COBALT BLOCKCHAIN INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED August 31, 2019 AND 2018

(Expressed in Canadian Dollars)

UNAUDITED

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed financial statements of COBALT BLOCKCHAIN INC. (the "Company") are the responsibility of the management and Board of Directors of the Company. The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimate and judgment based on currently available information.

Management is also responsible for a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized, and that financial information is relevant and reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors, comprised of independent directors, meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition the Audit Committee reviews the annual financial statements and provides a recommendation to the Board of Directors on their approval.

"Peter Hooper" (signed)
Director, Chief Executive Officer

"Michael Cachia" (signed)
Director

NOTICE TO READER
The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed statements for the three month periods ended August 31, 2019 and 2018 have not been reviewed by the Company's auditors.

Cobalt Blockchain Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at	
	August 31, 2019	May 31, 2019
	$	**$**
Assets		
Current Assets		
Cash	10,412	10,188
HST receivable	134,061	99,624
Advances	1,857	8,258
Prepaid expenses	20,625	29,863
	166,955	147,933
Non-current Assets		
Right-of-use asset (note 10)	128,254	-
Property, plant and equipment	4,870	4,870
	300,079	152,803
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	1,402,324	1,136,586
Current portion of lease liabilities	37,959	-
Short term loans and advances (note 8)	149,853	143,684
	1,590,136	1,280,270
Lease liabilities (note 10)	90,295	-
Total Liabilities	1,680,431	1,280,270
Shareholders' Deficiency		
Share capital (note 9(a))	26,939,593	26,939,593
Warrants (note 9(b))	498,041	498,041
Stock options (note 9(c))	1,153,711	1,153,711
Restricted stock units (note 9(d))	450,000	3,271,803
Contributed surplus	4,312,796	1,488,176
Cumulative translation reserve	(39,987)	(39,987)
Deficit	(34,694,507)	(34,438,807)
Total Shareholders' Deficiency	(1,380,350)	(1,127,467)
Total Liabilities and Shareholders' Deficiency	300,079	152,803

Nature of operations and going concern considerations (Note 1)
Commitments (note 11)
Subsequent events (note 12)

The accompanying notes form an integral part of these consolidated financial statements

Approved by the Board of Directors on October 30, 2019

Signed "Peter Hooper", Director

Signed "Michael Cachia", Director

Cobalt Blockchain Inc.
Consolidated Statements of Comprehensive Loss
For the three months ended August 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Three Months Ended August 31,	
	2019	2018
Expenses		
Corporate and administrative expenses	$ 51,924	$ 23,696
Depreciation (note 10)	7,851	-
Exploration and evaluation (note 7)	-	11,925
Insurance	2,151	4,525
Interest	1,757	
Management fees	157,200	157,200
Occupancy costs	9,088	18,334
Professional fees	16,845	113,617
Share-based compensation (note 9(c) and 9(d))	2,817	1,110,513
Shareholder communications	-	28,749
Travel	6,067	122,218
Net loss	(255,700)	(1,590,777)
Other Comprehensive Loss for the period		
Item that may be reclassified to profit or loss:		
Currency translation reserve	-	(7,521)
Total Comprehensive Loss for the period	$ (255,700)	$ (1,598,298)
Loss per Share - basic and diluted	$ (0.00)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - basic and diluted	175,138,281	163,936,239

The accompanying notes are an integral part of the consolidated financial statements

Cobalt Blockchain Inc.
Consolidated Statements of Changes in Shareholder's Deficiency
For the Three Months Ended August 31, 2019 and 2018
(expressed in Canadian dollars)

	Common Stock								
	Shares	Amount	Warrants	Stock Options	Restricted stock units	Contributed Surplus	Cumulative translation reserve	Accumulated Deficit	Total
Balance - May 31, 2019	175,138,281	$ 26,939,593	$ 498,041	$ 1,153,711	$ 3,271,803	$ 1,488,176	$ (39,987)	$ (34,438,807)	$ (1,127,467)
Restricted stock units issued (note 9(d))	-	-	-	-	2,817	-	-	-	2,817
Restricted stock units surrended					(2,824,620)	2,824,620			-
Net loss	-	-	-	-	-	-	-	(255,700)	(255,700)
Balance - August 31, 2019	175,138,281	$ 26,939,593	$ 498,041	$ 1,153,711	$ 450,000	$ 4,312,796	$ (39,987)	$ (34,694,507)	$ (1,380,350)

	Common Stock								
	Shares	Amount	Warrants	Stock Options	Restricted stock units	Contributed Surplus	Cumulative translation reserve	Accumulated Deficit	Total
Balance - May 31, 2018	163,936,239	$ 24,998,973	$ 298,979	$ 2,010,644	$ 1,453,175	$ 1,457,806	$ (3,828)	(30,757,830)	$ (542,081)
Restricted stock units issued	-	-	-	-	1,110,513	-	-	-	1,110,513
Foreign currency translation adjustment	-	-	-	-	-	-	(7,521)	-	(7,521)
Net loss	-	-	-	-	-	-	-	(1,590,777)	(1,590,777)
Balance - August 31, 2018	163,936,239	$ 24,998,973	$ 298,979	$ 2,010,644	$ 2,563,688	1,457,806	$ (11,349)	(32,348,607)	$ (1,029,865)

The accompanying notes are an integral part of the consolidated financial statements

Cobalt Blockchain Inc.
Consolidated Statements of Cash Flows
For the Three Months Ended August 31, 2019 and 2018
(Expressed in Canadian Dollars)

		As at		
		August 31, 2019		August 31, 2018
Cash Flows used in Operating Activities				
Net loss for the period:	$	(255,700)	$	(1,590,777)
Items not affecting cash:				
Depreciation		7,851		-
Interest		1,757		-
Share-based compensation		2,817		1,110,513
		(243,275)		(480,264)
Net Changes in non-cash working capital:				
HST receivable		(34,437)		(31,426)
Advances		12,570		(166,602)
Prepaid expenses		9,238		4,525
Accounts payable and accrued liabilities		265,736		530,710
		9,832		(143,057)
Cash Flows from Financing Activities				
Interest paid		(1,757)		-
Repayment of lease liabilities		(7,851)		-
Promissory note		-		140,000
		(9,608)		140,000
Effect of exchange rates		-		(7,521)
Net Change in Cash		224		(10,576)
Cash - Beginning of the period		10,188		11,637
Cash - End of the period	$	10,412	$	1,061
Supplemental disclosure of non-cash transactions	$	-	$	-

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS:

Cobalt Blockchain Inc., (the "Company") was incorporated under the laws of the Province of Ontario and initially established for the purpose of the exploration and development of peat properties as well as the development, production and marketing of peat fuel. With changes in the energy and fossil fuels environment, peat became unviable as a large-scale economic source of energy, and the Company abandoned its peat-related activities. In December of 2017, the Company entered into an agreement to acquire Belair African Metals S.A.R.L., ("Belair") a private company trading in tin and other metals in the Democratic Republic of Congo, with the intention of expanding into cobalt trading and of acquiring mineral properties for the purpose of exploration.

The Company's shares are listed on the TSX Venture Exchange. The registered head office of the Company is located at 141 Adelaide Street West, Suite 340, Toronto, Ontario, M5H 3L5.

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

The interim consolidated financial statements for the three months ended August 31, 2019 were approved and authorized for issue by the board of directors on October 30, 2019.

As at August 31, 2019, the Company has a working capital deficiency of $1,423,181 (May 31, 2019 - $1,132,337) and an accumulated deficit of $34,694,508 (May 31, 2019 - $34,438,807). The ability of the Company to continue as a going concern is dependent on obtaining the necessary financing to fund future efforts. It is not possible to determine with any certainty, the success or adequacy of these initiatives. These conditions indicate the existence of material uncertainties that may cast significant doubt in the Company's ability to continue as a going concern.

The consolidated financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might be necessary and would be significant if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION:

Statement of Compliance

These unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited interim condensed financial statements do not include all the information required for full annual financial statements and accordingly, they should be read in conjunction with the Company's annual financial statements for the year ended May 31, 2019.
The policies applied to these unaudited interim condensed financial statements are consistent with the policies disclosed in Notes 2 and 3 of the annual financial statements ended May 31, 2019.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES:

Basis of Preparation

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency. The functional currency of Belair is the United States dollar.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Belair, effective April 5, 2018 and Cobalt Blockchain S.A.S of which the Company owns 80%. All significant inter-company transactions have been eliminated upon consolidation. As of August 31, 2019, there has been no activity in Cobalt Blockchain S.A.S.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Significant estimates and judgements used in the preparation of these consolidated financial statements included, but are not limited to, accounting for acquisition, determination of functional currency, valuation of warrants and stock options and the recognition of deferred income taxes. Actual results could differ from management's best estimates.

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Costs

All costs related to the exploration and evaluation of mineral resources are expensed (net of grants received) as exploration and evaluation costs. The policy is to expense all such expenditures until they are proven recoverable. Once a project has been established as commercially viable and technically feasible, all development costs will be capitalized. If the project is brought into production, these costs will be amortized against the income generated from the property.

Reclamation Obligations

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a project interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

Restoration and rehabilitation costs are discounted to their net present value at the start of each project, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Reclamation Obligations (continued)

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in resource properties once a project has been established as commercially viable and technically feasible. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The policy is to expense all reclamation obligations that relate to projects that have yet to be proven commercially viable and technically feasible.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 9(c) and 9(d).

The fair value is measured at grant date and each tranche is recognized over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Valuation of Equity Instruments in Private Placements

The proceeds from the issuance of units are allocated between share capital and reserve for warrants. The Company has adopted a relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire after vesting, the recorded value is transferred to contributed surplus.

Loss per Share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options, warrants and RSUs, in the weighted average number of common shares outstanding during the period, if dilutive.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Share Issuance Costs

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to capital stock when the related shares are issued, net of any tax effects. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive loss.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

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

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized and day-to-day maintenance costs are expensed. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their residual value on the straight line over the estimated useful lives.

Impairment of Non-financial Assets

The carrying amounts of the Company’s long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. In addition, capitalized plant and equipment assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units (“CGU”) for impairment purposes.

Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Financial Instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized costs or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial asset include cash and advances are classified as amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities include accounts payable and accrued liabilities and short term loans and advances are initially measured at fair value and subsequent classified as amortized cost.

Foreign Currency Translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable loss.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. SIGNIFICANT AND FUTURE ACCOUNTING POLICIES (continued):

Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The Company had no material provisions at August 31, 2019 or August 31, 2018.

Change in accounting standards

On June 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16"). According to IFRS 16, a contract is a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low -value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information which continues to be reported under IAS 17, Leases.

The right -of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset The right -of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The Company used an incremental borrowing rate of 8% to measure the opening lease liability on June 1, 2019. As a result, the Company recorded a lease liability of $136,105 upon the adoption of IFRS 16, with a right-of-use asset being recognized in the same amount. See additional information regarding the impact of the implementation of IFRS 16 on these financial statements in note 10.

4. ACQUISITION OF BELAIR AFRICAN METALS S.A.R.L.

In December 2017, the Company entered into a share purchase agreement to purchase 100% interest in Belair, by issuing 15,000,000 common shares of the Company, which closed on April 5, 2018. The total consideration was $4,500,000 calculated as the fair value of the shares at $0.30 per share based on the market price of the Company's common shares when the shares were transferred. The acquisition of Belair does not constitute a business combination because Belair does not meet the definition of a business under IFRS 3 Business Combinations. Belair had no identifiable assets including any intangibles, therefore the consideration paid is for unidentifiable asset acquired which is written off as a transaction cost in the consolidated statement of comprehensive loss.

5. CAPITAL RISK MANAGEMENT:

The Company manages its capital structure and makes adjustments to it, based on the funds required and available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for this management, but rather relies on the expertise of the Company's management to sustain future development of the business. In this relatively formative stage of the Company's existence, the Company will rely on a combination of equity instruments and debt financing.

The Company considers its capital to be equity, which comprises capital stock, reserve for warrants, reserve for stock options, restricted stock units, contributed surplus, currency translation adjustment and deficit, which at August 31, 2019, was a deficiency of $1,380,350 (May 31, 2019 – deficiency of $1,127,467).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended August 31, 2019. The Company is not subject to externally imposed capital requirements.

6. FINANCIAL RISK MANAGEMENT:

The Company manages its exposure to a number of different financial risks arising from operations as well as from the use of financial instruments including market risks (commodity prices), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up-to-date market information.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and advances. The Company has no significant concentration of credit risk arising from operations.

Cash consist of bank deposits which are held with reputable financial institutions, from which management believes the risk of loss to be remote.

Interest risk

Cash flow interest rate risk is the risk that future cash flow of financial instruments will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is not exposed to interest rate risk on its interest bearing debentures as the interest rate is fixed, and the promissory note is non-interest bearing.

Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash. These funds are primarily used to finance working capital, exploration expenditures, capital expenditures, and acquisitions.

The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. Accounts payable and accrued liabilities, debentures and promissory note are current financial instruments expected to be settled when funds are available.

As at August 31, 2019 the Company has current assets of $166,955 (as at May 31, 2019 - $147,933), to settle accounts payable and accrued liabilities of $1,402,321 (May 31, 2019 - $1,136,586), current lease liabilities of $37,959 and short term loans and advances of $149,853 (May 31, 2019 – $143,684).

7. EXPLORATION AND EVALUATION COSTS:

Exploration and evaluation project costs relate to expenditures incurred to evaluate potential mineral property acquisitions in the Democratic Republic of Congo ("DRC"). There were no project expenditures during the three months ended August 31, 2019.

The Company has one effective agreement for the exploration and development of exploration properties following the acquisition of Belair:

Cobalt Blockchain SAS: This arrangement comprises two permit areas covering 7.6 km². The Company will acquire an 80% interest in the venture for a consideration of an initial payment of USD$50,000 (paid) and a further USD$50,000 upon transfer of title to the properties into Cobalt Blockchain SAS.

(in Canadian dollars)

8. RELATED PARTY TRANSACTIONS:

During the three months ended August 31, 2019, the Company paid or incurred the following amounts with related parties:

		2019		2018
Management fees to Hooper Mining Services, a company controlled by a director and officer	$	157,200	$	157,200
Accounting fees to a company controlled by an officer		24,000		24,000
Legal and secretarial fees to a company of which a director is a principal		9,815		21,642
Fees to officers of Belair African Metals		-		6,950
	$	191,015	$	209,792

Included in accounts payable and accrued liabilities are amounts outstanding to related parties. The total amount outstanding to related parties as of August 31, 2019 was $1,076,573 (May 31, 2019 - $690,988). Included in short term loans and advances are staff loans and advances of $149.853. These loans are due on demand and are interest free.

The Company considers key management to be its directors and officers.

The Company granted 11,009,386 Restricted Stock Units to directors, officers and consultants during the year ended May 31, 2018. During the three months ended August 31, 2019 a total of 9,509,386 RSU's were surrendered to the Company unissued. Included in share-based compensation for the three months ended August 31, 2019 is $2,817 (2018: $1,110,513) related to these grants.

9. CAPITAL STOCK:

a) Common stock

The Company's authorized share capital consists of an unlimited number of common shares. The following is a summary of changes in common share capital from June 1, 2018 to August 31, 2019.

	Number of Shares		**Amount**
Balance May 31, 2018	163,936,239	$	24,998,973
Options exercised - October 16, 2018 (note 9(c))	500,000		25,000
Options exercised - December 20, 2018 (note 9(c))	2,995,307		976,328
Issued for cash - February 1, 2019 (note 9(a))	4,333,334		463,497
Warrants exercised February 1, 2019 (note 9(b))	100,000		5,000
Shares March 7, 2019 Shares for debt	3,080,001		444,105
Shares March 15, 2019 Private placement	193,400		29,010
Issuance costs			(2,320)
Balance May 31, 2019 and August 31, 2019	175,138,281	-	26,939,593

(in Canadian dollars)

9. CAPITAL STOCK (continued):

No common shares were issued during the three months ended August 31, 2019.

During the year ended May 31, 2019 the Company:

- issued 3,495,307 shares upon the exercise of options at a price of $0.05 per share

- issued 100,000 shares upon the exercise of 100,000 warrants at a price of $0.05 per share

- issued 4,526,734 units at a price of $0.15 pursuant to a private placement for gross proceeds of $679,010. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.20 for a period of five years. As part of this issuance, $2,320 of issuance costs were incurred. A fair value of $182,650 was allocated to the warrants using the relative fair value method. The Black-Scholes pricing model was used with the following assumptions:

Share price	$0.12 and $0.16
Expected life	5 years
Expected dividend	Nil
Volatility	260%*
Risk free interest rate	1.86%
Forfeiture rate	0%

*Based on the volatility of the company's share price

- issued 3,080,001 shares and 133,333 warrants with a total fair market value of $382,120 in exchange for debt amounting to $462,000.

b) Warrants:

The warrants consist of regular warrants and broker warrants. The following table summarizes warrants that have been issued, exercised or have expired during the period May 31, 2018 to August 31, 2019:

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance - May 31, 2018	**2,927,402**	**$ 298,979**	**$ 0.054**
Warrants issued - February 1, 2019	2,166,667	176,865	0.200
Warrants exercised February 1, 2019	(100,000)	(735)	0.050
Warrants issued for debt	133,333	13,294	0.200
Warrants issued - March 15, 2019	96,700	9,638	0.200
Balance May 31, 2019 and August 31, 2019	**5,224,102**	**$ 498,041**	**$ 0.121**

At August 31, 2019, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price stated on or before the expiry date:

(in Canadian dollars)

9. CAPITAL STOCK (continued):

Number of Warrants	Exercise Price ($)	Expiry
220,000	0.05	July 15, 2020
562,500	0.05	November 17, 2020
1,469,902	0.05	January 11, 2023
500,000	0.0525	February 5, 2023
75,000	0.20	February 13, 2023
2,166,667	0.20	February 1, 2024
133,333	0.20	March 7, 2024
96,700	0.20	March 15, 2024
5,224,102		

c) Stock option plan:

Under the Company's Incentive Stock Option Plan ("the Plan"), the Company has granted options to its directors, officers and consultants. The Company maintains the plan for the benefit of directors, officers, consultants and other services providers in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company. Under the plan, options are non-assignable and may be granted for a term not exceeding five years. The total number of common shares that may be reserved for issuance may not exceed 10% of outstanding common shares and may not exceed 5% for any one person. The exercise price of an option may not be lower than the discounted market price of the common shares on the TSX Venture Exchange. The options are non-transferable

Outstanding options may be adjusted by the Board in certain events, as to exercise price and number of common shares, to prevent dilution or enlargement. The Company has reserved a total of 17,513,828 stock options to be granted under the Plan of which there are 10,318,521 options available at August 31, 2019.

The following summarizes the director, officer and consultant stock options that have been granted, exercised, expired or cancelled during the period May 31, 2018 to August 31, 2019:

	Number of Options	Weighted Average Exercise Price ($)
Balance - May 31, 2018	13,990,614	0.05
Exercised October 16, 2018	(500,000)	0.05
Exercised December 20, 2018	(2,995,307)	0.05
Expired or cancelled	(3,300,000)	(0.05)
Balance - May 31, 2019 and August 31, 2019	7,195,307	0.05

The following table summarizes information on stock options outstanding at August 31, 2019:

(in Canadian dollars)

c) Stock option plan (continued):

	Number of Options		
Exercise Price	**Vested**	**Total**	**Expiry**
0.05	1,600,000	1,600,000	February 4, 2021
0.05	600,000	600,000	March 16, 2021
0.05	1,000,000	1,000,000	December 20, 2022
0.05	3,995,307	3,995,307	April 12, 2023
	7,195,307	7,195,307	

d) Restricted Stock Unit Plan

On April 12, 2018, the Company granted 11,009,386 Restricted Stock Units (“RSU”) to directors, officers and employees. As the RSU vest, the Company must within 30 days issue one common share for each RSU. In June 2019, 9,509,386 RSU’s were surrendered unissued to the Company.

10. LEASE LIABILITY AND RIGHT-OF-USE ASSET:

The Company has a lease for its office premises until April 30, 2023. The associated lease liability and right-of-use asset information is summarized below.

	August 31, 2019	May 31, 2019
Right-of-use asset		
Recognized upon adoption of IFRS 16	$ 136,105	$ -
Less: depreciation	7,851	-
	$ 128,254	$ -
Lease liability		
Lease liability	$ 128,254	$ -
Less: current portion	37,959	-
	$ 90,295	$ -

11. BASIC AND DILUTED NET LOSS PER SHARE:

Basic loss per share has been calculated by dividing the net loss per financial statements by the weighted average number of shares outstanding during the period including any restricted shares issued that have vested. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants, options and RSUs of the Company. As the Company is in a loss position for the three months ended August 31, 2019 the inclusion of options, warrants and RSUs would be anti- dilutive.

12. COMMITMENTS:

On December 12, 2017, the Company entered into management services agreement with Hooper Mining Services to provide management services at a fee of USD 40,000 per month.

13. SUBSEQUENT EVENTS:

Subsequent to August 31, 2019 the Company received net proceeds of $146,000 from the sale of a Newfoundland commercial property held at Nil Net Book Value.