

**CANADA SILVER COBALT WORKS INC.**  
**(formerly Canada Cobalt Works Inc.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the six months ended**

**June 30, 2020**

**(Expressed in Canadian Dollars)**

**(UNAUDITED)**

**CANADA SILVER COBALT WORKS INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTICE TO READER**

**Responsibility for Financial Statements**

The accompanying unaudited interim condensed consolidated financial statements of Canada Silver Cobalt Works Inc. for the six months ended June 30, 2020 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2) to the unaudited interim condensed consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

**Auditors Involvement**

The external auditors of Canada Silver Cobalt Works Inc. have not audited or performed a review of the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2020.

**CANADA SILVER COBALT WORKS INC.**  
**(formerly Canada Cobalt Works Inc)**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 1,090,240	\$ 685,715
Amounts receivable (Note 4)	65,128	126,130
Investment in Polymet	138,038	-
Prepaid expenses	-	50,000
<b>Total Current Assets</b>	<b>1,293,406</b>	<b>861,845</b>
<b>Fixed assets</b>		
Equipment (Note 6)	347,925	287,337
Vehicles	49,784	-
<b>Total Fixed Assets</b>	<b>397,709</b>	<b>287,337</b>
<b>Total Assets</b>	<b>1,691,115</b>	<b>1,149,182</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	366,874	632,322
<b>Total Liabilities</b>	<b>366,874</b>	<b>632,322</b>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 7)	32,646,133	29,690,079
Reserves (Note 8)	3,902,570	3,825,909
Contributed surplus	4,586,296	4,456,096
Deficit	(39,810,758)	(37,455,224)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>1,324,241</b>	<b>516,860</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,691,115</b>	<b>\$ 1,149,182</b>

**Nature of operations and going concern (Note 1)**  
**Commitments and Contingencies (Note 12)**  
**Subsequent events (Note 13)**

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa"

Signed "Jacques Monette"

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

**CANADA SILVER COBALT WORKS INC.**  
**(formerly Canada Cobalt Works Inc)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<b>Expenses</b>				
Exploration and evaluation				
Assays and testing	\$ 15,166	\$ 5,028	\$ 92,895	\$ 51,164
Depreciation	29,110	7,883	47,443	15,767
Drilling	54,504	-	259,838	65,445
Equipment	65,558	87,374	163,052	220,130
Facility expenses	34,808	15,861	98,878	110,849
Feasibility and scoping study	998	13,112	998	106,530
Geology and geophysics	78,622	152,529	176,148	176,024
Labour	59,157	43,875	164,815	112,450
Project management and engineering	163,409	42,634	421,942	103,926
Taxes, permits and licensing	(15,258)	4,687	(8,242)	12,241
Travel	-	-	343	-
	<b>486,074</b>	<b>372,983</b>	<b>1,418,110</b>	<b>974,526</b>
Corporate				
Administrative and general expenses	16,580	19,430	33,999	39,951
Advertising and promotion	119,465	885	138,096	62,218
Professional fees	255,987	116,487	600,574	239,944
Filing costs and shareholders' information	28,999	31,854	110,879	75,071
Travel	957	6,589	20,460	23,021
	<b>421,988</b>	<b>175,245</b>	<b>904,008</b>	<b>440,205</b>
Other items				
Sales of RE-20X process	-	(176,991)	(73,748)	(176,991)
Premium on Flow Through shares	-	-	(160,000)	-
Other income	-	-	(6,000)	-
Recovery of A/R W/O	(122,881)	-	(263,621)	-
Interest and penalties	-	-	1,800	10,253
Tamiskaming Testing Laboratories expenss	94,249	-	94,249	-
GST-HST Adjustments	7,539	-	7,539	-
Stock Option Compensation	-	-	433,195	-
	<b>(21,093)</b>	<b>(176,991)</b>	<b>33,414</b>	<b>(166,738)</b>
<b>Total Expenses</b>	<b>886,969</b>	<b>371,237</b>	<b>2,355,532</b>	<b>1,247,993</b>
<b>Net and comprehensive loss for the year</b>	<b>\$ 886,969</b>	<b>\$ 371,237</b>	<b>\$ 2,355,532</b>	<b>\$ 1,247,993</b>
<b>Net loss per share - basic and fully diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>
<b>Weighted average number of shares outstanding basic and fully diluted</b>	<b>93,785,840</b>	<b>78,148,038</b>	<b>90,781,031</b>	<b>76,532,045</b>

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

**CANADA SILVER COBALT WORKS INC.**  
**(formerly Canada Cobalt Works Inc)**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share Capital	Warrants and Options	Contributed Surplus	Deficit	Total Equity (Deficiency)
<b>Balance December 31, 2018</b>	<b>\$ 24,924,775</b>	<b>\$ 3,309,944</b>	<b>\$ 4,032,972</b>	<b>\$ (32,534,700)</b>	<b>\$ (267,009)</b>
Exercise of warrants - Cash	917,865	-	-	-	917,865
Exercise of warrants - BV	231,658	(231,658)	-	-	-
Warrants expired	-	(163,178)	163,178	-	-
Exercise of options - Cash	199,000	-	-	-	199,000
Exercise of options - BV	219,050	(219,050)	-	-	-
Issued for property	70,000	-	-	-	70,000
Net loss for the period	-	-	-	(1,334,343)	(1,334,343)
<b>Balance, June 30, 2019</b>	<b>26,562,348</b>	<b>2,696,058</b>	<b>4,196,150</b>	<b>(33,869,043)</b>	<b>(414,487)</b>
Private placements	2,446,089	488,411	-	-	2,934,500
Premium on FT shares	(160,000)	-	-	-	(160,000)
Exercise of warrants - Cash	353,083	-	-	-	353,083
Exercise of warrants - BV	66,400	(66,400)	-	-	-
Warrants expired	-	(259,946)	259,946	-	-
Exercise of options - Cash	223,600	-	-	-	223,600
Exercise of options - BV	266,390	(266,390)	-	-	-
Options granted	-	1,212,370	-	-	1,212,370
Share Issue costs	(67,831)	(165)	-	-	(67,996)
Compensation warrants	-	21,971	-	-	21,971
Net loss for the period	-	-	-	(3,586,183)	(3,586,183)
<b>Balance December 31, 2019</b>	<b>29,690,079</b>	<b>3,825,909</b>	<b>4,456,096</b>	<b>(37,455,226)</b>	<b>516,858</b>
Private placements	1,006,000	194,000	-	-	1,200,000
Premium on FT shares	-	-	-	-	-
Exercise of warrants - Cash	1,533,720	-	-	-	1,533,720
Exercise of warrants - BV	331,754	(331,754)	-	-	-
Warrants expired	-	-	-	-	-
Exercise of options - Cash	97,500	-	-	-	97,500
Exercise of options - BV	97,650	(97,650)	-	-	-
Options expired	-	(130,200)	130,200	-	-
Options granted	-	433,196	-	-	433,196
Share Issue costs	(110,570)	(21,323)	-	-	(131,893)
Compensation warrants	-	30,393	-	-	30,393
Issued for property	-	-	-	-	-
Net loss for the period	-	-	-	(2,355,532)	(2,355,532)
<b>Balance, June 30, 2020</b>	<b>\$ 32,646,133</b>	<b>\$ 3,902,571</b>	<b>\$ 4,586,296</b>	<b>\$ (39,810,758)</b>	<b>\$ 1,324,242</b>

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

**CANADA COBALT WORKS INC.**  
**(formerly Canada Cobalt Works Inc)**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

**For the six months ended June 30,** **2020** **2019**

<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the Period	\$ (2,355,532)	\$ (1,334,343)
Items not involving cash		
Stock option compensation	433,195	-
Depreciation	47,443	15,767
Changes in non-cash working capital items		
Amounts receivable	61,002	90,055
Prepaid expenses	50,000	-
Accounts payable and accrued liabilities	(265,600)	(118,520)
<b>Net cash flows from operating activities</b>	<b>(2,029,492)</b>	<b>(1,347,041)</b>
<b>Financing activities</b>		
Issuance of common shares and warrants (net)	1,098,500	-
Exercise of warrants	1,533,720	917,865
Exercise of options	97,650	199,000
<b>Net cash flows from financing activities</b>	<b>2,729,870</b>	<b>1,116,865</b>
<b>Investing activities</b>		
Investment in Polymet	(138,038)	-
Purchase of vehicles	(58,569)	-
Purchase of equipment	(99,246)	-
<b>Net cash flow from investing activities</b>	<b>(295,853)</b>	<b>-</b>
<b>Increase in cash</b>	<b>404,525</b>	<b>(230,176)</b>
Cash, beginning of year	685,715	446,897
<b>Cash, end of period</b>	<b>\$ 1,090,240</b>	<b>\$ 216,721</b>

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

## **1. NATURE OF BUSINESS AND GOING CONCERN**

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### **Nature of business**

Canada Silver Cobalt Works Inc. ("CCM" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act. The address of the Company's head office is 3028 Quadra Court, Coquitlam, BC V3B 5X6. Cobalt's principal business activities are the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties.

These consolidated financial statements were approved by the Board of Directors on August 24, 2020.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, government licensing requirements or regulations, social licensing requirements, non-compliance with regulatory and environmental requirements and aboriginal land claims.

### **Going concern**

As at June 30, 2020, the Company had not yet achieved profitable operations, had a working capital deficit, had accumulated losses and expects to incur future losses in the development of its business. These items represent material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern. The Company is in the process of exploring its properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties. Management is actively pursuing additional sources of financing, 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.

These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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### **Statement of Compliance**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”), which incorporates International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

### **Basis of presentation and Functional currency**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

### **Significant accounting estimates and judgments**

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods when the revision affects both current and future periods.

In the process of applying the Company’s accounting policies, management has made the same judgments, estimates, and assumptions which were set out in the Company’s audited financial statements for the year ended December 31, 2019.

**CANADA SILVER COBALT WORKS INC.**  
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**Notes to the Consolidated Financial Statements**  
**June 30, 2020**  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently to these interim condensed consolidated financial statements.

**4. AMOUNTS RECEIVABLE**

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The Company's amounts receivable are comprised of the following;

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Commodity taxes	<b>\$ 65,128</b>	<b>\$ 126,130</b>

During the years ended December 31, 2019 and 2018 the Company recorded an impairment loss of \$1,057,068 on amounts owing from Granada Gold Mines Inc, a related party with which there are three common directors. During the six months ended June 30, 2020 \$263,621 of this amount was recovered.

**5. EXPLORATION AND EVALUATION PROJECTS**

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**Castle Silver Mine Project, Ontario**

CCW holds a 100% interest in certain claims and parcels located in the Haultain and Nicol townships of Ontario. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US\$15 or lower per troy ounce and up to 5% when the price of silver is greater than US\$30 per troy ounce and a 5% gross overriding royalty on the sale of products derived from the property with a minimum annual payment of \$15,000 in the form of royalties on all future production from the property and a 1% NSR.

**Beaver Property, Ontario**

The Company holds a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario, which are subject to a 3% NSR royalty. Each 1% can be purchased for \$1,500,000.

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**6. EQUIPMENT**

	June 30, 2020			
	Balance January 1, 2020	Additions (Disposals) (Write-down)	Balance June 30, 2020	Accumulated Amortization
Vehicles	\$ -	\$58,569	\$58,569	\$8,785
Equipment	287,337	99,246	386,583	38,658
	<b>\$287,337</b>	<b>\$157,815</b>	<b>\$445,152</b>	<b>\$47,444</b>

	December 31, 2019			
	Balance December 31, 2018	Additions (Disposals) (Write-down)	Balance December 31, 2019	Accumulated Amortization
Equipment	\$157,671	\$201,500	\$359,171	\$71,834

**7. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value  
Unlimited number of preferred shares issuable in series

**Issued**

Common

	2020		2019	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	<b>90,357,798</b>	<b>\$29,690,079</b>	75,032,647	\$24,924,775
Private placements	<b>2,000,000</b>	<b>1,006,000</b>	8,045,238	2,446,089
Premium on FT shares	-	-	-	(160,000)
Exercise of warrants - Cash	<b>3,038,690</b>	<b>1,533,720</b>	5,647,913	1,270,948
Exercise of warrants - BV	-	<b>331,754</b>	-	298,058
Exercise of options - Cash	<b>410,000</b>	<b>97,500</b>	1,432,000	422,600
Exercise of options - BV	-	<b>97,650</b>	-	485,440
Share issue costs	-	<b>(110,570)</b>	-	(67,831)
Issued for property	-	-	200,000	70,000
Balance, end of period	<b>95,806,488</b>	<b>\$32,646,133</b>	90,357,798	\$29,690,079

**CANADA SILVER COBALT WORKS INC.**  
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**7. SHARE CAPITAL (Continued)**

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On September 6, 2019, the Company closed a private placement offering, raising gross proceeds of \$423,000. The Company issued 1,410,000 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.

The 1,410,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$107,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.22, an average exercise price of \$0.50, risk free interest rate of 1.49%, expected life of warrants of 2 years, expected volatility rate of 100% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

On September 23, 2019' the Company closed a private placement offering, raising gross proceeds of \$304,907. The Company issued 1,016,667 units at a price of \$0.30 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 2 years.

The 1,016,667 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$76,000 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.23, an average exercise price of \$0.50, risk free interest rate of 1.57%, expected life of warrants of 2 years, expected volatility rate of 99% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

On November 14, 2019 the Company closed a private placement offering, raising gross proceeds of \$1,406,500. The Company issued 4,018,571 units at a price of \$0.35 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.55 per share for a period of 2 years. The Company's related parties have purchased a total of 204,286 units for aggregate proceeds of \$71,500

The 4,018,571 warrants issued in connection to the private placements listed above have been recorded at an estimated value of \$305,411 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.27, an average exercise price of \$0.55, risk free interest rate of 1.50%, expected life of warrants of 2 years, expected volatility rate of 85% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

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**7. SHARE CAPITAL (Continued)**

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On December 4, 2019, the Company closed a non-brokered flow-through (“FT”) private placement with strategic investors, raising gross proceeds of \$800,000. The Company issued 1,600,000 FT shares at \$0.50 per share. Finder’s fees were paid in connection with the private placement in the amount of \$45,500 in cash and 91,000 finder warrants. Each finder warrant is exercisable at \$0.50 per share for two years from closing. The Company’s related parties have purchased a total of 100,000 FT shares for aggregate proceeds of \$50,000.

The 91,000 finder warrants issued in connection to the FT shares listed above have been recorded at an estimated value of \$21,878 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.40, an average exercise price of \$0.50, risk free interest rate of 1.50%, expected life of warrants of 5 years, expected volatility rate of 80% (based on the Company’s historical volatility for 5 years up to the issuance date) and expected dividend rate of 0%.

On June 15, 2020, the Company closed a flow-through private placement with strategic investors, raising gross proceeds of \$1.2 million by issuing 2,000,000 units at \$0.60 per flow-through unit. Each FT Unit comprises one flow-through common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.70 per share, for a period of two years from closing. In connection with the FT private placement the Company paid finder fees in the amount of \$94,000 and issued 156,665 finder warrants. The finder’s warrants are on the same terms as the financing warrants and have been recorded at an estimated value of \$30,393 based on a proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.50, an average exercise price of \$0.70, risk free interest rate of 0.2.9%, expected life of warrants of 2 years, expected volatility rate of 89% and expected dividend rate of 0%.

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**8. RESERVES**

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**WARRANTS**

	2020		2019	
	Number of Warrants	Book Value	Number of Warrants	Book Value
Balance, beginning of year	10,126,855	\$ 1,118,807	15,471,794	\$ 1,329,772
Issued by private placements	1,000,000	194,000	6,445,237	488,411
Exercise of Warrants	(3,038,690)	(331,754)	(5,647,913)	(298,058)
Warrants expired	-	-	(6,235,013)	(423,124)
Issue costs related to warrants	-	(21,323)	-	(165)
Issued as compensation	156,665	30,393	92,750	21,971
Balance, end of period	<b>8,244,830</b>	<b>\$ 990,123</b>	10,126,855	\$ 1,118,807

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
1,171,011	0.900	July 25, 2020
1,076,667	0.500	September 6, 2021
730,916	0.500	September 23, 2021
4,018,571	0.550	November 14, 2021
91,000	0.500	December 4, 2021
1,000,000	0.600	June 15, 2022
156,665	0.600	June 15, 2022
<b>8,244,830</b>	<b>0.100</b>	

**CANADA SILVER COBALT WORKS INC.**  
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(Expressed in Canadian Dollars)

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**STOCK OPTIONS**

The Company has in place a stock option plan (the "Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options.

The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Toronto Stock Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not lower than the fair market value of the option shares on the date of the grant of the option.

The terms of the plan are as follows:

- (i) the maximum number of shares that can be received by a beneficiary during any 12 month period is limited to 5% of issued and outstanding shares;
- (ii) the maximum number of shares that can be reserved for a consultant during any 12 month period is limited to a 2% of issued and outstanding shares; and
- (iii) the maximum number of shares that can be reserved for a supplier of investor relations services during any 12 month period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised on a 12 month period after the grant, at the rate of 25% per quarter.

**Options transactions**

	2020			2019		
	Options	Weighted Average Exercise price	Value	Options	Weighted Average Exercise price	Value
Balance, start of year	8,073,000	\$ 0.335	2,707,102	6,155,000	\$ 0.322	\$1,980,172
Exercised	(410,000)	0.238	(97,650)	1,432,000)	0.238	(485,440)
Expired and cancelled	(200,000)	0.651	(130,200)	-	-	-
Granted	1,575,000	0.275	433,195	3,350,000	0.362	1,212,370
Balance, end of period	9,038,000	\$0.322	\$ 2,912,447	8,073,000	\$0.335	\$2,707,102

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**8. RESERVES (continued)**

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**STOCK OPTIONS (continued)**

**Options Outstanding**

Number of Options	Options Vested	Exercise Price	Expiry Date
493,000	493,000	0.05	April 13, 2021
300,000	300,000	0.20	May 24, 2022
100,000	100,000	0.20	June 29, 2022
320,000	320,000	0.18	October 12, 2022
2,050,000	2,050,000	0.30	December 5, 2022
550,000	550,000	0.32	June 5, 2023
400,000	400,000	0.70	August 2, 2023
100,000	100,000	0.52	August 30, 2023
100,000	100,000	0.35	October 17, 2024
1,700,000	1,700,000	0.30	November 13, 2024
950,000	950,000	0.33	November 29, 2024
400,000	400,000	0.45	December 5, 2024
50,000	50,000	0.53	January 10, 2025
1,525,000	1,525,000	0.25	March 18, 2025
<u>9,038,000</u>	<u>9,038,000</u>		

**9. RELATED PARTY TRANSACTIONS**

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The Company has entered into agreements with officers of the Company and private companies controlled by officers and directors of the Company for management consulting, geological consulting and other services required by the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of officers and directors of the Company for the six months ended June 30, 2020 was \$222,228 (2019 - \$134,890) and share based payments valued at \$183,820 (2019 - \$NIL).

## **10. CAPITAL MANAGEMENT**

The Company's Capital Management policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently for the period ended June 30, 2020.

## **11. FINANCIAL INSTRUMENTS AND RISK FACTORS**

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The Company's financial risk management policies set out in the Company's audited financial statements for the year ended December 31, 2019 have been applied consistently for the period ended June 30, 2020.

## **12. COMMITMENTS AND CONTINGENCIES**

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### (a) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### (b) Flow-Through Shares

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

### (c) Management Contracts

The Company is party to a management contract. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to \$270,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

The Company is party to several management and consulting contracts. As a result of these contracts the Company is committed to future payments of approximately \$180,000 which are payable as the contractual services are performed over the next year.

The Company has entered into a Memorandum of Understanding ("MOU") with the Matachewan First Nation community in connection with certain exploration and evaluation programs in their area; to support the engagement process two per cent of the exploration costs are provided to the First Nation.

**CANADA SILVER COBALT WORKS INC.**  
**(formally Canada Cobalt Works Inc.)**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2020**  
(Expressed in Canadian Dollars)

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**12. COMMITMENTS AND CONTINGENCIES (Continued)**

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In addition, the Company has entered into a second Memorandum of Understanding (“MOU”) with both Temagami First Nation and Teme-Augama Nation to provide a framework process for consultation during the life of the project.

The MOUs also include terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the First Nation communities.

**13. SUBSEQUENT EVENTS**

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On July 2, 2020, Canada Silver Cobalt Works Inc. entered into a Purchase and Sale Agreement with Granada Gold Mine Inc. pursuant to which Canada Silver Cobalt will repurchase from Granada Gold a back-in option on five mining leases at Castle East, forming part of the Castle mine property near Gowganda, Ontario. In payment, Canada Silver Cobalt will issue 2,941,000 common shares to Granada Gold at a deemed price of \$0.51 per share, for total deemed consideration of approximately \$1,500,000. Each of the shares will be accompanied by one common share purchase warrant. Each warrant will entitle GGM to acquire one additional common share of Canada Silver Cobalt for \$0.55 for a period of five years.

On July 31, 2020, the Company completed its previously-announced acquisition of the assets of Polymet Resources Inc., including an assay laboratory and bulk sampling plant located in Cobalt, Ontario. The asset acquisition was effected through Temiskaming Testing Laboratories Inc., a wholly-owned subsidiary of Canada Silver Cobalt. In payment for the assets, Canada Silver Cobalt issued 690,409 shares to Polymet Resources at a deemed price of \$0.45 per share, for total deemed consideration of approximately \$311,000. Canada Silver Cobalt also assumed outstanding liabilities of Polymet Resources in an amount of approximately \$339,000. Each of the shares was accompanied by one common share purchase warrant. Each warrant entitles Polymet Resources to acquire one additional common share of Canada Silver Cobalt at a price of \$0.50 for a period of two years.

### **13. SUBSEQUENT EVENTS (Continued)**

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On August 14, 2020, the Company closed the first tranche of a non-brokered private placement financing, raising gross proceeds of \$3,193,730 by the issue of 5,806,782 units. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.65 per share, for a period of three years from closing. Finder' fees in the amount of \$90,247.50 and the issuance of 164,086 finder warrants were paid in connection with the private placement. The finder's warrants are on the same terms as the financing warrants.

On August 19, 2020, - the Company closed the final tranche of a non-brokered private placement financing, raising gross proceeds of \$3,500,000 by the issue of 6,363,636 units. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.65 per share, for a period of three years from closing.

#### COVID-19

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.