
PRIMARY COBALT CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For the Years Ended

December 31, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Primary Cobalt Corp.

We have audited the accompanying financial statements of Primary Cobalt Corp. which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Primary Cobalt Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Primary Cobalt Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 30, 2018

PRIMARY COBALT CORP.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
		\$	\$
ASSETS			
Current Assets			
Cash		40,125	–
Amounts receivable		4,498	13,924
Prepaid expenses		30,000	–
		74,623	13,924
Deferred Financing Costs	4	10,000	–
Mineral Property Interests	6	251,489	–
		336,112	13,924
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		8,025	–
Due to related party	5	–	142
		8,025	142
SHAREHOLDERS' EQUITY			
Share capital	7	541,701	85,001
Deficit		(213,614)	(71,219)
		328,087	13,782
		336,112	13,924
NATURE AND CONTINUANCE OF OPERATIONS	1		
COMMITMENTS	6 & 11		
SUBSEQUENT EVENTS	12		

Approved on behalf of the Board:

"Patrick Morris"
Patrick Morris, CEO, Director

"H. Barry Hemsworth"
H. Barry Hemsworth, Director

PRIMARY COBALT CORP.*(An Exploration Stage Company)***STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016***(Expressed in Canadian Dollars)*

	Note	2017	2016
		\$	\$
Expenses			
Consulting fees	5	73,750	–
Professional fees		42,158	–
Rent	5	10,500	–
Filing fees		9,528	–
Travel and promotion		6,036	–
Office and miscellaneous		1,483	–
Project development fees		–	5,904
		(143,455)	(5,904)
Other			
Interest income		1,060	–
Net loss and comprehensive loss		(142,395)	(5,904)
Loss per share, Basic and Diluted		(0.01)	(0.00)*
Weighted average common shares outstanding		9,838,215	5,729,316

* Denotes a loss of less than \$(0.01) per share.

PRIMARY COBALT CORP.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	Shares Issued	Amount \$	Accumulated Deficit \$	Total \$
Balance, December 31, 2015		5,675,001	78,501	(65,315)	13,186
Shares issued for debt	7	325,000	6,500	–	6,500
Comprehensive loss		–	–	(5,904)	(5,904)
Balance, December 31, 2016		6,000,001	85,001	(71,219)	13,782
Shares issued for cash	7	8,360,000	418,000	–	418,000
Share issue costs	7	–	(23,800)	–	(23,800)
Shares issued for mineral property	6, 7	1,250,000	62,500	–	62,500
Comprehensive loss		–	–	(142,395)	(142,395)
Balance, December 31, 2017		15,610,001	541,701	(213,614)	328,087

The accompanying notes are an integral part of these financial statements

PRIMARY COBALT CORP.*(An Exploration Stage Company)***STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016***(Expressed in Canadian Dollars)*

	Note	2017	2016
		\$	\$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss		(142,395)	(5,904)
Changes in non-cash working capital balances:			
Amounts receivable		9,426	(118)
Prepaid expenses		(30,000)	–
Accounts payable and accrued liabilities		5,500	–
Due to related parties		(142)	6,022
Cash used in operating activities		(157,611)	–
INVESTING ACTIVITIES			
Acquisition costs	6	(50,000)	–
Exploration and evaluation costs	6	(136,464)	–
Cash used in investing activities		(186,464)	–
FINANCING ACTIVITIES			
Deferred financing costs	4	(10,000)	–
Shares issued for cash, net	7	394,200	–
Cash provided by financing activities		384,200	–
Increase in cash		40,125	–
Cash, beginning		–	–
Cash, ending		40,125	–
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest		–	–
Cash paid for income taxes		–	–
NON CASH FLOW TRANSACTION INFORMATION:			
Shares issued for debt settlement	5, 7	–	6,500
Shares issued for mineral property	6, 7	62,500	–

For the supplemental disclosures for non-cash investing and financing transactions, see Notes 5, 6 and 7.

PRIMARY COBALT CORP.

(An Exploration Stage Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Primary Cobalt Corp. (the "Company") was incorporated as Media Link Technology Corporation under the Laws of the Province of British Columbia on July 15, 2010. On January 19, 2011, the Company changed its name to Media Cloud Systems Inc. On September 14, 2016, the Company changed its name from Media Cloud Systems Inc. to Bego Advanced Materials Inc. On January 26, 2017, the Company changed its name to Primary Cobalt Corp. The address of the Company's corporate office and its principal place of business is 430-580 Hornby Street, Vancouver, British Columbia, Canada.

The Company began operations on July 15, 2010 and its principal business activity was software development. As of December 31, 2011, the Company ceased the software development business and began looking for a new business and financing. On March 31, 2017, the Company entered into a mineral property purchase option agreement. As of December 31, 2017, the Company's principal business activity is the acquisition, exploration and development of mineral properties in British Columbia, and is an exploration stage company.

The Company has never generated revenue or positive cash flows from operations. For the year ended December 31, 2017, the Company reported a net loss of \$142,395 (2016 - \$5,904), negative cash flow from operating activities of \$157,611 (2016 - \$Nil) and has an accumulated deficit of \$213,614. This raises significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. BASIS OF PRESENTATION**a) Statement of compliance**

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

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2018.

b) Measurement basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3 paragraphs (m) and (n) to the Company's financial statements. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company is the Canadian dollar.

PRIMARY COBALT CORP.

(An Exploration Stage Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Use of estimates**

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the amount of impairment on mineral property interests, assumptions used in the calculation of share-based payments, and amount to be recognized on deferred income tax assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future period.

b) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. The more significant areas where management judgement has been applied are going concern and impairment of mineral property interests.

c) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**e) Mineral properties**

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims, are capitalized as mineral property interests and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. When shares are issued as part of mineral property acquisition and exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of the mineral properties acquired or services received is determinable.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are offset for impairment and reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that expenditures on a development are unlikely to be recovered.

The recoverability of mineral property interests and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amounts of properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**f) Decommissioning liabilities**

These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Government assistance

British Columbia mining exploration tax credits for exploration expenditures incurred in British Columbia, Canada are treated as a reduction of the exploration and development costs of the respective mineral property. Until such time that there is certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

i) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**k) Income tax**

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the statement of financial position date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities are expected to reverse using tax rates and laws enacted or substantively enacted which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

l) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price on the day the shares are issued. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income or deferred tax expense as the Company incurs qualifying Canadian exploration expenses.

In instances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are issued and any residual value is allocated to the warrants reserve based on the fair value of the warrant at the time of issuance. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

PRIMARY COBALT CORP.

(An Exploration Stage Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**m) Financial assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company has not classified any financial assets as loans and receivables, held to maturity or available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

n) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and due to related party are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has not classified any financial liabilities as FVTPL.

PRIMARY COBALT CORP.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**o) New accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVOTCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 - Revenue from Contracts with Customers - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Standard effective for annual periods beginning on or after January 1, 2019

IFRS 16 – Leases - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16.

The Company does not expect that there will be significant impact to the financial statements from adoption of these standards and interpretations by the Company.

PRIMARY COBALT CORP.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

4. DEFERRED FINANCING COSTS

Pursuant to a letter agreement dated October 31, 2017, the Company has engaged Haywood Securities Inc. (the "Agent") as its agent for the Company's initial public offering of 4,000,000 common shares at \$0.10 per share for a total gross proceeds of \$400,000 (the "Offering"). The Company agreed to pay to the Agent a commission of 10% of the gross proceeds from the Offering, a non-refundable corporation finance fee of \$30,000 in cash and \$10,000 to be paid by issuance of 100,000 common shares of the Company, and agent warrants to acquire 10% of the total number of common shares sold at an exercise price of \$0.10 per share expiring 24 months from the closing date of the Offering, and reimbursement of various professional expenses relating to the Offering. At December 31, 2017, the Company has paid a deposit of \$10,000 to the Agent.

The Offering is subject to filing and obtaining a receipt for a final prospectus and listing on the Canadian Securities Exchange (See Note 12 (d)).

5. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions are incurred in the normal course of business at their exchange value.

Amounts due to related party are non-interest bearing, unsecured, and with no fixed repayment terms.

During the years ended December 31, 2017 and 2016, the Company incurred the following related party transactions:

	2017	2016
	\$	\$
Transactions:		
Consulting fees:		
Chief Executive Officer	60,000	–
Former Chief Financial Officer	5,500	–
Rent and occupancy costs paid to a company controlled by a director	10,500	–
Advances received:		
Director	–	6,022
Shares issued for debt settlement:		
Director (Note 7 (b))	–	6,500
Balances:		
Due to related party:		
Director	–	142

The Company has identified its directors and senior officers as its key management personnel. For the year ended December 31, 2017, the Company paid consulting fees of \$65,500 (2016 - \$Nil) and rent of \$10,500 (2016 - \$Nil) to these directors and key management personnel. There were no other post-employment benefits, long-term benefits and termination benefits incurred during the years ended December 31, 2017 and 2016.

PRIMARY COBALT CORP.*(An Exploration Stage Company)***NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016***(Expressed in Canadian Dollars)*

6. MINERAL PROPERTY INTERESTS

Rocher Déboulé Claims, British Columbia

On March 31, 2017, the Company entered into a property purchase option agreement (the "RD Agreement") to acquire an undivided 100% interest in four contiguous mineral claims, comprised of approximately 5,827 hectares, located in northwest British Columbia. The property purchase agreement requires payment of \$50,000, and issuance of the greater of 1,500,000 common shares or 9.9% of the issued and outstanding common shares of the Company as at the completion of Phase II work, and not later than September 30, 2018, and incurring exploration expenditures of \$180,000 as follows:

	Share Issuance	Cash Payment	Exploration Expenditures
		\$	\$
On signing memorandum of understanding (paid)	–	30,000	–
On first day of execution of Agreement (paid)	–	20,000	–
On or before May 31, 2017 (issued)	1,000,000	–	–
On or before September 30, 2017 (issued)	250,000	–	75,000
On or before September 30, 2018 (Note)	250,000	–	105,000
	1,500,000	50,000	180,000

Note: In addition, on completion of the \$105,000 exploration expenditures, the Company will issue additional shares to the Optionor so that aggregate number of common shares issued to the Optionor will not be less than 9.9% of the total issued and outstanding common shares of the Company at the time of issuance.

The property is subject to a 2% net smelter return, 1% of which can be purchased by the Company at \$1,000,000.

Mineral properties expenditures accounted for as exploration and evaluation assets during the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
	\$	\$
Acquisition costs		
Balance, beginning	–	–
Cash payment	50,000	–
Shares issued	62,500	–
Balance, ending	112,500	–
Exploration and evaluation costs		
Balance, beginning	–	–
Geological and geophysical	138,989	–
Balance, ending	138,989	–
	251,489	–

The Company staked one additional mineral claim during the year ended December 31, 2017, immediately adjacent to the four mineral claims, approximately 1,504 hectares in size, which is not subject to the RD Agreement.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

7. SHARE CAPITAL**(a) Authorized Share Capital**

The Company is authorized to issue unlimited number of common shares without par value.

(b) Issued and Outstanding Common Shares

	Number of Common Shares	Amount \$
Balance, December 31, 2015	5,675,001	78,501
Shares issued for debt	325,000	6,500
Balance, December 31, 2016	6,000,001	85,001
Issued for cash at \$0.05 per share	8,360,000	418,000
Share issue costs	–	(23,800)
Shares issued for Rocher Déboulé property	1,250,000	62,500
Balance, December 31, 2017	15,610,001	541,701

On October 31, 2016, the Company issued 325,000 common shares at \$0.02 per share for total proceeds of \$6,500. The proceeds were offset against debt.

On May 2, 2017, the Company issued 4,160,000 common shares at \$0.05 per share for total proceeds of \$208,000.

On May 29, 2017, pursuant to property purchase option agreement, the Company issued 1,000,000 common shares valued at \$0.05 per share for a total of \$50,000 (Note 6).

On June 21, 2017, the Company issued 500,000 common shares at \$0.05 per share for total proceeds of \$25,000.

On September 29, 2017, pursuant to property purchase option agreement, the Company issued 250,000 common shares valued at \$0.05 per share for a total of \$12,500 (Note 6).

On November 11, 2017, the Company issued 3,700,000 common shares at \$0.05 per share for total proceeds of \$185,000.

During the year ended December 31, 2017, the Company paid \$23,800 in share issue costs.

(c) Stock Option Plan

The Company has established a stock option plan for directors, officers, employees, and consultants. Under the Company's stock option plan, the exercise price, vesting requirement and term of each option are to be determined by the Board. The option exercise price is not to be lower than the market price of the common shares at the time the options are granted. The term of the options cannot exceed 10 years. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company.

No stock options were issued and outstanding for the years ended December 31, 2016 and 2017.

PRIMARY COBALT CORP.*(An Exploration Stage Company)***NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016***(Expressed in Canadian Dollars)*

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2017	2016
	\$	\$
Combined statutory rate	26%	26%
Expected income tax recovery	(37,023)	(1,535)
Non-deductible expenses and other	(5,423)	768
Tax rate change	(2,121)	–
Deferred tax asset not recognized	44,567	767
Income taxes	–	–

Significant components of the Company's deferred income tax assets not recognized are as follows:

	2017	2016
	\$	\$
Future income tax assets:		
Non-capital loss	52,119	12,693
Share issue costs	5,141	–
Deferred tax assets not recognized	57,260	12,693

No deferred income tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

As at December 31, 2017, the Company has available non-capital losses of approximately \$193,032 (2016 – \$48,821) for deduction against future taxable income. The non-capital losses, if not utilized, will expire as follows:

2030	8,264
2031	25,535
2033	6,630
2034	2,823
2035	2,616
2036	2,952
2037	144,212
	<u>\$ 193,032</u>

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars)

9. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2017, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

10. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	2017	2016
	\$	\$
FVTPL (i)	40,125	–
Other financial liabilities (ii)	8,025	142

(i) Cash

(ii) Accounts payable and due to related party

The Company's financial instruments include cash, accounts payable and due to related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data

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10. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at December 31, 2017:				
Cash	40,125	—	—	40,125
As at December 31, 2016:				
Cash	—	—	—	—

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable and due to related party. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) 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. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. As at December 31, 2017, the Company has \$40,145, which is held at a Canadian chartered bank and the Company considers the credit risk to be minimal.

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and exploration activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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11. COMMITMENTS

- (a) The Company is committed to the payments, share issuances and exploration expenditures in the Rocher Déboulé property, as described in Note 6.
- (b) The Company has entered into an letter agreement with Haywood Securities Inc. for an initial public offering of 4,000,000 common shares at a price of \$0.10 per common share (see Note 4).
- (c) On November 1, 2017, the Company and its shareholders entered into an escrow agreement for escrow arrangement of share offering described in Notes 12(b) and (f).
- (d) On November 9, 2017, the Company authorized the grant of 1,900,000 stock options to directors, officers and consultant effective on the first day of trading on a public exchange (Note 12 (e)).

12. SUBSEQUENT EVENTS

- (a) On January 2, 2018, the Company entered into a service contract with the President of the Company for a monthly remuneration of \$5,000 for 2018.
- (b) On March 7, 2018, the Company's shares were listed on the Canadian Securities Exchange.
- (c) On March 8, 2018, the Company issued 4,600,000 common shares at \$0.10 per share pursuant to private placements for gross proceeds of \$460,000.
- (d) On March 8, 2018, pursuant to the Agent agreement, the Company paid a corporate financing fee of \$30,000, issued 100,000 common shares and issued 460,000 agent warrants. The warrants are exercisable at \$0.10 per common share, expiring on March 7, 2020.
- (e) On March 7, 2018, contemporaneously with the Company's shares being listed on the Canadian Securities Exchange, the 1,900,000 stock options were granted.