

M2 Cobalt Corp.
(formerly Accend Capital Corporation)

Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

September 30, 2018

**NOTICE OF NO AUDITORS' REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

M2 Cobalt Corp.
(formerly Accend Capital Corporation)
Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian dollars
Unaudited
As at

	September 30, 2018	December 31, 2017
	\$	\$
Assets		
Current assets		
Cash	2,957,597	3,554,620
GST receivables	122,031	32,614
Prepays (Note 5)	241,192	6,880
Promissory note receivable (Note 6)	37,512	-
Total current assets	3,358,332	3,594,114
Exploration and evaluation assets (Note 7)	14,828,808	604,483
Total assets	18,187,140	4,198,597
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	270,742	98,670
Amounts due to related parties (Note 9)	103,620	130,969
Total liabilities	374,362	229,639
Shareholders' equity		
Share capital (Note 8)	21,231,593	3,102,589
Share subscription received in advance (Note 8)	-	2,031,500
Reserves (Note 8)	2,438,185	482,802
Deficit	(5,857,000)	(1,647,933)
Total shareholders' equity	17,812,778	3,968,958
Total liabilities and shareholders' equity	18,187,140	4,198,597

Basis of preparation (Note 2)

Events subsequent to the reporting period (Note 14)

On behalf of the Board:

Signed: "Andy Edelmeier" Director Signed: "Simon Clarke" Director

M2 Cobalt Corp.
(formerly Accend Capital Corporation)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

Unaudited

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
General and administrative expenses				
Accounting and auditing	4,760	1,250	27,290	12,765
Consulting	12,000	-	33,000	12,500
Corporate communications	123,277	-	1,460,223	-
Foreign exchange gain	11,660	-	(1,538)	-
Legal fees	2,482	16,292	61,757	54,200
Management fees (Note 9)	164,000	-	446,500	-
Office and miscellaneous	16,157	4,069	60,256	4,752
Rent (Note 9)	18,816	1,350	56,773	4,050
Registration and filing fees	8,369	25,983	48,578	39,644
Share-based compensation (Note 8)	-	-	1,683,324	-
Transfer agent and shareholder costs	9,067	-	28,752	-
Travel and related	83,425	1,011	304,152	15,031
Total general and administrative expenses	(454,013)	(49,955)	(4,209,067)	(142,942)
Loss and comprehensive loss	(454,013)	(49,955)	(4,209,067)	(142,942)
Basic and diluted loss per share	(0.00)	(0.00)	(0.07)	(0.02)
Weighted average number of common shares outstanding	63,019,995	13,450,000	60,322,193	7,647,802

M2 Cobalt Corp.
(formerly Accend Capital Corporation)
Condensed Interim Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
Unaudited

Share Capital						
	Number of Shares	Amount	Share subscriptions received in advance	Reserves	Deficit	Total
		\$	\$	\$	\$	\$
Balance, December 31, 2016	2,825,000	474,995	-	59,610	(533,848)	757
Shares issued in private placements	12,000,000	600,000	-	-	-	600,000
Share subscription received in advance	-	-	370,000	-	-	370,000
Loss for the period	-	-	-	-	(142,942)	(142,942)
Balance, September 30, 2017	14,825,000	1,074,995	370,000	59,610	(676,790)	827,815
Shares issued in private placements	10,000,000	2,000,000	-	-	-	2,000,000
Share issuance costs	-	(22,406)	-	-	-	(22,406)
Share subscription received in advance	-	-	1,661,500	-	-	1,661,500
Shares issued for properties	250,000	50,000	-	-	-	50,000
Share-based compensation	-	-	-	423,192	-	423,192
Loss for the period	-	-	-	-	(971,143)	(971,143)
Balance, December 31, 2017	25,075,000	3,102,589	2,031,500	482,802	(1,647,933)	3,968,958
Shares issued in private placements	17,000,000	8,500,000	(2,031,500)	-	-	6,468,500
Share issuance costs	-	(738,994)	-	272,059	-	(466,935)
Exercise of warrants	1,045,000	418,000	-	-	-	418,000
Shares issued for properties	19,899,995	9,949,998	-	-	-	9,949,998
Share-based compensation	-	-	-	1,683,324	-	1,683,324
Loss for the period	-	-	-	-	(4,209,067)	(4,209,067)
Balance, September 30, 2018	63,019,995	21,231,593	-	2,438,185	(5,857,000)	17,812,778

M2 Cobalt Corp.
(formerly Accend Capital Corporation)

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

Unaudited

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
Cash provided by (used in):		
Operating activities		
Loss for the period	(4,209,067)	(142,942)
Non-cash item:		
Share-based compensation	1,683,324	-
Changes in non-cash working capital:		
GST receivable	(89,417)	(5,664)
Prepays	(219,481)	-
Accounts payable and accrued liabilities	(5,839)	(2,542)
Due to related parties	(113,925)	(1,199)
Total cash used in operating activities	(2,954,405)	(152,347)
Investing activities		
Acquisition of exploration and evaluation assets	(1,050,000)	(49,000)
Expenses incurred on exploration and evaluation assets	(2,974,671)	-
Total cash used in investing activities	(4,024,671)	(49,000)
Financing activities		
Proceeds from issuance of shares	6,886,500	600,000
Share subscription received in advance	-	370,000
Share issuance costs	(466,935)	-
Loan advances	(135,252)	-
Loan repayment received	97,740	-
Total cash provided by financing activities	6,382,053	970,000
Increase in cash	(597,023)	768,653
Cash, beginning of the period	3,554,620	7,224
Cash, end of the period	2,957,597	775,877

Supplemental disclosure with respect to cash flows (Note 13)

M2 Cobalt Corp. (formerly Accend Capital Corporation)

Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

1. NATURE OF OPERATIONS

M2 Cobalt Corp. (formerly Accend Capital Corporation) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on December 3, 2007 and was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. Effective October 12, 2017, the Company completed its “Qualifying Transaction” whereby it acquired the Silverside Cobalt Property. As a result of completing its Qualifying Transaction, the Company was no longer a CPC. Effective November 29, 2017, the Company changed its name to M2 Cobalt Corp.

The Company’s head office and its registered and records office is located at Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3.

The Company is currently engaged in the business of exploration and development of cobalt properties in Canada and Uganda. The underlying value of mineral properties is dependent upon the ability of the Company to complete exploration and development and the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the Company’s mineral properties. The Company presently considers itself to be an exploration stage company.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 18, 2018.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and therefore, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

Basis of consolidation

These consolidated financial statements include the balances and results of the Company and those entities over which the Company exercises control:

Subsidiary	Jurisdiction	Nature of business	Direct or Indirect Ownership as of September 30, 2018	Direct or Indirect Ownership as of December 31, 2017
Millennial Holding Corp.	BC, Canada	Asset holding company	100%	100%
1126302 B.C. Limited	BC, Canada	Asset holding company	100%	N/A
Eurasian Capital Limited	Uganda	Asset holding company	100%	N/A

M2 Cobalt Corp. **(formerly Accend Capital Corporation)**

Notes to the Condensed Interim Consolidated Financial Statements

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For the nine months ended September 30, 2018

2. BASIS OF PREPARATION (continued)

Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

All transactions between consolidated entities are eliminated in the consolidation of these financial statements.

Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Certain comparative figures have been reclassified to conform to the current period's presentation.

Functional and foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

Transactions in currencies other than the functional currency of an entity are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated. Foreign exchange gains and losses are charged to profit and loss.

Continuance of operations

These consolidated financial statements have been prepared in accordance with IFRS on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has no source of revenue. Its ability to continue as a going concern in the long term depends upon whether it develops profitable operations and continues to raise adequate financing. As of September 30, 2018, the Company had working capital of \$2,983,970 and an accumulated deficit of \$5,857,000.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used. Such adjustments could be material. Management has assessed and concluded that the Company has the ability to continue as a going concern for at least the next twelve months from the statement of financial position date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions 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.

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Notes to the Condensed Interim Consolidated Financial Statements

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For the nine months ended September 30, 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) Exploration and evaluation assets - mineral properties
The application of the Company's accounting policy for mineral properties requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.
- b) Title to mineral property interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- c) Share-based payment transactions
Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.
- d) Income taxes
Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES

These Condensed Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2017.

Adoption of new accounting policies

The Company adopted IFRS 9, Financial Instruments ("IFRS 9"), on January 1, 2018.

IFRS 9, Financial instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the Company's interim consolidated financial statements and the new accounting policy was defined as follows:

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Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

For the nine months ended September 30, 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets comprise cash, GST receivable and promissory note receivable, which are all at amortized cost.

Financial liabilities

The Company's liabilities include accounts payable and accrued liabilities and due to related parties which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For GST receivables and promissory note receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2018 reporting period. These standards have been assessed to not have a significant impact on the Company's financial statements:

(a) IFRS 16, Leases

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

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Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

5. PREPAIDS

The items comprising the Company's prepaids are summarized below:

	September 30, 2018	December 31, 2017
	\$	\$
Prepaid insurance	2,846	6,880
Prepaid corporate communication fees	213,194	-
Other prepaids	25,152	-
Total prepaids	241,192	6,880

6. PROMISORY NOTES RECEIVABLE

During the nine months ended September 30, 2018, the Company advanced US\$105,000 (\$135,252) to an arm's length party. The promissory note has no interest and is receivable on demand. In April 2018, the Company received US\$75,000 repayment of the promissory note.

As of September 30, 2018, the Company has a promissory note of \$37,512 (US\$30,000).

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Notes to the Condensed Interim Consolidated Financial Statements

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For the nine months ended September 30, 2018

7. EXPLORATION AND EVALUATION ASSETS

During the nine months ended September 30, 2018, the additions on exploration and evaluation assets of the Company were as follows:

	Silverside Cobalt Property	Uganda Properties	Total
Acquisition costs, December 31, 2016	\$ -	\$ -	\$ -
Acquisition – cash	100,000	200,000	300,000
Acquisition – shares	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total acquisition costs, December 31, 2017	150,000	200,000	350,000
Additions during the period:			
Acquisition – cash	150,000	900,000	1,050,000
Acquisition – shares	<u>100,000</u>	<u>9,849,998</u>	<u>9,949,998</u>
Total acquisition costs, September 30, 2018	<u>400,000</u>	<u>10,949,998</u>	<u>11,349,998</u>
Total deferred exploration costs, December 31, 2016	-	-	-
Additions during the period:			
Reports	26,600	41,920	68,520
Field personnel and supplies	-	10,963	10,963
Geological consulting	<u>160,000</u>	<u>15,000</u>	<u>175,000</u>
Total deferred exploration costs, December 31, 2017	186,600	67,883	254,483
Additions during the period:			
Assays	-	320,408	320,408
Airborne survey	-	518,467	518,467
Camp costs	-	244,892	244,892
Community campaign	-	119,718	119,718
Drilling	-	204,440	204,440
Equipment and rental	-	328,110	328,110
Field personnel and supplies	-	680,322	680,322
Geological	5,369	73,344	78,713
Geophysics	-	18,485	18,485
Maintenance and management (Note 9)	-	476,232	476,232
Permits and licenses	-	76,177	76,177
Travel and related	<u>-</u>	<u>158,363</u>	<u>158,363</u>
Total deferred exploration costs, September 30, 2018	<u>191,969</u>	<u>3,286,841</u>	<u>3,478,810</u>
Total exploration and evaluation assets, September 30, 2018	\$ <u>591,969</u>	\$ <u>14,236,839</u>	\$ <u>14,828,808</u>

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Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

7. EXPLORATION AND EVALUATION ASSETS (continued)

Silverside Cobalt Property

On May 25, 2017, the Company entered into a Property Acquisition Agreement with Gino Chitaroni and Caamo Capital Corp. (the “Vendors”), pursuant to which the Company proposed to acquire a series of four mineral claims located in Lundy Township in the Province of Ontario (the “Silverside Cobalt Property”). In consideration, the Company agreed to:

- (i) pay cash of \$75,000 (paid) to the Vendors and incur \$125,000 of exploration expenditures on the property; and
- (ii) issue 200,000 common shares to the Vendors (issued and valued at \$40,000).

The Silverside Cobalt Property will remain subject to a 2% net milling returns royalty, one-half of which may be purchased by the Company in consideration for a cash payment of \$1,000,000.

On May 31, 2017, the Company entered into a Property Option Agreement with the Vendors, pursuant to which the Company was granted the right to acquire a series of eleven mineral claims located in Lundy Township in the Province of Ontario in the immediate vicinity of the Silverside Cobalt Property. In order to exercise this right and acquire the claims, the Company is required to complete:

- (i) an initial cash payment of \$25,000 (paid);
- (ii) issue 50,000 common shares (issued and valued at \$10,000) to the Vendors within five business days of the issuance of the Final Exchange Bulletin; and
- (iii) complete a further cash payment of \$150,000 (paid) and issue a further 200,000 common shares (issued and valued at \$100,000) within ninety days of the issuance of the Final Exchange Bulletin.

The Company incorporated a subsidiary, Millennial Holding Corp., on June 2, 2017 to hold the Silverside Cobalt Property.

Uganda Properties

On November 27, 2017, the Company entered into a series of definitive purchase agreements (collectively, the “Definitive Agreements”) with:

- 1) 1126302 B.C. Limited (“1126302”), the shareholders of 1126302, and its subsidiary Eurasian Capital Limited (“Eurasian”);
- 2) 0972697 B.C. Limited (“0972697”) and its subsidiary Beta Minerals Limited (“Beta”); and
- 3) Manuforty Holding Company Limited (“Manuforty”) and Intrepid Minerals Limited (“Intrepid”).

The assets consist of seven exploration licenses in the Republic of Uganda (the “Uganda Properties”). The Uganda Properties will remain subject to a 2% net milling returns royalty. The royalty will be freely assignable.

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Notes to the Condensed Interim Consolidated Financial Statements

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For the nine months ended September 30, 2018

7. EXPLORATION AND EVALUATION ASSETS (continued)

In consideration for the acquisition of the Uganda Properties, the Company made the following payments:

Parent Company	Subsidiary Company	Exploration License numbers	Consideration
1126302	Eurasian	EL1666/1682/1683	19,699,995 common shares of the Company (issued and valued at \$9,849,998). Certain resale restrictions are applied to those shares.
0972697	Beta	EL1673/1674/1686	1) \$200,000 in cash upon the entering of the agreement (paid); 2) \$350,000 upon closing of the transaction (paid); 3) \$250,000 in cash upon the earlier of the date on which the Company completing a financing with no less than \$4,000,000 and January 1, 2019 (paid); 4) \$250,000 in cash upon the earlier of the date on which the Company completing financings with aggregate proceeds no less than \$5,000,000 and January 1, 2019 (paid).
Manuforty	Intrepid	EL1665	\$50,000 in cash at the closing of the Transaction (paid).

The Company purchased from the shareholders of 1126302, 100% of the outstanding shares of 1126302, together with its Uganda subsidiary, Eurasian, and the three exploration licenses Eurasian holds. Beta and Intrepid will transfer their exploration licenses to Eurasian after the closing of the transaction.

8. SHAREHOLDERS' EQUITY

Share capital

Authorized

- Unlimited number of common voting shares with no par value.

Issued and outstanding

As of September 30, 2018, the Company has 63,019,995 (December 31, 2017 - 25,075,000) common shares outstanding, of which 10,031,250 (December 31, 2017 - 12,037,500) common shares are held in escrow.

During the nine months ended September 30, 2018:

a) In January 2018, the Company completed a non-brokered private placement of 17,000,000 units (each, a "Unit") at a price of \$0.50 per unit for gross proceeds of \$8,500,000, of which \$2,031,500 was received as of December 31, 2017. Each Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant. Each whole warrant entitles the holder to acquire a further common share of the Company at a price of \$0.80 per share for period of 24 months, subject to accelerated expiry in the event the common shares of the Company trade on the Exchange at a price of \$1.40 or higher for ten consecutive trading days.

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8. SHAREHOLDERS' EQUITY (continued)

Share capital (continued)

The Company paid \$434,435 of finders' fees and issued 867,012 finders' warrants valued at \$272,059. The Company also paid TSX-V filing fees of \$32,500.

The fair value of the Agent's warrants has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	1.24%
Annual dividends	-
Expected stock price volatility	150%
Expected life	2 years

b) The Company issued 200,000 shares, valued at \$100,000, to acquire the Silverside Cobalt Property and 19,699,995 shares, valued at \$9,849,998, to acquire the Uganda Properties (Note 7);

c) During the nine months ended September 30, 2018, 1,045,000 warrants were exercised for total proceeds of \$418,000.

During the year ended December 31, 2017:

a) In October 2017, the Company completed a non-brokered private placement of 10,000,000 units at a price of \$0.20 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share of the Company, and one-half-of-one common share purchase warrant. Each whole warrant entitles the holder to acquire a further common share of the Company at a price of \$0.40 per share for a period of 24 months, subject to accelerated expiry in the event the common shares of the Company trade on the Exchange at a price of \$0.75 or higher for ten consecutive trading days. No residual value was assigned to the warrant component of the units.

b) In March 2017, the Company closed a private placement of 12,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$600,000. The common shares issued pursuant to the private placement will be held in escrow and released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin following the closing approval of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed common shares may not be transferred, assigned or otherwise dealt with without the consent of the parties to the escrow agreement.

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On June 29, 2018, 375,000 stock options were granted to consultants with an exercise price of \$0.34 expiring on June 29, 2021, vesting immediately. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted was \$83,140 (\$0.22 per option).

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8. SHAREHOLDERS' EQUITY (continued)

Stock options (continued)

On March 22, 2018, 200,000 stock options were granted to a consultant with an exercise price of \$0.63 expiring on March 22, 2021, vesting immediately. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted was \$91,777 (\$0.46 per option).

On January 23, 2018, 3,150,000 stock options were granted to directors, officers and consultants with an exercise price of \$0.50 expiring on January 23, 2023, vesting immediately. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted was \$1,508,407 (\$0.48 per option).

On October 12, 2017, 2,507,500 share options were granted to directors, officers and consultants with an exercise price of \$0.20 expiring on October 12, 2022, vesting immediately, The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted was \$423,192 (\$0.17 per option).

The fair value of the stock options granted was determined using the following assumptions:

Weighted average assumptions	Nine months ended September 30, 2018	Year ended December 31, 2017
Risk free interest rate	1.75%	1.53%
Volatility	167.42%	125%
Expected life of options	4.69 years	5 years
Dividend rate	0%	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	-	\$ -
Granted	<u>2,507,500</u>	<u>0.20</u>
Balance, at December 31, 2017	2,507,500	\$ 0.20
Granted	<u>3,725,000</u>	<u>0.49</u>
Balance, at September 30, 2018	<u>6,232,500</u>	<u>\$ 0.37</u>

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8. SHAREHOLDERS' EQUITY (continued)

Stock options (continued)

As at September 30, 2018, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
2,507,500	\$ 0.20	September 5, 2022
3,150,000	\$ 0.50	January 23, 2023
200,000	\$ 0.63	March 22, 2021
375,000	\$ 0.34	June 29, 2021

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	-	\$ -
Issued	5,000,000	0.40
Balance, at December 31, 2017	5,000,000	\$ 0.40
Issued	9,367,012	0.80
Exercised	(1,045,000)	0.40
Balance, at September 30, 2018	13,322,012	\$ 0.68

As at September 30, 2018, the following warrants are outstanding:

Number of Options	Exercise Price	Expiry Date
3,955,000	\$ 0.40	October 4, 2019
9,367,012	\$ 0.80	January 18, 2020

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9. RELATED PARTY TRANSACTIONS

- a) During the nine months ended September 30, 2018, the Company paid or accrued management fees of \$136,500 (2017 - \$Nil) to a company controlled by the VP Operations. As of September 30, 2018, \$10,440 (December 31, 2017 - \$42,000) was owed to the company controlled by the VP Operations.
- b) During the nine months ended September 30, 2018, the Company paid or accrued property management, exploration expenses and maintenance fees of \$349,232 (2017 - Nil) to another company controlled by the VP Operations. As of September 30, 2018, \$86,576 (December 31, 2017 - \$Nil) was owed to the company controlled by the VP Operations for exploration expenses in Uganda.
- c) During the nine months ended September 30, 2018, the Company paid or accrued management fees of \$160,500 (2017 - \$Nil) to a company controlled by the CEO. As of September 30, 2018, \$Nil (December 31, 2017 - \$42,000) was owing to the company controlled by the CEO.
- d) During the nine months ended September 30, 2018, the Company paid or accrued management fees of \$129,500 (2017- \$Nil) and rent of \$Nil (2017 - \$2,700) to a company controlled by the CFO. As of September 30, 2018, \$Nil (December 31, 2017 - \$42,000) was owed to the company controlled by the CFO.
- e) During the nine months ended September 30, 2018, the Company paid or accrued property management and maintenance fees of \$127,000 (2017 – Nil) to the Director of East Africa Operations. As of September 30, 2018, the Company advanced October management fee of \$14,831 (December 31, 2017 – Nil) to the Director of East Africa Operations.
- f) During the nine months ended September 30, 2018, the Company paid or accrued rent of \$54,000 (2017- \$Nil) to a company that is connected with common directors and officers. As of September 30, 2018, \$6,579 (December 31, 2017 - \$4,400) was owing to the company with common directors and officers.
- g) During the nine months ended September 30, 2018, the Company paid \$20,000 (2017 - \$Nil) to a director which is recorded as management fees.
- h) During the nine months ended September 30, 2018, the Company granted 3,725,000 stock options (2017 - Nil), of which 2,025,000 (2017 - Nil) was granted to directors and officers of the Company, which are valued at \$969,690.

10. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders' equity. The Company's objectives in managing capital are to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders. To meet these objectives, the Company will ensure it has sufficient cash resources and financial flexibility to pursue future acquisition, exploration and development of mineral properties, and fund potential business acquisitions.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the exploration and development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

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11. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT

The Company's financial liabilities, accounts payable and accrued liabilities, and other payables, are measured at amortized cost. Its financial assets, GST and promissory note receivables, are also measured at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in these currencies. A change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows. However, as the Company does not maintain significant cash balances in foreign currencies and settles any transactions in foreign currencies quickly, its exposure to currency risk is considered insignificant as at September 30, 2018 and December 31, 2017.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is limited to its cash. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2018, the Company had a cash balance of \$2,957,597 to settle current liabilities of \$374,362. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risks is insignificant.

Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices.

12. SEGMENTED INFORMATION

The Company's operations are substantially all related to mineral exploration and development activities, with all mineral property interests and administrative activities currently located in Canada and the Republic of Uganda (Note 7).

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the nine months ended September 30, 2018 included:

- a) issuance of 19,899,995 shares, valued at \$9,949,998, to acquire the Silverside Cobalt Property and Uganda Properties (Note 7);
- b) issuance of 867,012 of finders' warrants valued at \$272,009 (Note 8);
- c) there were \$177,911 of accounts payable and accrued liabilities and \$86,576 of amounts due to related parties included in the exploration and evaluation assets as of September 30, 2018.

There were no significant non-cash transactions during the nine months ended September 30, 2017.

14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On October 17, 2018, the Company, through its wholly-owned subsidiary in Uganda, Eurasian Minerals Ltd., entered into a definitive purchase agreement (the "Agreement") with Olympic Minerals Ltd. ("Olympic"), an Uganda incorporated company, to acquire four exploration licenses ("ELs") in the Republic of Uganda. The ELs acquired are contiguous with, or located in close proximity to, the areas that Company's existing Kilembe and Bujagali exploration licenses presently covers.

In consideration, the Company will:

- Pay USD \$150,000 and issue 350,000 common shares of the Company upon the approval of the TSX-V;
- Pay USD \$400,000 and issue 450,000 common shares on the earlier of May 31, 2019, or when the Company raises a minimum of \$3 million from an offering of equity securities.

Completion of the acquisition was subject to a number of conditions, including approval of the TSX Venture Exchange and certain other closing conditions as are customary in transactions of this nature. The acquisition was approved by the TSX Venture Exchange and closed on October 25, 2018.