# Fuse Cobalt Inc.

(Formerly LiCo Energy Metals Inc.)

## Financial Statements

**For the years ended 31 December 2019 and 2018**

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fuse Cobalt Inc. (formerly LiCo Energy Metals Inc.)

## Opinion

We have audited the consolidated financial statements of Fuse Cobalt Inc. (formerly LiCo Energy Metals Inc.) (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

April 28, 2020

# Fuse Cobalt Inc. (formerly LiCo Energy Metals Inc.)
**Statements of Financial Position**
**31 December 2019 and 2018**
(Expressed in Canadian dollars)

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | 5 | **34,591** | 47,071 |
| Amounts receivable | | **2,911** | 73,809 |
| Prepaid expenses | | **7,000** | 13,418 |
| | | **44,502** | 134,298 |
| Exploration and evaluation properties | 6 | **3,453,852** | 4,332,447 |
| **Total assets** | | **3,498,354** | 4,466,745 |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | **129,219** | 318,226 |
| | | **129,219** | 318,226 |
| **Equity** | | | |
| Share capital | 9 | **33,385,619** | 33,104,998 |
| Contributed surplus | 9 | **6,511,947** | 6,292,568 |
| Deficit | | **(36,528,431)** | (35,249,047) |
| **Total equity** | | **3,369,135** | 4,148,519 |
| **Total equity and liabilities** | | **3,498,354** | 4,466,745 |

**Nature of operations and going concern** (Note 1), **Commitments and contingencies** (Note 15) and **Subsequent events** (Note 17)

**APPROVED BY THE BOARD:**

| | |
|---|---|
| *"James Hellwarth"* | *"Ryan Goodman"* |
| James Hellwarth | Ryan Goodman |

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

# **Fuse Cobalt Inc.** (Formerly LiCo Energy Metals Inc.)

## Statements of Loss and Comprehensive Loss

## For the years ended 31 December 2019 and 2018

(Expressed in Canadian dollars)

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **Administration expenses** | | | |
| Accounting and audit fees | | **20,000** | 35,000 |
| Consulting fees | 8 | **176,801** | 356,186 |
| Corporate development | 8 | **45,000** | 180,000 |
| Legal fees | | **214** | 17,319 |
| Marketing and communications | | **13,525** | 554,127 |
| Office expenses | 8 | **17,772** | 67,664 |
| Rent | 8 | **9,000** | 38,593 |
| Salaries and wages | | **41,563** | 50,782 |
| Share-based payments | 8,9 | **-** | 142,008 |
| Transfer agent and regulatory fees | | **42,777** | 69,714 |
| Travel, lodging and food | | **-** | 96,109 |
| **Loss before other items** | | **(366,652)** | (1,607,502) |
| **Other income (expense)** | | | |
| Part XII.6 interest expense | | **-** | (7,164) |
| Foreign exchange gain | | **-** | 9,723 |
| Interest income | | **7** | - |
| Impairment of exploration and evaluation properties | 6 | **(912,739)** | (1,053,065) |
| **Net loss and comprehensive loss for the year** | | **(1,279,384)** | (2,658,008) |
| **Loss per share** | | | |
| Basic and diluted | 10 | **(0.048)** | (0.145) |

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

**Fuse Cobalt Inc.** (Formerly LiCo Energy Metals Inc.)
**Statements of Cash Flows**
**For the years ended 31 December 2019 and 2018**
(Expressed in Canadian dollars)

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **OPERATING ACTIVITIES** | | | |
| Loss for the year | | **(1,279,384)** | (2,658,008) |
| Adjustment for: | | | |
| Share-based payment | 9 | **-** | 142,008 |
| Impairment of exploration and evaluation properties | 6 | **912,739** | 1,053,065 |
| Changes in operating working capital: | | | |
| Decrease (increase) in amounts receivable | | **70,898** | 6,954 |
| Decrease (increase) in prepaid expenses | | **6,418** | 104,266 |
| Increase (decrease) in trade and other payables | | **(190,575)** | 185,280 |
| **Cash used in operating activities** | | **(479,904)** | (1,166,435) |
| **INVESTING ACTIVITIES** | | | |
| Exploration and evaluation properties expenditures | 6 | **(32,576)** | (1,196,530) |
| **Cash used in investing activities** | | **(32,576)** | (1,196,530) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of common shares, net | 9 | **500,000** | - |
| Exercise of warrants | 9 | **-** | 906,800 |
| Exercise of options | 9 | **-** | 222,000 |
| **Cash from financing activities** | | **500,000** | 1,128,800 |
| **Decrease in cash** | | **(12,480)** | (1,243,165) |
| Cash, beginning of year | | **47,071** | 1,281,236 |
| **Cash, end of year** | | **34,591** | 47,071 |

**Supplemental cash flow information (Note 11)**

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

# Fuse Cobalt Inc. (Formerly LiCo Energy Metals Inc.)
## Statements of Changes in Equity
## For the years ended 31 December 2019 and 2018
(Expressed in Canadian dollars)

| | Notes | Number of common shares | Common shares | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ |
| Balances, 1 January 2018 | | **16,648,147** | **30,380,999** | **7,325,759** | **(32,591,039)** | **5,115,719** |
| Shares issued for: | | | | | | |
| Exercise of options | 9 | 305,000 | 513,092 | (291,092) | - | 222,000 |
| Exercise of warrants | 9 | 1,162,000 | 1,790,907 | (884,107) | - | 906,800 |
| Exploration and evaluation properties | 6,9 | 450,000 | 420,000 | - | - | 420,000 |
| Share-based payments | 9 | - | - | 142,007 | - | 1472,007 |
| Net and comprehensive loss for the year | | - | - | - | (2,658,008) | (2,658,008) |
| **Balances, 31 December 2018** | | **18,565,147** | **33,104,998** | **6,292,568** | **(35,249,047)** | **4,148,519** |
| Shares issued for: | | | | | | |
| Cash | 9 | 8,333,333 | 304,450 | - | - | 304,450 |
| Finder’s fees | 9 | 618,333 | - | - | - | - |
| Value assigned to warrants | 9 | - | - | 195,550 | - | 195,550 |
| Share issue costs – finder’s warrants | 9 | - | (23,829) | 23,829 | - | - |
| Net and comprehensive loss for the year | | - | - | - | (1,279,384) | (1,279,384) |
| **Balances, 31 December 2019** | | **27,516,813** | **33,385,619** | **6,511,947** | **(36,528,431)** | **3,369,135** |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Fuse Cobalt Inc. (formerly LiCo Energy Metals Inc.) (the "Company") was incorporated in Manitoba on 11 February 1998 and continued into British Columbia on 31 May 2016. The Company currently holds interests in exploration and evaluation properties in the province of Ontario, Canada. The Company is an exploration stage company which is engaged in the acquisition, exploration and development of energy metals projects. The Company is listed on the TSX Venture Exchange ("TSXV") having the symbol FUSE, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On 17 January 2020, the Company consolidated its share capital by issuing one (1) new common share without par value for every two (2) existing common shares without par value basis (Note 17).

### 1.1 Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company had cash of $34,591 at 31 December 2019 (2018: $47,071), but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

## 2. BASIS OF PREPARATION

### 2.1 Basis of presentation

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value (Note 12).

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar.

**2.2 Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

**2.3 Approval of the financial statements**

The financial statements of the Company for the year ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 28 April 2020.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**3.1 Change in accounting policy**

The IASB issued a number of new and revised International Accounting Standards ("IASs"), IFRSs, amendments and related International Financial Reporting Interpretations Committee ("IFRIC") interpretations which are effective for the Company's financial year beginning on 1 January 2019. For the purpose of preparing and presenting the financial statements, the Company has consistently adopted all these new standards for the year ended 31 December 2019.

*IFRS 16 Leases*

On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. This new standard did not have any impact on the Company's financial statements because the Company does not have any leases.

**3.2 Foreign currency transactions**

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently remeasured.

### 3.3 Restricted cash

The Company, from time to time, issues flow-through shares and renounces qualified exploration expenditures to the subscribers of such shares. Amounts renounced but not yet expended form the basis for the restricted cash.

### 3.4 Revenue recognition

The Company recognizes revenue in accordance with IFRS 15 Revenue. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Company, and the amount of revenue can be measured with reliability. Outsourced exploration revenue is recognized on the accrual basis as services are provided in accordance with relevant agreements.

### 3.5 Exploration and evaluation properties

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of loss and comprehensive loss.

The Company enters into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.

### 3.6 Impairment of long-lived assets

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### 3.7 Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

*(i) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

*(ii) Measurement*

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

*Debt investments at FVOCI*
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in

profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

*Equity investments at FVOCI*
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

*(iii) Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*(iv) Derecognition*

*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

### 3.8 Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

### 3.9 Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### 3.10 Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

### 3.11 Flow-through shares

The Company, from time to time, issues flow-through common shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as a financial expense until paid.

### 3.12 Loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

### 3.13 Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

## 5. CASH

The Company's cash is denominated in the following currencies:

| As at 31 December | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Denominated in Canadian dollars | 9,688 | 35,273 |
| Denominated in U.S. dollars | 24,903 | 11,798 |
| Total cash | 34,591 | 47,071 |

(Expressed in Canadian dollars)

## 6. EXPLORATION AND EVALUATION PROPERTIES

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2019:

| | **Glencore Bucke Cobalt** | **Teledyne Cobalt** | **Black Rock** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **ACQUISITION COSTS** | | | | |
| Balance, 1 January 2019 | 380,000 | 1,785,000 | 853,667 | **3,018,667** |
| Additions | - | - | - | **-** |
| Option payments received | - | - | | **-** |
| Impairment | - | - | (853,667) | **(853,667)** |
| **Balance, 31 December 2019** | 380,000 | 1,785,000 | - | **2,165,000** |
| **EXPLORATION AND EVALUATION COSTS** | | | | |
| Balance, 1 January 2019 | 684,455 | 574,649 | 54,676 | **1,313,780** |
| Assaying | 901 | 1,249 | - | **2,150** |
| Drilling | - | 1,400 | - | **1,400** |
| Engineering and consulting | 4,725 | 7,938 | - | **12,663** |
| Field expenses | 2,624 | 10,911 | - | **13,535** |
| Maintenance, claim fees | - | - | 4,396 | **4,396** |
| Impairment | - | - | (59,072) | **(59,072)** |
| **Balance, 31 December 2019** | 692,705 | 596,147 | - | **1,288,852** |
| **Total costs – 31 December 2019** | **1,072,705** | **2,381,147** | **-** | **3,453,852** |

(Expressed in Canadian dollars)

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2018:

| | **Glencore Bucke Cobalt** | **Teledyne Cobalt** | **Dixie Valley** | **Black Rock** | **Purickuta** | **Total** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **ACQUISITION COSTS** | | | | | | |
| Balance, 1 January 2018 | 150,000 | 1,035,000 | 1,016,623 | 853,667 | - | 3,055,290 |
| Additions | 350,000 | 870,000 | - | - | - | 1,220,000 |
| Option payments received | (120,000) | (120,000) | | | | (240,000) |
| Impairment | - | - | (1,016,623) | - | - | (1,016,623) |
| **Balance, 31 December 2018** | **380,000** | **1,785,000** | **-** | **853,667** | **-** | **3,018,667** |
| | | | | | | |
| **EXPLORATION AND EVALUATION COSTS** | | | | | | |
| Balance, 1 January 2018 | 256,744 | 350,687 | 5,018 | 25,227 | - | 637,676 |
| Assaying | 55,819 | 25,150 | - | - | - | 80,969 |
| Drilling | 255,858 | 132,235 | - | - | - | 388,093 |
| Engineering and consulting | 76,455 | 23,707 | - | - | 6,615 | 106,777 |
| Field expenses | 28,954 | 41,945 | - | - | 24,809 | 95,708 |
| Geological | 10,625 | 925 | - | - | - | 11,550 |
| Maintenance, claim fees | - | - | - | 29,449 | - | 29,449 |
| Impairment | - | - | (5,018) | - | (31,424) | (36,442) |
| **Balance, 31 December 2018** | **684,455** | **574,649** | **-** | **54,676** | **-** | **1,313,780** |
| | | | | | | |
| **Total costs – 31 December 2018** | **1,064,455** | **2,359,649** | **-** | **908,343** | **-** | **4,332,447** |

(Expressed in Canadian dollars)

**Canada:**

***Glencore Bucke Cobalt Project:***

On 31 August 2017, the Company entered into a property purchase agreement to acquire a 100% interest from Glencore Canada Corporation in the Glencore Bucke Property, situated in Bucke Township, 6 km east-northeast of Cobalt, Ontario, subject to a back-in provision, production royalty and off-take agreement.

In order to earn the 100% interest in the mineral claims, the Company is required to issue shares and make payments as follows:

| | Cash Payment | Expenditures |
|---|---|---|
| | $ | $ |
| Upon signing (paid) | 150,000 | - |
| On or before 28 February 2018 (paid and incurred) | 350,000 | 250,000 |
| | **500,000** | **250,000** |

The agreement is subject to a 3.5% Net Smelter Royalty ("NSR"). One-half of the royalty can be purchased for $1,000,000.

On 28 February 2018, the Company paid $350,000 and completed its obligations under the property purchase agreement.

On 7 May 2018, the Company entered into a property option agreement with Surge Exploration Inc. ("Surge") whereby Surge can acquire the right to earn an undivided and up to 60% interest in to the Glencore Bucke Claims and Teledyne Claims located in the Timiskaming District of the Province of Ontario. The option agreement is "non-arms length" and is a related party transaction due to an officer in common between Surge and the Company.

Pursuant to the terms of the Option Agreement, Surge has 24 months within which to exercise the option as follows:

| | Cash Payment | Share issuances | Expenditures |
|---|---|---|---|
| | $ | | $ |
| Upon Exchange Approval (received) | 240,000 | 100,000 | - |
| On or before two years anniversary | - | - | 1,536,000 |
| | **240,000** | **100,000** | **1,536,000** |

Subsequent to year end, the Company negotiated the early termination of the Option Agreement originally announced on 7 May 2018 with Surge (Note 17). The Company will retain 100% interest in the property by the early cancellation of the Option Agreement and all rights in regards to the property will revert back to the Company upon the Company issuing to Surge 2,500,000 common shares (issued subsequent to year end).

(Expressed in Canadian dollars)

***Teledyne Cobalt Project:***

On 8 September 2016, the Company entered into an option agreement with New Found Gold Corp. (formerly Palisade Resources Corp.) to acquire a 100% interest, in and to certain mineral claims located in Timiskaming, Ontario subject to a 2% NSR upon commencement of commercial production.

On 8 March 2018, the Company paid $50,000 and issued 50,000 common shares in relation to the Teledyne Cobalt Project option agreement with New Found Gold Corp (Note 9).

On 2 April 2018, the Company and New Found Gold Corp. signed an amending agreement for the Teledyne Cobalt Project:

In order to earn the 100% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Notes 9 and 11):

| | | Payments | Shares |
|---|---|---|---|
| Upon signing (paid and issued) | 1st Option payment | $200,000 | 250,000 |
| On or before 8 March 2017 (paid and issued) | 2nd Option payment to earn 40% interest | $50,000 | 250,000 |
| On or before 8 September 2017 (paid and issued) | to earn additional 5% interest | $50,000 | 50,000 |
| On or before 8 March 2018 (paid and issued) | to earn additional 5% interest | $50,000 | 50,000 |
| On or before 2 April 2018 (paid and issued) | to earn additional 50% interest | $400,000 | 400,000 |
| | 100% interest | $750,000 | 1,000,000 |

On 2 April 2018, the Company paid $400,000 and issued 400,000 common shares in relation to the Teledyne Cobalt Project amended option agreement with New Found Gold Corp (Note 9).

**United States:**

***Dixie Valley Project:***

On 14 July 2016, and amended on 30 August 2017, the Company entered into an option agreement with Nevada Energy Metals Inc. ("Nevada") to acquire a 100% interest, subject to a 3% NSR, certain mineral claims located in Dixie Valley, Churchill County, Nevada. The option agreement is "non-arms length" and is a related party transaction due to an officer in common between Nevada and the Company (Note 8). The TSXV approved the transaction on 10 August 2016. Pursuant to the terms of the option agreement, the Company has 36 months within which to exercise the option as follows (Notes 9 and 11):

| | **Cash Payment** | **Share issuances** | **Expenditures** |
|---|---|---|---|
| | USD$ | | USD$ |
| Upon signing (paid) | 20,000 | - | - |
| Upon TSXV approval (paid and issued) | 180,000 | 200,000 | - |
| On or before 14 July 2017 (issued) | - | 200,000 | - |
| On or before 30 August 2017 (issued) | - | 200,000 | - |
| On or before 14 July 2019 | - | - | 250,000 |
| | **200,000** | **600,000** | **250,000** |

(Expressed in Canadian dollars)

From the date of the amended agreement on 30 August 2017, the Company will be responsible for paying 100% of the annual property sustaining fees due and payable on the property from time to time.

On 31 August 2018, the Company did not pay the annual property sustaining fees and dropped all the claims. During the year ended 31 December 2018, the Company recorded an impairment write-down of $1,021,641 with respect to the Dixie Valley property.

***Black Rock Desert Project:***

On 10 November 2016, and amended on 30 August 2017, the Company entered into an option agreement with Nevada, whereby the Company may earn an undivided 100% interest, subject to a 3% NSR, in the Black Rock Desert Project that consists of certain placer claims in southwest Black Rock Desert, Washoe County, Nevada. The TSXV approved the transaction on 6 January 2017. The Company paid finder's fees of $75,000 cash in relation to the option agreement. The option agreement is "non-arms' length" and is a related party transaction due to an officer in common between Nevada and the Company (Note 8).

In order to earn the 100% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Notes 9 and 11):

| | **Cash Payment** | **Share issuances** | **Expenditures** |
|---|---|---|---|
| | USD$ | | USD$ |
| Upon signing (paid) | 20,000 | - | - |
| Upon TSX Venture approval (paid and issued) | 150,000 | 150,000 | - |
| On or before 30 August 2017 (issued) | - | 300,000 | - |
| On or before 10 November 2019 | - | - | 250,000 |
| | **170,000** | **450,000** | **250,000** |

From the date of the amended agreement on 30 August 2017, the Company will be responsible for paying 100% of the annual property sustaining fees due and payable on the property from time to time.

On 30 November 2019, the Company did not pay the annual property sustaining fees and dropped all the claims. During the year ended 31 December 2019, the Company recorded an impairment write-down of $912,739 with respect to the Black Rock property.

**Chile:**

***Purickuta Project:***

The Company entered into a letter of intent on 31 December 2016, and a formal agreement on 16 January 2017 (the "Formal Agreement"), with Durus Copper Chile, SPA ("Durus), whereby the Company may earn an initial 50% interest in a property located in Atacama, Chile, and a potential additional 10% interest for an aggregate total of 60% interest in the property upon the formation of a joint venture. The TSXV approved the transaction on 4 April 2017.

In relation to the Formal Agreement, finder's fees of 132,000 common shares valued at $224,400 were issued.

(Expressed in Canadian dollars)

On 18 August 2017, the Company entered into an Extension Agreement to amend the payment date of US$2,000,000, which was to be paid on 4 October 2017, to US$200,000 upon signing the Extension Agreement (paid) and US$1,800,000 on 15 December 2017, along with certain other work and development commitments. All other terms of the Mining Option Agreement remain the same.

In order to earn the 50% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Notes 9, 11 and 15):

| | **Cash Payment** | **Share issuances** |
|---|---|---|
| | USD $ | |
| Upon signing of formal title opinion (paid) | 100,000 | - |
| Upon TSX Venture approval (paid and issued) | 300,000 | 500,000 |
| On or before 4 October 2017 (paid) | 200,000 | - |
| On or before 15 December 2017 (deferred) | 1,800,000 | - |
| On or before 4 April 2018 (deferred) | 2,000,000 | - |
| On or before 4 October 2018 (deferred) | 2,000,000 | - |
| Upon receipt of a special lithium operation contract | 2,000,000 | - |
| | **8,400,000** | **500,000** |

During the previous year ended 31 December 2017, the Company ceased to have access to its interest in the Purickuta Project due to actions by the Atacemena Community of Toconoa. As a result and consistent with the Formal Agreement, on 1 September 2017, the Company served Notice of Force Majeure on Durus and deferred the payment of US$1,800,000 due on 15 December 2017 and US$2,000,000 due on 4 April 2018 until the Force Majeure has been resolved (Note 15). At December 31, 2017, all previously incurred costs were fully impaired.

During the year ended 31 December 2018, the Company recorded an impairment write-down of $31,424 with respect to the cost incurred on the Purickuta Property during the year (Note 11).

On 18 February 2019, the Company dropped the Purickuta property.

## 7. TRADE AND OTHER PAYABLES

The Company's trade payables and accrued liabilities are principally comprised of amounts for administrative activities. These are broken down as follows:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **$** | $ |
| Trade payables | **32,719** | 90,992 |
| Due to related parties (Note 8) | **31,500** | 4,200 |
| Accrued liabilities | **65,000** | 223,034 |
| **Total trade and other payables** | **129,219** | 318,226 |

(Expressed in Canadian dollars)

## 8. RELATED PARTY TRANSACTIONS

For the year ended 31 December 2019, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- Nevada, a company with a director in common with the Company. Nevada shares the same office space with the Company. The Company has entered into various mineral property option agreements with Nevada (Note 6).

### 8.1 Key management personnel compensation

The remuneration of directors and other members of key management for the periods ended 31 December 2019 and 2018 are as follows:

| **31 December** | **2019** | 2018 |
|---|---|---|
| | $ | $ |
| Short-term benefits – consulting and corporate development fees | **157,200** | 297,595 |
| Share-based payments | **-** | 32,771 |
| **Total key management personnel compensation** | **157,200** | 330,366 |

### 8.2 Related party transactions are summarized as follows:

| **Year ended 31 December** | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Shared office expenses to Nevada | **-** | 11,533 |
| Rent expense to Nevada | **-** | 14,593 |
| Consulting and corporate development fees to company controlled by Director and former CEO | **46,200** | 108,000 |
| Consulting fees to the President, CEO, and director | **6,000** | 18,000 |
| Consulting fees to Chief Financial Officer ("CFO") | **42,000** | 42,175 |
| Consulting and corporate development fees to the Corporate Secretary | **63,000** | 108,000 |
| Consulting fees to Directors and a former Director | **-** | 21,420 |
| Share based payments to a Director | **-** | 32,771 |
| **Total related party transactions** | **157,200** | 356,492 |

(Expressed in Canadian dollars)

### 8.3 Due to related parties

The liabilities of the Company include the following amounts due to related parties:

| As at 31 December | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Director and former CEO | - | 4,200 |
| CFO | 14,700 | - |
| Corporate Secretary | 16,800 | - |
| **Total amount due to related parties** (Note 7) | **31,500** | 4,200 |

## 9. SHARE CAPITAL

### 9.1 Authorized share capital

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 31 December 2019, the Company had 27,516,813 common shares issued and outstanding (2018: 18,565,147).

### 9.2 Share issuance

a) Private Placements

- On 4 February 2019, the Company issued 4,513,333 flow-through ("FT") units at a price of $0.06 per unit for cash proceeds of $270,800 and 3,820,000 non flow-through ("NFT") units at a price of $0.06 per unit for cash proceeds of $229,200. Each FT unit is comprised of one FT common share of the Company and one warrant exercisable during the two years following the closing to purchase one additional NFT common share for $0.30. Each NFT unit is comprised of one NFT common share of the Company and one warrant exercisable during the two years following the closing to purchase one additional NFT common share for $0.30. The Company allocated a fair value of $195,550 to the warrants. The Company paid finder's fees of 618,333 NFT common shares and 309,158 finders' warrants (Note 11). The fair value of the finders' warrants was estimated at $23,829 using the Black-Scholes Option Pricing Model. As at 31 December 2019, the Company has $248,877 (2018: $Nil) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 6 and 15).

b) Exploration and Evaluation Property Acquisition

- On 2 April 2018, the Company issued 400,000 common shares valued at $360,000, pursuant to the purchase agreement in Teledyne Cobalt Project (Notes 6 and 11).

- On 9 March 2018, the Company issued 50,000 common shares valued at $60,000, pursuant to the purchase agreement in Teledyne Cobalt Project (Notes 6 and 11).

(Expressed in Canadian dollars)

c) Exercise of Warrants

- During the year ended 31 December 2018, the Company issued 1,162,000 common shares related to the exercise of 1,162,000 warrants at exercise prices between $0.50 per share and $1.40 per share.

d) Exercise of Options

- During the year ended 31 December 2018, the Company issued 305,000 common shares related to the exercise of 305,000 stock options at exercise prices between $0.60 per share and $1.20 per share.

### 9.3 Stock option plan

Effective 8 August 2016, the Company has adopted a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Effective 18 October 2017, the aggregate maximum number of common shares issuable under the plan is 2,339,906 common shares. The aggregate number of options granted to one optionee in a 12-month period is limited to 5% of the issued common shares of the Company.

The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options.

The following is a summary of the changes in the Company's stock option activities for the years ended 31 December 2019 and 2018:

| | **31 December 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted-average exercise price** | Number of options | Weighted-average exercise price |
| | | **$** | | $ |
| Outstanding, beginning of period | **135,000** | **0.79** | 905,000 | 0.80 |
| Granted | **-** | **-** | 130,000 | 1.05 |
| Exercised | **-** | **-** | (305,000) | 0.73 |
| Expired | **-** | **-** | - | - |
| Cancelled | **-** | **-** | (595,000) | 0.87 |
| **Outstanding, end of period** | **135,000** | **0.79** | 135,000 | 0.79 |
| **Exercisable, end of period** | **135,000** | **0.79** | 135,000 | 0.79 |

(Expressed in Canadian dollars)

The following table summarizes information regarding stock options outstanding and exercisable as at 31 December 2019:

| **Exercise price** | **Number of options outstanding** | **Number of options exercisable** | **Weighted-average remaining contractual life (years)** | **Weighted-average exercise price** |
|---|---|---|---|---|
| **Options** | | | | |
| $0.60 | 45,000 | 45,000 | 0.56 | 0.20 |
| $0.80 | 60,000 | 60,000 | 1.18 | 0.36 |
| $1.05 | 30,000 | 30,000 | 0.69 | 0.23 |
| **Total** | **135,000** | **135,000** | **2.43** | **0.79** |

The weighted average fair value of the options granted during the year ended 31 December 2019 was estimated at $Nil per option (2018: $1.09) at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| Risk free interest rate | **-** | 2.08% |
| Expected life | **-** | 2.5 years |
| Expected volatility | **-** | 168.46% |
| Expected dividend per share | - | - |

## 9.4 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the years ended 31 December 2019 and 2018:

| | **31 December 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted-average exercise price** | Number of warrants | Weighted-average exercise price |
| | | **$** | | $ |
| Outstanding, beginning of year | **1,391,818** | **1.14** | 3,035,182 | 1.00 |
| Granted | **8,642,491** | **0.075** | - | - |
| Exercised | **-** | **-** | (1,162,000) | 0.78 |
| Expired | **(1,391,818)** | **1.14** | (138,182) | 0.76 |
| Cancelled | **-** | **-** | (343,182) | 1.00 |
| **Outstanding, end of year** | **8,642,491** | **0.075** | 1,391,818 | 1.14 |

During the year ended 31 December 2019, in conjunction with the private placements, the Company issued a total of 8,642,491 share purchase warrants.

(Expressed in Canadian dollars)

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 31 December 2019:

| Exercise price | Number of warrants outstanding | Weighted-average remaining contractual life (years) | Weighted-average exercise price |
|---|---|---|---|
| **Share purchase warrants** | | | |
| $0.15 | 8,642,491 | 1.10 | $0.075 |
| **Total** | **8,642,291** | **1.10** | **$0.075** |

The weighted average fair value of the warrants granted during the year ended 31 December 2019 was estimated at $0.077 per warrant at the grant date using the Black-Scholes Pricing Model. The weighted average assumptions used for the calculation were:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| Risk free interest rate | 1.84% | - |
| Expected life | 1.3 years | - |
| Expected volatility | 126.95% | - |
| Expected dividend per share | - | - |

## 10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

| | **2019** | 2018 |
|---|---|---|
| Net loss for the year | **$ (1,279,384)** | $ (2,658,008) |
| Weighted average number of shares – basic and diluted | **26,658,434** | 18,351,901 |
| **Loss per share, basic and diluted** | **$ (0.048)** | $ (0.145) |

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the years ended 31 December 2019 and 2018.

(Expressed in Canadian dollars)

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash investing and financing transactions:

During the year ended 31 December 2019, the Company had $1,568 (2018: $76,015) in accounts payable related to exploration and evaluation expenditures.

During the year ended 31 December 2019, the Company recorded a write down of $912,739 (2018: $1,053,065) with respect to exploration and evaluation properties.

During the year ended 31 December 2019, the Company paid finder's fees on private placements by issuance of shares and share purchase warrants (Note 9).

During the previous year ended 31 December 2018, the Company made certain options payments by issuance of shares with respect to exploration and evaluation properties (Notes 6 and 9).

## 12. FINANCIAL INSTRUMENTS

### 12.1 Categories of financial instruments

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **$** | $ |
| **FVTPL, at fair value** | | |
| Cash | **34,591** | 47,071 |
| **Total financial assets** | **34,591** | 47,071 |
| **FINANCIAL LIABILITIES, at amortized cost** | | |
| Trade payables | **32,719** | 90,992 |
| Due to related parties | **31,500** | 4,200 |
| **Total financial liabilities** | **64,219** | 95,192 |

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

### 12.2 General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

### 12.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: interest rate risk and equity price risk.

### 12.4 Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions.

### 12.5 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's credit risk is also attributable to its receivables. The amounts disclosed in the statement of financial position are net of allowances for bad debts, estimated by the Company's management based on prior experience their assessment of the current economic environment and the financial condition of the Company's debtors.

### 12.6 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 31 December 2019, the Company had a cash balance of $34,591 (2018: $47,071) and receivables of $2,911 (2018: $73,809) to settle current liabilities due in twelve months or less of $129,219 (2018: $318,226) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

(Expressed in Canadian dollars)

### 12.7 Currency Risk

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

### 12.8 Determination of Fair Value

The carrying amounts for cash, amounts receivable, amounts due to related parties and accounts payable approximate fair value due to their short-term nature.

## 13. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. advance the Company's corporate strategies to create long-term value for its stakeholders;
2. sustain the Company's operations and growth throughout metals and materials cycles; and
3. ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely monitors its cash balance. The balance of cash as at 31 December 2019 was $34,591 (2018: $47,071). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended 31 December 2019.

## 14. INCOME TAXES

The provision for income taxes for the year ended 31 December 2019 and 2018 consist of:

| **As at 31 December,** | **2019 ($)** | 2018 ($) |
|---|---|---|
| Net loss for the year | **1,279,384** | 2,658,008 |
| Canadian federal and provincial income tax rates | **27.00%** | 27.00% |
| Expected income tax recovery | **345,434** | 717,662 |
| Permanent differences | **10,017** | (200,342) |
| Change in prior year provision | **141,990** | (113,634) |
| Change in enacted tax rates | **-** | 138,252 |
| Change in valuation allowance | **(497,441)** | (541,938) |
| Total income tax recovery | - | - |

(Expressed in Canadian dollars)

The tax effect of temporary differences that gives rise to the Company's net future income tax assets is as follows:

| As at 31 December, | 2019 ($) | 2018 ($) |
|---|---|---|
| **Deferred tax assets** | | |
| Non-capital loss carryforward | **3,669,573** | 3,563,336 |
| Net capital loss | **34,324** | 34,324 |
| Mineral properties, tax value in excess of carrying value | **901,221** | 507,614 |
| Share issue costs | **28,848** | 31,251 |
| | **4,633,966** | 4,136,525 |
| Less: Valuation allowance | **(4,633,966)** | (4,136,525) |
| Total deferred tax assets | **-** | - |

At 31 December 2019, the Company had capital losses in Canada totaling $254,252 that may be carried forward indefinitely, cumulative exploration and development expenses of $6,791,708, and a non-capital loss carry forward of $13,591,012 available for tax purposes in Canada which expires as follows:

| Year of Expiry | Tax Operating Losses |
|---|---|
| 2026 | $ |
| 2026 | 1,078,204 |
| 2027 | 2,192,340 |
| 2028 | 1,115,553 |
| 2029 | 749,913 |
| 2030 | 807,608 |
| 2031 | 904,618 |
| 2032 | 525,041 |
| 2033 | - |
| 2034 | 304,766 |
| 2035 | 435,883 |
| 2036 | 1,159,054 |
| 2037 | 2,423,043 |
| 2038 | 1,482,342 |
| 2039 | 412,647 |
| **Total non-capital losses** | **13,591,012** |

## 15. COMMITMENTS AND CONTINGENCIES

a) As at 31 December 2019, the Company has $248,877 (2018: $Nil) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Note 9).

(Expressed in Canadian dollars)

b) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.

c) The Company's exploration and evaluation activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the government. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

d) The Company has certain commitments to make payments or issue common shares related to various exploration and evaluation property agreements (Note 6).

e) As at 31 December 2019, the Company owns various exploration and evaluation properties (Note 6). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.

## 16. SEGMENTED INFORMATION

The Company's only business activity is exploration and development of exploration and evaluation properties carried out Canada, USA and Chile.

The breakdown of geographic area for the year ended 31 December 2019 is as follows:

| **31 December 2019** | **Canada** | **USA** | **Chile** | **Total** |
|---|---|---|---|---|
| **Total expenses** | $<br>366,644 | $<br>912,739 | $<br>- | $<br>1,279,383 |
| Current assets | 44,502 | - | - | 44,502 |
| Exploration and evaluation properties | 3,453,852 | - | - | 3,453,852 |
| **Total assets** | 3,498,354 | - | - | 3,498,354 |

The breakdown of geographic area for the year ended 31 December 2018 is as follows:

| 31 December 2018 | Canada | USA | Chile | Total |
|---|---|---|---|---|
| Total expenses | $<br>1,604,943 | $<br>1,021,642 | $<br>31,424 | $<br>2,658,008 |
| Current assets | 134,298 | - | - | 134,298 |
| Exploration and evaluation properties | 3,424,104 | 908,344 | - | 4,332,447 |
| Total assets | 3,558,402 | 908,344 | - | 4,466,745 |

## 17. SUBSEQUENT EVENTS

On 23 January 2020, the Company issued 1,000,000 common shares related to the exercise of stock options for proceeds of $50,000.

On 27 January 2020, the Company consolidated its share capital by issuing one (1) new common share without par value for every two (2) existing common shares without par value basis (Note 1).

On 27 January 2020, the Company granted 700,000 stock options to certain consultants of the Company exercisable at $0.05 for five years from the date of grant.

On 6 February 2020, the Company closed a non-brokered private placement of 12,000,000 units at a price of $0.05 per unit raising gross proceeds of $600,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.05 for five years from closing. Finder's fees of 1,262,500 common shares and 300,000 share purchase warrants were paid in connection with the private placement.

On 7 February 2020, the Company granted 2,500,000 stock options to certain directors, officers and consultants of the Company exercisable at $0.05 for five years from the date of grant.

On 21 February 2020, the Company issued 400,000 common shares related to the exercise of stock options for proceeds of $20,000.

On 24 February 2020, the Company negotiated the early termination of the Glencore Buck and Teledyne Option Agreement originally entered on 7 May 2018 with Surge, issuing a total of 2,500,000 common shares to Surge (issued subsequent to year end, Note 6).

On 6 March 2020, the Company changed its name to Fuse Cobalt Inc. from LiCo Energy Metals Inc. The shares commenced trading under the new name and trading symbol "FUSE", effective 10 March 2020.

On 31 March 2020, the Company closed a non-brokered private placement of 1,600,000 units at a price of $0.05 per unit raising gross proceeds of $80,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.065 for five years from closing. Finder's fees of 160,000 common shares and 80,000 share purchase warrants were paid in connection with the private placement.