)	1,803,046	1,677,704
Warrants to be issued (Note 10)	4,258,460	-
Accumulated other comprehensive income	406,930	-
Deficit	(12,761,536)	(4,152,622)
	$ 137,526,926	$ 7,885,917
Total Liabilities and Shareholders' Equity	$ 141,807,907	$ 8,285,614

Nature of operations (Note 1)
Subsequent events (Note 20)

Approved on behalf of the Board of Directors and authorized for issue on April 2, 2018

/s/ Jeff Swinoga	*/s/ Trent Mell*
Jeff Swinoga, Director	Trent Mell, Director

FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED MARCH 31, 2017

(expressed in Canadian Dollars)

	Nine months ended December 31, 2017	Year ended March 31, 2017
Operating expenses		
Consulting and management fees (Note 19)	$ 519,316	$ 319,203
Exploration and evaluation expenditures	1,685,816	12,700
General and administrative	480,565	122,381
Investor relations	938,173	629,208
Marketing and conferences	320,859	-
Professional fees	1,122,522	106,834
Salary and benefits (Note 19)	2,128,686	17,473
Share-based payments (Note 12)	756,579	1,013,473
Travel	306,211	19,679
Operating Loss	(8,258,727)	(2,240,951)
Other		
Foreign exchange gain (loss)	(1,113)	1,823
Interest income (expense)	3,112	(1,169)
Write-off of exploration and evaluation assets (Note 8)	(375,058)	(118,179)
Write-off of debt	-	104,966
Other non-operating income	22,872	2,945
Loss before taxes	(8,608,914)	(2,250,565)
Income tax expense (Note 13)	-	-
Net loss	(8,608,914)	(2,250,565)
Other Comprehensive Income		
Foreign currency translation	406,930	-
Net Loss and Comprehensive Loss	$ (8,201,984)	$ (2,250,565)
Basic and diluted loss per share	$(0.12)	$(0.14)
Weighted average number of shares outstanding (basic and diluted) (Note 14)	72,025,462	16,416,339

FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED MARCH 31, 2017

(expressed in Canadian Dollars)

	Nine months ended December 31, 2017	Year ended March 31, 2017
Cash Flows used in Operating Activities		
Net loss	$ (8,608,914)	$ (2,250,565)
Adjustments for items not affecting cash		
Write-off exploration and evaluation assets	375,058	118,179
Write- off of debt	-	104,966
Share-based payments	756,579	1,013,473
	(7,477,277)	(1,013,947)
Changes in non-cash working capital		
Decrease (Increase) in receivables	(384,638)	(30,243)
Decrease (Increase) in prepaid and other current assets	(247,797)	(192,540)
Increase (Decrease) in accounts payable and accrued liabilities	487,427	(154,533)
Increase (Decrease) in loan payable	-	(31,270)
	(7,622,285)	(1,422,533)
Cash Flows flows from Investing Activities		
Acquisition of exploration and evaluation asset, net of cash (Note 8)	(1,393,501)	(164,963)
Acquisition of Cobalt Projects International Corp.	-	(535,000)
Acquisition of Cobalt One Limited	995,198	-
Acquisition of CobalTech Mining Inc.	780,470	-
	382,167	(699,963)
Cash Flows from Financing Activities		
Proceeds from issuance of common shares	31,401,301	7,449,000
Proceeds from exercise of warrants	1,122,822	145,000
Proceeds from exercise of options	359,250	-
Subscriptions received in advance	772,652	-
Share issuance costs	(1,932,549)	(135,183)
	31,723,476	7,458,817
Changes in cash during the year	24,483,358	5,336,321
Effect of exchange rates on cash	(6,463)	-
Cash – Beginning of the year	$ 5,340,136	$ 3,815
Cash – End of the year	$ 29,817,031	$ 5,340,136

Supplemental Information (Note 17)

FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017 AND THE YEAR ENDED MARCH 31, 2017

(Expressed in Canadian Dollars, except per share amounts)

	Common Shares								
	Number of Shares	**Amount**	**Common Shares to be issued**	**Subscriptions receivable**	**Reserves**	**Warrants to be issued**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance – March 31, 2017	44,117,750	$ 10,360,835	$ -	$ -	$ 1,677,704	$ -	$ -	$ (4,152,622)	$ 7,885,917
Net loss for the year	-	-	-	-	-	-	-	(8,608,914)	(8,608,914)
Shares and units issued for:									
Acquisition of property (Note 8)	136,821,347	105,410,917	1,441,781	-	-	-	-	-	106,852,698
Cash (Note 10)	27,934,001	31,699,221	-	-	-	-	-	-	31,699,221
Flow-through share liability (Note 10)	-	(1,489,760)	-	-	-	-	-	-	(1,489,760)
Subscriptions receivable (Note 10)	-	-		(339,928)	-	-	-	-	(339,928)
Shares to be issued (Note 10)	-	(710,652)	772,652	-	-	-	-	-	62,000
Warrants to be issued (Note 10)	-	(4,258,460)	-	-	-	4,258,460	-	-	-
Exercise of warrants (Note 11)	9,840,728	2,344,197	-	-	(468,715)	-	-	-	1,875,482
Exercise of options (Note 12)	1,175,000	521,772	-	-	(162,522)	-	-	-	359,250
Issuance of stock options (Note 12(a))	-	-	-	-	756,579	-	-	-	756,579
Share issuance cost (Note 10)	-	(1,932,549)	-	-	-	-	-	-	(1,932,549)
Unrealized gain on foreign exchange translation	-	-	-	-	-	-	406,930	-	406,930
Balance – December 31, 2017	219,888,826	$ 141,945,521	2,214,433	$ (339,928)	$ 1,803,046	$ 4,258,460	$ 406,930	$ (12,761,536)	$ 137,526,926
Balance – March 31, 2016	4,757,750	$ 1,641,249	$ -	$ -	$ 200,000	$ -	$ -	$ (1,902,057)	$ (60,808)
Net loss for the year		-	-	-	-	-	-	(2,250,565)	(2,250,565)
Shares and units issued for:									
Acquisition of property (Note 8)	6,900,000	1,725,000	-	-	-	-	-	-	1,725,000
Cash (Note 10)	29,550,000	7,449,000	-	-		-	-	-	7,449,000
Issuance of warrants (Note 11)		(531,870)	-	-	531,870	-	-	-	-
Exercise of warrants (Note 11)	1,710,000	212,639	-	-	(67,639)	-	-	-	145,000
Issuance of stock options (Note 12)	-	-	-	-	1,013,473	-	-	-	1,013,473
Share issuance cost (Note 10)	1,200,000	(135,183)	-	-	-	-	-	-	(135,183)
Balance – March 31, 2017	44,117,750	$ 10,360,835	$ -	$ -	$ 1,677,704	$ -	$ -	$ (4,152,622)	$ 7,885,917

1. General Information and Nature of Operations

General Information

First Cobalt Corp. (formerly Aurgent Resource Corp.) (the "Corporation" or "First Cobalt") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act). On September 22, 2016, the Corporation changed its name to First Cobalt Corp. The Corporation is in the business of acquisition and exploration of resource properties. The Corporation is focused on building a diversified portfolio of assets that are highly leveraged to the cobalt market and primarily focused in North America.

First Cobalt is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V) and Australian Stock Exchange (ASX) (in both instances under the symbol FCC). The Corporation's registered and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 and corporate head office located at 140 Yonge Street, Suite 201, Toronto, Ontario, M5C 1X6.

Nature of Operations

The Corporation is in the process exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

2. Significant accounting policies and basis of preparation

Basis of Presentation and Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on an historical cost basis, except for financial instruments, which are classified as fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars.

Functional Currency

The functional currency of the Corporation and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Corporation and its subsidiaries is Canadian dollars, except for Cobalt One Which has a functional currency of Australian Dollars

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and

(expressed in Canadian dollars)

- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Change in year-end
The Corporation changed its financial year end from March 31 to December 31, effective for the period ending December 31, 2017. As a result of the change in year-end, the comparative amounts are not directly comparable with the current period's balance. These financial statements were approved by the board of directors for issue on April 2, 2018.

Basis of consolidation
These consolidated financial statements include the accounts of the Corporation and its controlled entities. Control is achieved when the Corporation has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation until the date on which control ceases.

The following subsidiaries has been consolidated for all dates presented within these financial statements:

Subsidiary	**Ownership**	**Location**
Cobalt Projects International Corp.	100%	Canada
Cobalt Industries of Canada Corp.	100%	Canada
First Cobalt Holdings (Cayman) Ltd.	100%	Cayman Islands
First Cobalt (Cayman) Ltd.	100%	Cayman Islands
Cobalt One Limited	100%	Australia
CobalTech Mining Inc.	100%	Canada

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Cash and Cash equivalents
Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

Financial instruments
The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. All financial instruments must be recognized, initially, at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their respective classification.

Financial assets are classified at fair value through profit or loss when they are either held for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Corporation's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets.

Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the settlement-date – the date on which the Corporation commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset has been impaired.

The Corporation had made the following classification of its financial instruments:

Financial Assets or liabilities	Measurement category under IAS 39
Cash	Held for trading
Accounts Receivables	Loans and receivables
Account Payable and Accrued Liabilities	Other liabilities

Financial instruments measures at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

Cash is included in level one and is measured at fair value. The Corporation has no other financial instruments measured at fair value.

Mineral property interests
The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are expensed until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain expensed, however, for income tax purposes the Corporation has no right to claim these costs as tax deductible expenses.

When entitled, the Corporation records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Corporation is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

Impairment
(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets
Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, 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, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Corporation's mineral property interest impairment policy is more specifically discussed above.

Share capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Corporation has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to shares. The Corporation does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as contributed surplus.

Share-based payment transactions
The Corporation has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Corporation. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed and charged to deficit.

Deferred and performance share units
Deferred share units (“DSUs”) and performance share units (“PSUs”) are measured at fair value on the grant date. The expense for DSUs and PSUs, to be redeemed in shares, is recognized over the vesting period, or using management’s best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a corresponding charge as an expense or capitalized to PP&E. DSUs to be redeemed in cash are adjusted at each financial position reporting date for changes in fair value until such time when the directors retire from all positions with the Corporation.

Flow-Through Shares
The proceeds from the offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures are incurred.

The Corporation may renounce the deductions for tax purposes under what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, the Corporation records a deferred tax liability with the corresponding change to income tax expense when the Corporation has the expectation of renouncing and has expensed its expenditures. At the same time, the liability related to the flow through shares is reduced, with a corresponding increase to other income related to flow-through shares.

When the tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding change to income tax expense when the expenditures are incurred and expensed. At the same time, the liability related to the flow-through shares would be reduced, with a corresponding increase to other income related to flow-through shares.

Environmental rehabilitation
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying

cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Income taxes
Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Loss per share
The Corporation presents basic and diluted loss per share (“LPS”) data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Corporation.

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management of the Corporation and its parent. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. Recently adopted accounting standards and accounting standards issued but not yet effective

The Corporation has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018. The Corporation does not expect the adoption of IFRS 9 to have an impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the International Accounting Standards Board (“IASB”) issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018. The Corporation does not expect the adoption of IFRS 15 to have an impact on the consolidated financial statements.

IFRS 16 - Leases

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Corporation is currently assessing the impact these standards and amendments may have on its financial statements.

IFRS 2 – Share-based Payment
On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined. The Corporation is currently assessing the impact these standards and amendments may have on its financial statements.

4. Significant Accounting Judgments and Estimates

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern, the capitalization of development costs, the fair value of the assets acquired in acquisitions, environmental rehabilitation costs and valuation of share options and warrants. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*

  The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

  The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

- *Income Taxes*

  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

  The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Acquisition Accounting*

  The Corporation has accounted for the acquisitions of Cobalt One Limited, CobalTech Inc., Cobalt Projects International Corp., and Cobalt Industries of Canada Inc. as asset acquisitions. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transactions. These included, among others, the determination that CobalTech Inc., Cobalt Projects International Corp. and Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business combinations. The acquisition of Cobalt One Limited was considered an asset acquisition due to the fact that management and the board of directors remained under the control of the Corporation. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred. The Corporation assessed the fair value of the consideration transferred using the last trading price of the date of shareholder approval of the acquisition.

- *Environmental Rehabilitation*

  Management's determination of the Corporation's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.

- *Share based payments*

  The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Corporation is the Black-Scholes pricing model.

5. Receivables

	December 31, 2017	March 31, 2017
Loans receivable	$ -	$ 435,000
GST receivable	718,106	32,880
	$ 718,106	$ 467,880

(expressed in Canadian dollars)

On November 16, 2016, the Corporation entered into a promissory note agreement with Cobalt Projects Inc. ("Cobalt Projects") to loan Cobalt Projects $80,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

On November 18, 2016, the Corporation entered into a promissory note agreement with Canadian Cobalt Projects Inc. ("Canadian Cobalt Projects") to loan Canadian Cobalt projects $55,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

On January 9, 2017, the Corporation entered into a promissory note agreement with Cobalt Projects International Corp. ("Cobalt Projects International") to loan Cobalt Projects International a total of $300,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

The balance of the loans receivable became part of the purchase price of each asset upon closing.

6. Prepaid expenses and deposits

	December 31, 2017	March 31, 2017
Prepaid expenses	$ 619,378	$ 224,492
Deposits	89,588	68,048
	$ 708,966	$ 292,540

7. Plant and Equipment

As part of the acquisition of Cobalt One Limited ("Cobalt One"), the Corporation acquired the properties, permits, assets and rights of a cobalt-silver-nickel refinery ("Refinery") located in North Cobalt, Ontario, Canada. The carrying value of the Refinery is $4,705,775 (March 31, 2017 - $nil) (Note 8). As at December 31, 2017, the Corporation's estimated closure costs for the Refinery are estimated to be $800,000 (March 31, 2017: $nil) and are recorded as asset retirement obligations. No depreciation was recorded for the Refinery in the current year.

8. Exploration and Evaluation Asset

	Balance March 31, 2017	Acquisition Costs	Write-Down	Balance December 31, 2017
Cobalt North, Ontario				
Kerr Lake area	$ -	$ 13,026,368	$ -	$ 13,026,368
Cobalt North Properties	-	56,018,275	-	56,018,275
Cobalt Central, Ontario	-			
Cobalt Central Properties		31,050,209	-	31,050,209
Cobalt South, Ontario				
South Lorraine	1,810,000	10,000	-	1,820,000
Keeley-Frontier	-	3,156,876	-	3,156,876
Bellellen	-	325,000	-	325,000
Werner Lake East Cobalt	-	296,300	-	296,300
Dickens Lake	375,058	-	(375,058)	-
Quebec Cobalt Properties	-	165,000	-	165,000
	$ 2,185,058	$ 104,048,028	(375,058)	$ 105,858,028

(expressed in Canadian dollars)

	Balance March 31, 2016	Acquisition Costs	Write-Down	Balance March 31, 2017
South Lorraine	$ -	$ 1,810,000	$ -	$ 1,810,000
Dickens Lake	328,274	164,963	(118,179)	375,058
	$ 328,274	$ 1,974,963	$ (118,179)	$ 2,185,058

(a) Acquisition of Cobalt One Limited ("Cobalt One")

On June 23, 2017, the Corporation entered into a letter of intent ("LOI") with Cobalt One to acquire 100% of the issued and outstanding common shares of Cobalt One. Under the terms of the agreement, Cobalt One shareholders will receive 0.145 of a common share of the Corporation for each Cobalt One ordinary share (a "CO1 Share"), based on a share exchange ratio using the last trading price ($0.76) of the Corporation's shares on June 23, 2017.

In November 2017, the Corporation completed the acquisition of all the issued and outstanding shares of Cobalt One through the issuance of 107,948,909 common shares. The fair value of the shares is measured by the last trading price ($0.73) of the date of shareholder approval, November 20, 2017.

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:	
Common shares issued (107,948,909 shares at $0.73 per share)	$ 78,802,704
Net assets acquired:	
Current assets	$ 1,127,637
Current liabilities	(854,463)
Plant and equipment (Note 7)	4,476,528
Asset retirement obligations	(800,000)
Exploration and evaluation asset	74,853,002
	$ 78,802,704

The exploration and evaluation asset acquired from Cobalt One has been allocated to Cobalt North, Ontario (comprised primarily the Kerr Lake area and other Cobalt North Properties) and Cobalt Central, Ontario.

In relation to the acquisition of Cobalt One and CobalTech, the Corporation capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,934 common shares measured at a fair value of $0.73 per share. The Corporation has attributed $875,301 of the acquisition cost to the exploration assets of Cobalt One based on the value of the net assets acquired. As at the nine months ended December 31, 2017, the common shares are recorded as common shares to be issued.

(b) Acquisition of CobalTech Inc. ("CobalTech")

On August 18, 2017, the Corporation entered into an arrangement agreement with CobalTech to acquire 100% of the issued and outstanding common shares of CobalTech. Under the terms of the agreement, CobalTech shareholders will receive 0.2632 of a common share of the Corporation for each CobalTech ordinary share (a "CSK Share"), based on the share exchange ratio using last trading price ($0.76) of the Corporation's shares on June 23, 2017.

In November 2017, the Corporation completed the acquisition of all the issued and outstanding shares of CobalTech through the issuance of 24,422,438 common shares. The fair value of the shares is measured by the last trading price ($0.99) of the date of shareholder approval, November 22, 2017.

(expressed in Canadian dollars)

This acquisition has been recorded as an asset purchase of exploration and evaluation assets with the costs of the acquisition allocated as follows:

Purchase price:		
Common shares issued (24,422,438 shares at $0.99 per share)	$	24,178,214
Net assets acquired:		
Current assets	$	1,122,415
Current liabilities		(211,789)
Exploration and evaluation asset		23,267,588
	$	24,178,214

The exploration and evaluation asset acquired from CobalTech has been allocated to Other Cobalt North Properties (comprising of Kerr, Drummond, Conisil, and Silver Banner.), Werner Lake East Cobalt and Quebec Properties.

In relation to the acquisition of Cobalt One and CobalTech, the Corporation capitalized acquisition costs of $1,143,861 to be paid in the form of 1,566,933 common shares measured at a fair value of $0.73 per share. The Corporation has attributed $268,660 of the acquisition cost to the exploration assets of CobalTech based on the value of the net assets acquired. As at the nine months ended December 31, 2017, the common shares are recorded as common shares to be issued.

(c) Acquisition of Cobalt Projects International Corp. (Keeley-Frontier)

On April 10, 2017, the Corporation acquired all of the outstanding share capital of Cobalt Projects International Corp. ("Cobalt Project"), a privately held Ontario-based mineral exploration company. Cobalt Project holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. ("Canadian Silver Hunter") in the Keeley-Frontier mine ("Keeley-Frontier"), located within the historic Silver Centre camp, and bordering on the Corporation's existing South Lorrain cobalt claim blocks. As consideration for the acquisition, the Corporation issued 4,450,000 common shares, with a fair value of $2,430,000, to existing shareholders of Cobalt Projects, which shall vest in 6 equal tranches over a 4 to 18-month period. Additionally, promissory notes totaling $435,000 were forgiven. The fair value of the common shares transferred was estimated to be $2,430,000 using the Black-Scholes Option Pricing Model, assuming a risk free rate of 0.76%, an expected life of 0.67 years, an expected volatility of 88% and a an exercise price of $0.70 per share.

Under the terms of the option agreement between Cobalt Projects and Canadian Silver Hunter, the Corporation may earn up to 100% interest in Keeley-Frontier as follows:

- 50% interest upon payment of $850,000 (of which $550,000 has been paid) and incurring expenditures of $1,750,000 on the property over a period of three years.
- 51% interest upon payment of $200,000 within 60 days of having exercised the first option and producing a technical report in compliance with NI 43-101 – *Standards of Disclosure for Mineral Projects* by the fourth anniversary.
- 100% interest upon payment of $750,000 and incurring additional expenditures of $1,250,000 by the fifth anniversary.

Upon earning a 100% interest, Canadian Silver Hunter shall be granted a 2% net smelter return royalty, subject to the Corporation having the right to purchase 1% for $1 million over the ensuing 10 years. The Corporation may elect to accelerate the earn-in.

(d) Acquisition of Cobalt Industries of Canada Inc. (South Lorraine)

On December 12, 2016, the Corporation entered into an agreement to acquire all of the outstanding share capital of Cobalt Industries of Canada Inc. ("Cobalt Industries"), a privately-held Ontario-based mineral exploration company. Cobalt Industries holds the "South Lorraine Cobalt" claim group, which consists of 17 claim blocks covering an area of 1,950 hectares or 19.50 square kilometers. The claim group is located adjacent to the Keeley-Frontier property in the former mining camp of Silver Centre, Ontario, Canada, approximately 30 kilometers south of the town of Cobalt, Ontario.

In consideration for the acquisition, the Corporation issued 6,900,000 common shares for all outstanding share capital of Cobalt Industries with a fair value of of $0.25 per share.

As of the acquisition date of Cobalt Industries, management of the Corporation concluded that the acquisition does not constitute a business combination as determined by IFRS 3 Business Combinations, the acquisition was accounted for as an asset acquisition.

During the period ended December 31, 2017, the Corporation paid a $10,000 option payment for the South Lorraine property.

(e) Bellellen

On June 7, 2017, the Corporation acquired 22 mining claims totalling 848 hectares from Brixton Metals Corp. ("Brixton"). These mining claims include the former producing Bellellen Mine and are located immediately to the northeast of the Keeley-Frontier property. The claims cover prospective ground in both the south end of the mining camp, near Silver Centre, as well as the north, near the town of Cobalt, Ontario. The Bellellen Mine is adjacent to the Keeley-Frontier Mine. In consideration for the acquisition of the mining claims, the Corporation made a cash payment of $325,000 to Brixton during the nine months ended December 31, 2017.

(f) Dickens Lake Property

On July 5, 2012, the Corporation acquired a 90% interest in the Dickens Lake Property, located in Saskatchewan, Canada from Unity Energy Corp. ("Unity") in exchange for 3,182,750 common shares of the Corporation with a fair value of $1,466,749. The fair value of the common shares was equal to Unity's carrying value of the Dickens Lake Property.

The Dickens Lake Property is subject to a 2% net smelter royalty ("NSR"), which may be purchased by the Corporation for $1,500,000. During the year ended March 31, 2017 the Corporation re-purchased 1.5% of the 2% NSR for $164,963. All of the claims will lapse in June 2018 and the Corporation does not plan to continue exploration work on the property, therefore total carrying value of $375,058 relating to Dickens Lake property will be written down to $nil as at December 31, 2017.

(g) Gold Rush Cariboo

On December 7, 2017, the Corporation entered into an agreement to acquire mineral claims from Gold Rush Cariboo Inc. in exchange for 224,000 common shares at a fair value of $1.33 per share for a total carrying value of $297,920. As at the nine months ended December 31, 2017, the Corporation has recorded the 224,000 common shares as common shares to be issued (Note 20). These claims are included within the Cobalt Central Properties.

(expressed in Canadian dollars)

9. Accounts Payable and Accrued Liabilities

	December 31, 2017	March 31, 2017
Accounts Payable	$ 1,485,471	$ 348,724
Accrued Liabilities	505,750	50,973
	$ 1,991,221	$ 399,697

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total $219,764 (March 31, 2017 - $33,064) due to related parties (see note 19).

10. Share Capital

(a) *Authorized Share Capital*

The Corporation is authorized to issue an unlimited number of common shares without par value. As at December 31, 2017, the Corporation had 219,888,826 (March 31, 2017 – 44,117,750 common shares outstanding.

(b) *Issued Share Capital*

During the nine-month period ended December 31, 2017, the Corporation issued common shares as follows:

- The Corporation issued 9,840,728 common shares on exercise of warrants for total gross proceeds of $1,164,830, of which $42,008 is recorded as a subscription receivable. The Corporation received funds of $710,652 for the exercise of 595,674 warrants. The amount is recorded as common shares to be issued.

- The Corporation issued 1,175,000 common shares on exercise of stock options for total gross proceeds of $359,250.

- On April 10, 2017, the Corporation issued 4,450,000 common shares with a fair value of $2,430,000 for the acquisition of Cobalt Projects.

- On May 31, 2017, the Corporation issued 2,050,001 flow-through shares at $0.60 per share for total gross proceeds of $1,230,001. In connection with the flow-through share offering, the Corporation paid cash finders' fee of $37,029.

  The Corporation renounced $1,230,001 under the general method on December 31, 2017. As at December 31, 2017, the Corporation has spent all proceeds reserved for flow-through exploration expenditures.

- On November 30, 2017, the Corporation issued 107,948,909 common shares at $0.73 per share for the acquisition of Cobalt One (Note 8).

- On November 30, 2017, the Corporation issued 24,422,438 common shares at $0.99 per share for the acquisition of CobalTech (Note 8).

- On December 21, 2017, the Corporation issued on a bought deal basis (i) 4,700,000 units of the Corporation ("Flow-Through Units") at $1.51 per unit and 20,950,000 units (the "Units") at $1.10 per unit for gross proceeds of $30,142,000 (the "Offering").

  Each Unit consists of one common share of the Corporation and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant") of the Corporation. Each Flow-Through Unit consists of one 'flow-through share' (a "Flow-Through Share") of the Corporation and one-half of one Warrant. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.

  Of the cash proceeds received from the Units, $24,492,000 was allocated to share capital and $4,193,000 was allocated to warrants based on their relative fair value.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $1,457,000 based on the difference between the fair value price per share of the Flow-Through Units and the Units.

  The remaining proceeds from the Flow-Through Units, after deducting the flow-through share liability was $9,843,000, of which $5,650,000 was allocated to share capital and $4,193,000 was allocated to warrants based on their relative fair value. As at December 31, 2017, the Corporation has recorded the warrants as warrants to be issued.

  The Corporation renounced $30,142,000 under the look-back method on December 31, 2017. As at December 31, 2017, the Corporation has not spent any proceeds flow-through exploration expenditures and intends to spend the balance of $30,142,000 in the fiscal year ending December 31, 2018.

- Concurrent with the Offering, the Corporation completed a non-brokered private placement on December 28, 2017 of 234,000 Flow-Through Units at $1.33 per unit for gross proceeds of $311,220, of which $297,920 is recorded as a subscription receivable. Each Flow-Through Unit consists of one flow-through share and one-half share purchase warrant. Each full warrant is exercisable at $1.50 per share for 24 months from the date of issue of Warrants. The issuance of the warrants is subject to shareholder approval.

  The amount of the flow-through share liability associated with the flow-through shares was determined to be $32,760 based on the difference between unit price of the flow-through unit less the stock price as at the date of grant. The remaining proceeds from the flow-through shares, after deducting the flow-through share liability was $278,460, of which $213,000 was allocated to share capital and $65,460 was allocated to warrants based on their relative fair value. As at December 31, 2017, the Corporation has recorded the warrants as warrants to be issued.

  The Corporation renounced $311,220 under the look-back method on December 31, 2017. As at December 31, 2017, the Corporation has not spent any proceeds reserved for flow-through expenditures and intends to spend the balance of $311,220 in the fiscal year ending December 31, 2018.

- The issuance of the Warrants was subject to the approval of the Australian Stock Exchange ("ASX") and approval of the shareholders of the Corporation. Pursuant to ASX listing requirements, the Corporation called a special meeting of shareholders to seek approval for the issuance of the Warrants. On March 9, 2018, the shareholders of the Corporation have approved the issuance of all common share purchase warrants under the Offering. Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Corporation's December 2017 bought deal private placement (12,825,000 warrants) and non-brokered private placement (192,682 warrants) were issued.

During the year March 31, 2017, the Corporation issued common shares as follows:

- During the year ended March 31, 2017, the Corporation issued 1,710,000 common shares on exercise of warrants for total gross proceeds of $145,000.

- On March 6, 2017, the Corporation closed a non-brokered private placement offering by issuing 12,000,000 common shares at a price of $0.50 per share, for total gross proceeds of $6,000,000. In connection with the financing, the Corporation issued 1,200,000 common shares, at a deemed value of $0.50 per share, as finders' shares, and incurred share issuance costs of $63,488. As at March 31, 2017 $16,000 is recorded as a subscription receivable as part of share capital.

- On December 12, 2016, the Corporation issued 6,900,000 common shares for the acquisition ("Acquisition Shares") of all outstanding share capital of Cobalt Industries of Canada Inc. (see note 6). The fair value of Acquisition Shares issued is $0.25 per share. All common shares issued in connection with the acquisition are subject to an eighteen-month escrow arrangement restricting the resale of securities. Under the terms of the escrow agreement, the Acquisition Shares will be released from escrow in five equal tranches, with the first release occurring six-months following the completion of the acquisition.

- On November 3, 2016, the Corporation closed a non-brokered private placement offering by issuing 6,000,000 common shares at a price of $0.15 per share, for total gross proceeds of $900,000. In connection with the financing, the Corporation paid cash finder's fees of $23,817 and incurred legal and transaction fees recorded as share issuance costs of $47,878.

- On September 13, 2016, the Corporation closed a non-brokered private placement offering by issuing 10,000,000 units at a price of $0.05 per unit, for total gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.10 for period of 5 years from the date of closing.

  On May 31, 2016, the Corporation closed a non-brokered private placement offering by issuing 1,550,000 units at a price of $0.05 per unit, for total gross proceeds of $77,500. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at $0.06 for period of 5 years from the date of closing.

(expressed in Canadian dollars)

11. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance – March 31, 2016		-
Issuance of warrants	$0.06	1,550,000
Issuance of warrants	$0.10	10,000,000
Exercise of warrants	$0.08	(1,710,000)
Balance – March 31, 2017	$0.10	9,840,000
Issuance of warrants	$1.14	1,674,584
Issuance of warrants	$1.20	526,400
Exercise of warrants	$0.06	(700,000)
Exercise of warrants	$0.10	(8,940,000)
Exercise of warrants	$1.14	(270,002)
Exercise of warrants	$1.20	(526,400)
Expiry of warrants, unexercised	$1.14	(1,404,582)
Balance – December 31, 2017	$0.06	200,000

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
May 31, 2016	May 31, 2021	200,000	$0.06
		200,000	$0.06

During the nine months ended December 31, 2017, the Corporation issued 2,200,984 share purchase warrants and received subscriptions for 12,942,000 share purchase warrants which were issued after year end (Note 10). The total fair value of $4,258,460 was recorded in equity. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 1.68% to 1.69%, an expected life of 2 years, an expected volatility of 74% to 133% and no expected dividends.

During the year ended March 31, 2017, the Corporation issued an aggregate of 11,550,000 share purchase warrants and recorded a total fair value of $531,869. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 0.60% to 0.61%, an expected life of 2.5 years, an expected volatility of 84% to 86% and no expected dividends.

12. Share based payments

The Corporation adopted a new long-term incentive plan on November 21, 2017 (the “Plan”) whereby it can grant stock options, restricted share units (“RSUs”), Deferred Share Units (“DSUs”), and Performance Share Units (“PSUs”) to directors, officers, employees, and consultants of the Corporation. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

(expressed in Canadian dollars)

(a) ***Stock Options***

The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – March 31, 2016		-	$ -
Stock options granted	$0.50	4,050,000	1,013,473
Balance – March 31, 2017	$0.50	4,050,000	$ 1,013,473
Stock options granted	$1.07	3,248,482	--
Share based compensation expense	-	-	468,716
Stock options exercised	$0.31	(1,175,000)	(162,522)
Balance – December 31, 2017	$0.95	6,123,482	$ 1,319,667

During the nine-month period year ended December 31, 2017, the Corporation granted 3,248,482 incentive stock options, respectively, to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of $0.69 and $1.43, respectively, per share, and have a vesting period of 2 years.

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 0.69% to 1.00% per annum, an expected life of options of 2.5 years, an expected volatility of 80.1% to 86.5%, and no expected dividends.
During the year ended March 31, 2017, the Corporation granted 4,050,000 incentive stock options to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of ranging from $0.25 to $0.66 per share. All outstanding options have vesting periods of up to 5 years

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of ranging from 0.57% to 0.81% per annum, an expected life of options of 2 to 2.5 years, an expected volatility ranging from 83% to 87%, and no expected dividends.

Incentive share options outstanding and exercisable December 31, 2017 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
$0.25	250,000	3.72	$0.25	250,000	$0.25
$0.35	350,000	3.96	$0.35	350,000	$0.35
$0.38	300,000	3.98	$0.38	300,000	$0.38
$0.66	1,975,000	4,17	$0.66	1,975,000	$0.66
$0.69	1,565,000	4.42	$0.69	391,250	$0.69
$1.43	1,683,482	4.93	$1.43	-	-
	6,123,482	4.40	$0.83	3,266,250	$0.59

(expressed in Canadian dollars)

(b) DSUs and PSUs

During the nine-months ended December 31, 2017, the Corporation issued 898,964 DSUs to certain non-executive directors of the Corporation and 581,682 PSUs to the chairman and certain officers of the Corporation. DSUs vest immediately and may not be exercised until a director ceases to serve on the board. PSUs may vest in two tranches over a 12-month period contingent on achieving strategic corporate objectives. The Corporation has recorded $144,408 and $143,455 as share based payment expense respectively.

13. Income Tax

Income tax reconciliation

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the nine-month period ended December 31, 2017 and the year ended March 31, 2017:

	December 31, 2017	March 31, 2017
Loss before income taxes	$ (8,608,914)	$ (2,250,565)
Statutory tax rate	26%	26%
Expected (recovery) at statutory rate	(2,238,318)	(585,147)
Non-deductible items	289,454	263,503
Flow through share renunciation	319,800	-
Difference in tax rates	-	(6,185)
Change in unrecognized deferred tax assets	1,629,064	327,829
Income tax recovery	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at December 31, 2017 and March 31, 2017 are as follows:

	December 31, 2017	March 31, 2017
Non-capital loss carry-forwards	$ 7,404,673	$ 1,621,268
Exploration and evaluation properties	2,390,463	1,667,083
Total unrecognized temporary differences	$ 9,795,136	$ 3,288,351

(expressed in Canadian dollars)

The Corporation has non-capital loss carryforwards of approximately $7,404,673 (March 31, 2017 – $ 1,621,268) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year	**Loss carry-forward amount**
2034	$ 238,782
2035	70,662
2036	87,945
2037	7,007,284
Total	$ 7,404,673

14. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for years ended December 31, 2017 and March 31, 2017

	December 31, 2017	**March 31, 2017**
Numerator		
Net loss for the year / period	$ (8,608,914)	$ (2,250,565)
Denominator		
Basic – weighted average number of shares outstanding	72,025,462	16,416,339
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	72,025,462	16,416,339
Loss Per Share – Basic and Diluted	$(0.12)	$(0.14)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year.

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the year ended December 31, 2017 as the warrants and stock options were anti-dilutive since the Corporation was in a loss position.

15. Financial Instruments

Fair value
The Corporation's financial instruments consisted of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values because of their current nature.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency. The Corporation only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

16. Management of Capital

The Corporation manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Corporation for its future acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business.

The Corporation is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for future general and administrative expenses, the Corporation expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Corporation, is reasonable. The Corporation is not subject to externally imposed capital requirements. There were no changes in the Corporation's approach to capital management during the nine months ended December 31, 2017 and the year ended March 31, 2017.

17. Supplemental Cash Flow Information

The Corporation did not make any cash payments and had no cash receipts for interest or income taxes during the nine months ended December 31, 2017 and the year ended March 31, 2017.

The acquisition of the Cobalt One (see note 8) is a non-cash transaction, whereby, 10,948,909 shares at a price of $0.73 per share is exchanged as consideration for the mineral property.

The acquisition of the CobalTech (see note 8) is a non-cash transaction, whereby, 24,422,438 shares at a price of $0.99 per share is exchanged as consideration for the mineral property.

(expressed in Canadian dollars)

The acquisition of the Cobalt Projects (see note 8) is a non-cash transaction, whereby, 4,450,000 shares with a fair value of $2,430,000 is exchanged as consideration for the mineral property.

The acquisition of the Cobalt Industries (see note 8) is a non-cash transaction, whereby, 6,900,000 shares at a price of $0.25 per share is exchanged as consideration for the mineral property.

The acquisition of Gold Rush Inc. (see note 8) is a non-cash transaction whereby 224,000 shares at a fair value of $297,200 is exchanged as consideration for the mineral property.

18. Segmented Information

The Corporation's exploration and evaluation activities are located in the provinces of Ontario, Quebec and Saskatchewan, Canada, with its head office function in Canada. All of the Corporation's capital assets, including property, plant and equipment and exploration and the exploration and evaluation asset are located in Canada.

19. Related Party Transactions

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the nine months ended December 31, 2017 and the year ended March 31, 2017, the Corporation paid and/or accrued the following fees to management personnel and directors:

	December 31, 2017	March 31, 2017
Management	$ 896,396	$ 58,849
Directors	305,000	16,983
	$ 1,201,396	$ 75,832

During the nine months ended December 31, 2017 the Corporation also had share-based payments made to management and directors of $690,763 (March 31, 2017 - $1,013,473). As at the nine months ended December 31, 2017, the Corporation had $219,764 payable to management (March 31, 2017 - $36,064)

20. Subsequent Events

(a) On January 16, 2018, as part of the Offering, the Corporation completed a non-brokered private placement by issuing 151,364 Units at $1.10 per unit for gross proceeds of $166,500. Each Unit consists of one common share of the Corporation and one-half of one common share purchase warrant (each whole common share purchase warrant (a "Warrant")) of the Corporation. Each full warrant is exercisable at $1.50 per share for a period of 24 months following the date of issue of Warrants.

(b) On January 16, 2018, in connection with the three-way merger transaction of Cobalt One and CobalTech, the Corporation issued 1,566,933 common shares at a deemed price of $0.64 per share as a success fee to an arms' length third party.

(c) On January 18, 2018, the Corporation issued 224,000 common shares at a deemed price of $1.07 per share to acquire mineral claims from Gold Rush Cariboo Inc.

(d) On March 9, 2018, the shareholders of the Corporation have approved all the issuance of Common Share Purchase Warrants under the Offering (Note 10). Accordingly, an aggregate of 13,017,682 common share purchase warrants which formed part of the Corporation's December 2017 bought deal private placement and non-brokered private placement were issued.

On March 14, 2018, the Corporation and US Cobalt Inc. ("US Cobalt") announced a definitive agreement (the "Arrangement Agreement") whereby the Corporation will acquire all of the issued and outstanding shares of US Cobalt pursuant to a plan of arrangement (the "Transaction"), further enhancing the Corporation's position as a pure-play North American cobalt company. The Transaction will be completed pursuant to a plan of arrangement. The Transaction will require approval by two thirds of the votes cast at a special meeting of US Cobalt shareholders expected to be held in May 2018 with the Transaction expected to close by the end of May 2018.

Under the terms of the Arrangement Agreement, all of the US Cobalt issued and outstanding common shares will be exchanged on the basis of 1.5 common shares of the Corporation for each US Cobalt common share issued and outstanding (the "Exchange Ratio"). The Exchange Ratio represents a 61.8% premium to US Cobalt's closing price and a 58.5% premium based on both companies' 5-day volume-weighted average trading prices, both as at March 13, 2018. As part of the Transaction, it is expected that (a) all US Cobalt stock options outstanding will be replaced with stock options of the Corporation and be exercisable for shares of the Corporation based on the Exchange Ratio for the remainder of their original term, and (b) all US Cobalt warrants outstanding will participate in the Transaction on a comparable basis to holders of US Cobalt common shares based on the in-the-money portion of those securities. This implies a total equity value of approximately $149.9 million on a fully-diluted in-the-money basis.

The directors and senior officers of US Cobalt, representing approximately 6.7% of the outstanding US Cobalt common shares, have entered into voting support agreements, pursuant to which they will vote their common shares held in favour of the Transaction. Upon completion of the Transaction, existing shareholders of the Corporation and US Cobalt shareholders will own approximately 62.5% and 37.5% of the combined company respectively, on a fully-diluted in-the-money basis, assuming all US Cobalt options and warrants are exercised prior to completion of the Transaction. The Corporation has agreed to appoint a US Cobalt nominee to its Board of Directors effective at the closing of the Transaction.

In addition to security holder and court approvals, the Transaction is subject to applicable regulatory approvals, including acceptance by the TSX-V, and the satisfaction of certain other closing conditions customary for a transaction of this nature. The Arrangement Agreement includes customary deal protections, including non-solicitation covenants, including a $5.5 million termination fee payable by either party under certain customary circumstances.